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As filed with the Securities and Exchange Commission on October 19, 2011

Reg. No. 333-174887

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 5 TO FORM S-1

REGISTRATION STATEMENT *UNDER THE SECURITIES ACT OF 1933*

GWG HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**26-2222607**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

220 South Sixth Street, Suite 1200 **Minneapolis, Minnesota 55402** **(612) 746-1944** **Fax: (612) 746-0445** (Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	**Jon R. Sabes** **Chief Executive Officer** **220 South Sixth Street, Suite 1200** **Minneapolis, Minnesota 55402** **(612) 746-1944** (Name, address, including zip code, and telephone number, including area code, of agent for service)	*With a copy to:* Paul D. Chestovich, Esq. Martin R. Rosenbaum, Esq. Maslon Edelman Borman & Brand, LLP 3300 Wells Fargo Center Minneapolis, Minnesota 55402 Telephone: (612) 672-8200 Fax: (612) 672-8397

Approximate date of commencement of proposed sale to the public: as soon as practicable after the effective date.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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 ☐ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☒

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Renewable Secured Debentures	$250,000,000	(1)	$ 250,000,000	$ 29,025.00(2)

(1) The Renewable Secured Debentures will be issued in minimum denominations of $25,000 and in $1,000 increments in excess of such minimum amount.
(2) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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A Registration Statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Registration Statement becomes effective.

SUBJECT TO COMPLETION, DATED OCTOBER 19, 2011

Offering Amount $250,000,000

GWG HOLDINGS, INC.

a Delaware corporation

Renewable Secured Debentures

GWG Holdings, Inc., through its subsidiaries, purchases life insurance policies sold in the secondary marketplace. Our objective is to earn returns from the purchased life insurance policies that are greater than the costs necessary to purchase, finance and service those policies to their maturity.

We are offering up to $250,000,000 in Renewable Secured Debentures (the "debentures") in this offering, which we plan to market as our "LifeOffering." This is a continuous offering and there is no minimum amount of debentures that must be sold before we can use any of the proceeds. The proceeds from the sale of the debentures will be paid directly to us following each sale and will not be placed in an escrow account. We will use the net proceeds from the offering of the debentures primarily to purchase and finance additional life insurance policies, and to service and retire other outstanding debt obligations. The minimum investment in debentures is $25,000. Investments in excess of such minimum amount may be made in $1,000 increments. The debentures will be sold with varying maturity terms, interest rates and frequency of interest payments, all as set forth in this prospectus and in supplements published from time to time. Depending on our capital needs and the amount of your investment, debentures with certain terms may not always be available. Although we will periodically establish and change interest rates on unsold debentures offered pursuant to this prospectus, once a debenture is sold, its interest rate will not change during its term (subject, however, to the extension and renewal provisions contained in such debenture). Upon maturity, subject to the terms and conditions described in this prospectus, the debentures will be automatically renewed for the same term at the interest rate we are offering at that time to other investors with similar aggregate debenture portfolios for debentures of the same maturity, unless repaid upon maturity at our or your election.

The debentures are secured by the assets of GWG Holdings, Inc., and a pledge of all of the common stock by our largest shareholders. Obligations under the debentures will also be guaranteed by our subsidiary GWG Life Settlements, LLC, which guarantee will involve the grant of a security interest in all of the assets of such subsidiary. The majority of our life insurance policy assets are held in our subsidiary GWG DLP Funding II, LLC (which is a direct subsidiary of GWG Life Settlements). The policies held by GWG DLP Funding II will not be collateral for obligations under the debentures although the guarantee and collateral provided by GWG Life Settlements will include that company's ownership interest in GWG DLP Funding II. The security offered for the debentures will provide rights as to collateral that are pari passu with the holders of other secured debt previously issued by GWG Life Settlements.

We may prepay the outstanding principal balance and accrued and unpaid interest of any or all of the debentures, in whole or in part, at any time without penalty or premium. Debenture holders will have no right to require us to prepay any debenture prior to the due date unless the request is due to death, bankruptcy or total disability. In the event we agree to prepay a debenture upon the request of a debenture holder (other than after death, bankruptcy or total disability), we will impose a prepayment fee of 6% against the outstanding principal balance of the redeemed debenture. This prepayment fee will be subtracted from the amount paid.

We do not intend to list our debentures on any securities exchange during the offering period, and we do not expect a secondary market in the debentures to develop. As a result, you should not expect to be able to resell your debentures regardless of how we perform. Accordingly, an investment in our debentures is not suitable for investors that require liquidity in advance of their debenture's maturity date.

Investing in our debentures may be considered speculative and involves a high degree of risk, including the risk of losing your entire investment. See "Risk Factors" beginning on page 15 to read about the risks you should consider before buying our debentures. You should carefully consider the risk factors set forth in this prospectus. An investment in our debentures is not suitable for all investors. The debentures are only suitable for persons with substantial financial resources and with no need for liquidity in this investment. See "Suitability Standards" for information on the suitability standards that investors must meet in order to purchase the debentures.

Please read this prospectus before investing and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the SEC. This information will be available free of charge by contacting us at 220 South Sixth Street, Suite 1200, Minneapolis, Minnesota 55402 or by phone at (612) 746-1944 or on our website at www.gwglife.com. The SEC also maintains a website at www.sec.gov that contains such information.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2011

The debentures will be offered and sold on a best-efforts basis by Arque Capital, Ltd., a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"). Arque Capital will be an underwriter of the debentures in this offering for purposes of the Securities Act of 1933. Arque Capital may retain other dealers to act as an agent on its behalf in the course of offering and selling debentures in this offering. We will pay Arque Capital a selling commission ranging from 0.50% to 7.00% of the principal amount of debentures sold, depending on the debentures' maturity date. We will also pay Arque Capital additional underwriting compensation ranging from 1.00% to 3.00% of the principal amount of debentures sold depending on the debentures' maturity date. Such additional underwriting compensation consists of a dealer manager fee, a wholesaling fee (payable only to wholesaling dealers), and an accountable and non-accountable expense allowance. Arque Capital will share its commissions and accountable and non-accountable expense allowance with other dealers who may participate in the offering. The total amount of the selling commissions and additional underwriting compensation paid to Arque Capital and any other FINRA member in the course of offering and selling the debentures will not exceed 8.00% of the aggregate amount of the debentures sold. See "Plan of Distribution" and "Use of Proceeds" for further information.

	Price to Investor	Aggregate Commissions, Allowances, Accountable Due Diligence Expenses (1) (2)	Net Proceeds to Company (3)
Minimum Investment	$ 25,000	$ 2,675	$ 22,325
Offering	$250,000,000	$ 20,250,000	$229,750,000

(1) Assumes an average sales commission of 5.00%, average dealer manager fee of 1.00%, average wholesaling fees of 0.70%, and average accountable and non-accountable expense allowance of 1.00%. As indicated above, actual commissions, fees, and allowances will vary based on a range relating to the term of the debentures sold. Nevertheless, the total amount of selling commissions and additional underwriting compensation (consisting of dealer manager fees, wholesaling fees and accountable and non-accountable expense allowances) paid to the underwriter will not exceed 8.00% of the aggregate principal amount of debentures sold.

(2) Arque Capital has agreed to offer the debentures on a "best efforts" basis.

(3) Net Proceeds to Company are calculated after deducting (i) selling commissions, (ii) additional underwriting compensation (consisting of a dealer manager fee, wholesaling fee, and accountable and non-accountable expense allowance), and (iii) our own issuer offering expenses. We expect that our offering expenses, consisting of legal, accounting, printing, mailing, registration, qualification and associated securities offering filing costs and expenses, will aggregate to approximately $1,000,000.

We will issue the debentures in book-entry or uncertificated form. Subject to certain limited exceptions, you will not receive a certificated security or negotiable instrument that is or represents your debentures. Instead, we will deliver written confirmation to purchasers of debentures. Bank of Utah, National Association, will act as trustee for the debentures.

The initial interest rates for the debentures based on the applicable maturity thereof is set forth in the table below.

Maturity Term	Interest Rate (%)
6 Months	4.75
1 Year	5.50
2 Years	7.00
3 Years	8.00
4 Years	8.50
5 Years	9.00
7 Years	9.50

We may change the interest rates applicable to unsold debentures from time to time during this offering, in which case the applicable interest rates will be set forth in an interest rate (prospectus) supplement to this prospectus. Once a debenture is sold, the interest rate will not change during its term (subject, however, to the extension and renewal provisions contained in such debenture).

IMPORTANT NOTICES TO INVESTORS

Illinois investors:

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE SECURITIES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK.

Michigan investors:

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE CORPORATION AND SECURITIES BUREAU, MICHIGAN DEPARTMENT OF COMMERCE. THE DEPARTMENT HAS NOT UNDERTAKEN TO PASS UPON THE VALUE OF THESE SECURITIES NOR TO MAKE ANY RECOMMENDATIONS AS TO THEIR PURCHASE.

THE USE OF THE PROSPECTUS IS CONDITIONED UPON ITS CONTAINING ALL MATERIAL FACTS AND THAT ALL STATEMENTS CONTAINED THEREIN ARE TRUE AND CAN BE SUBSTANTIATED. THE DEPARTMENT HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.

NO BROKER-DEALER, SALESMAN, AGENT OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, IN CONNECTION WITH THE OFFERING HEREBY MADE, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS OR EFFECTIVE LITERATURE.

THIS IS A BEST EFFORTS OFFERING, AND THE ISSUER RESERVES THE RIGHT TO ACCEPT OR REJECT ANY SUBSCRIPTION AND WILL PROMPTLY NOTIFY THE SUBSCRIBER OF ACCEPTANCE OR REJECTION. THERE IS NO ASSURANCE THAT THIS OFFERING WILL ALL BE SOLD. THERE ARE NO ASSURANCES AS TO WHAT SIZE THE ISSUER MAY REACH.

THERE IS NO ASSURANCE THAT OUR OPERATIONS WILL BE PROFITABLE OR THAT LOSSES WILL NOT OCCUR.

IT IS NOT THE POLICY OF THE ISSUER TO REDEEM THESE SECURITIES.

ANY REPRESENTATIONS CONTRARY TO ANY OF THE FOREGOING SHOULD BE REPORTED FORTHWITH TO THE LANSING OFFICE OF THE BUREAU AT 6546 Mercantile Way, Lansing, Michigan 48909, or TELEPHONE (517) 334-6200.

North Carolina investors:

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

ABOUT THIS PROSPECTUS

We have prepared this prospectus as part of a registration statement that we filed with the SEC, using a continuous offering process. Periodically, as we make material investments or have other material developments, we will provide a prospectus supplement that may add, update or change information contained in this prospectus. We will endeavor to avoid interruptions in the continuous offering of our debentures, including, to the extent permitted under the rules and regulations of the SEC, by filing an amendment to the registration statement with the SEC. There can be no assurance, however, that our continuous offering will not be suspended while the SEC reviews such amendment, until it is declared effective.

Any statement that we make in this prospectus will be modified or superseded by any inconsistent statement made by us in a subsequent prospectus supplement. The registration statement we filed with the SEC includes exhibits that provide more detailed descriptions of the matters discussed in this prospectus. You should read this prospectus and the related exhibits filed with the SEC and any prospectus supplement, together with additional information described below under "Where You Can Find More Information." In this prospectus, we use the term "day" to refer to a calendar day, and we use the term "business day" to refer to any day other than Saturday, Sunday, a legal holiday or a day on which banks in New York City are authorized or required to close.

You should rely only on the information contained in this prospectus. Neither we, nor the dealer manager have authorized any other person to provide you with different information from that contained in this prospectus or information furnished by us upon request as described herein. The information contained in this prospectus is complete and accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or sale of our debentures. This prospectus contains summaries of certain other documents, which summaries contain all material terms of the relevant documents and are believed to be accurate, but reference is hereby made to the full text of the actual documents for complete information concerning the rights and obligations of the parties thereto. Such information necessarily incorporates significant assumptions, as well as factual matters. All documents relating to this offering and related documents and agreements, if readily available to us, will be made available to a prospective investor or its representatives upon request. During the course of this offering and prior to sale, each prospective debenture holder is invited to ask questions of and obtain additional information from us concerning the terms and conditions of this offering, our company, the debentures and any other relevant matters, including but not limited to additional information necessary or desirable to verify the accuracy of the information set forth in this prospectus. We will provide the information to the extent it possesses such information or can obtain it without unreasonable effort or expense. If there is a material change in the affairs of our company, we will amend or supplement this prospectus.

Neither the information contained herein, nor any prior, contemporaneous or subsequent communication should be construed by the prospective investor as legal or tax advice. Each prospective investor should consult its, his or her own legal, tax and financial advisors to ascertain the merits and risks of the transactions described herein prior to purchasing the debentures. This written communication is not intended to be issued as a "reliance opinion" or a "marketed opinion," as defined under Section 10.35 of Circular 230 published by the U.S. Treasury Department, so as to avoid any penalties that could be assessed under the Internal Revenue Code of 1986, as amended (the "Code") or its applicable Treasury Regulations. Accordingly, (a) any information contained in this written communication is not intended to be used, and cannot be used or relied upon for purposes of avoiding any penalties that may be imposed on a prospective investor by the Code or applicable Treasury Regulations; (b) this written communication has been written to support the promotion or marketing of the transactions or matters addressed by this written communication; and (c) each prospective investor should seek advice based on the prospective investor's particular circumstances from an independent tax advisor.

The debentures will be issued under an indenture. This prospectus is qualified in its entirety by the terms of that indenture filed with SEC as an exhibit to the registration statement of which this prospectus is a part. All material terms of the indenture are summarized in this prospectus. You may obtain a copy of the indenture upon written request to us or online at www.sec.gov.

The indenture trustee did not participate in the preparation of this prospectus and makes no representations concerning the debentures, the collateral, or any other matter stated in this prospectus. The indenture trustee has no duty or obligation to pay the debentures from their funds, assets or capital or to make inquiry regarding, or investigate the use of, amounts disbursed from any account.

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GWG Holdings, Inc.
220 South Sixth Street, Suite 1200
Minneapolis, MN 55402
(612) 746-1944
(612) 746-0445 fax

SUITABILITY STANDARDS

The following are our suitability standards for investors in connection with our continuous offering of debentures under this registration statement. We have voluntarily established these suitability standards.

Pursuant to applicable state securities laws, debentures offered through this prospectus are suitable only as a long-term investment for persons of adequate financial means who have no need for liquidity in this investment. There is not expected to be any public market for the debentures, which means that it may be difficult or impossible for you to resell the debentures. As a result, we have established suitability standards (applicable to all investors other than Arizona and Iowa investors, the suitability standards for which are discussed below) which require investors to have either (i) a net worth (not including home, furnishings, and personal automobiles) of at least $70,000 and an annual gross income of at least $70,000, or (ii) a net worth (not including home, furnishings, and personal automobiles) of at least $250,000. Our suitability standards also require that a potential investor (1) can reasonably benefit from an investment in us based on such investor's overall investment objectives and portfolio structuring; (2) is able to bear the economic risk of the investment based on the prospective debenture holder's overall financial situation; and (3) has apparent understanding of (a) the fundamental risks of the investment, (b) the risk that such investor may lose his or her entire investment, (c) the lack of liquidity of the debentures, (d) the qualifications of any advisor in our selling group who is recommending an investment in the debentures, and (e) the tax consequences of the investment.

As indicated above, different suitability standards apply to the offer and sale of debentures in Arizona and Iowa. In Arizona, investors are required to have either (i) a minimum of $150,000 (or $200,000 when combined with a spouse) in gross income during the prior year and a reasonable expectation that the investor will have at least such income in the current year, or (ii) a minimum net worth of $350,000 (or $400,000 when combined with a spouse), exclusive of home, home furnishings and automobiles, with the investment in debentures offered hereby not exceeding 10% of the net worth of the investor (together with a spouse, if applicable). In Iowa, investors are required to be "accredited investors" as that term is defined in Rule 501(a) under the Securities Act of 1933.

The minimum purchase for our debentures is $25,000. To satisfy the minimum purchase requirements for retirement plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate individual retirement accounts, or IRAs, provided that each such contribution is made in increments of $500. You should note that an investment in our debentures will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Code. If you wish to purchase debentures in excess of the $25,000 minimum, any additional purchase must be in amounts of at least $1,000.

In the case of sales to fiduciary accounts, these suitability standards must be met by the person who directly or indirectly supplied the funds for the purchase of our debentures or by the beneficiary of the account. These suitability standards are intended to help ensure that, given the long-term nature of an investment in our debentures, our investment objectives and the relative illiquidity of our debentures, the debentures are an appropriate investment for prospective purchasers. Those selling debentures on our behalf must make every reasonable effort to determine that the purchase of our debentures is a suitable and appropriate investment for each debenture holder based on information known to selling group members and provided by the debenture holder in the subscription agreement. Each selected broker-dealer is required to maintain for six years records of the information used to determine that an investment in our debentures is suitable and appropriate for a debenture holder.

The investor suitability requirements stated above represent minimum suitability requirements we establish for prospective debenture holders. However, satisfaction of these requirements will not necessarily mean that the debentures are a suitable investment for a prospective investor, or that we will accept the prospective investor's subscription agreement. Furthermore, as appropriate, we may modify such requirements in our sole discretion, and such modifications may raise the suitability requirements for prospective debenture holders.

This prospectus constitutes an offer only to the offeree or to the representative to whom it has been presented. Furthermore, this prospectus does not constitute an offer or solicitation to anyone in any jurisdiction in which such an offer or solicitation is not authorized. This prospectus has been prepared solely for the benefit of persons interested in the proposed offering of the debentures offered hereby. Any reproduction or distribution of this prospectus, in whole or in part, or the disclosure of any of its contents without our prior written consent is expressly prohibited. The recipient, by accepting delivery of this prospectus, agrees to return this prospectus and all documents furnished herewith to us or our representatives immediately upon request if the recipient does not purchase any debentures, or if this offering is withdrawn or terminated.

If you do not meet the requirements described above, do not read further and immediately return this prospectus. In the event you do not meet such requirements, this prospectus does not constitute an offer to sell debentures to you.

INDUSTRY AND MARKET DATA

The industry, market and data used throughout this prospectus have been obtained from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. We believe that each of these studies and publications is reliable.

HOW TO PURCHASE DEBENTURES

If, after carefully reading this entire prospectus, obtaining any other information requested and available and being fully satisfied with the results of pre-investment due-diligence activities, you would like to purchase debentures, you must complete, execute and return the Subscription Agreement to us (documents to be completed are in a separate subscription package) together with a certified check or personal check payable to the order of "GWG Holdings, Inc. – Indenture Account" (or wire sent to the Indenture Account) equal to the amount of debentures you wish to purchase. Instructions for subscribing for the debentures are included in the Subscription Agreement. The subscription materials and the certified check or personal check should be delivered to your broker-dealer, who will deliver it to us at the following address:

GWG Holdings, Inc.
220 South Sixth Street, Suite 1200
Minneapolis, MN 55402

Wire Instructions
GWG Holdings, Inc.—Indenture Account
Account: 4809888371
Routing: 091001157
Bank Name: M&I Marshall & Ilsley Bank

You must meet the suitability requirements, and your purchase is subject to our acceptance. All information provided is confidential and will be disclosed only to our officers, affiliates, and legal counsel, and if required, to governmental authorities and self-regulatory organizations or as otherwise required by law.

Upon receipt of the signed Subscription Agreement, verification that the Subscription Agreement contains the appropriate representations and warranties respecting the investor's investment qualifications, and our acceptance of your purchase (in our sole discretion), we will notify you of receipt and acceptance of your purchase. We may, in our sole discretion, accept or reject any purchase, in whole or in part, for a period of 15 days after receipt of the Subscription Agreement. Any purchase not expressly accepted within 15 days of receipt shall be deemed rejected. In the event we do not accept a your purchase of debentures for any reason, we will promptly return your payment. We may terminate or suspend this offering at any time, for any reason or no reason, in our sole discretion.

PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. To understand this offering fully, you should carefully read the entire prospectus, including the section entitled "Risk Factors," before making a decision to invest in our debentures. Unless otherwise noted or unless the context otherwise requires, the terms "we," "us," "our," the "Company" and "GWG" refers to GWG Holdings, Inc. together with its wholly owned subsidiaries.

Our Company

We are engaged in the emerging secondary market for life insurance policies. We acquire life insurance policies that are sold at a discount to the face value of the insurance benefit in the secondary market. Once we purchase a policy, we continue paying the policy premiums in order to ultimately collect the face value of the insurance benefit. We generally hold the individual policies to maturity in order to ultimately collect the policy's face value upon the insured's mortality. Our strategy is to continue to build a diversified and profitable portfolio of policies.

Life insurance companies earn substantial revenue windfalls due to the lapse and surrender behavior of individuals owning insurance policies. These revenue windfalls have enabled life insurance companies to issue policies with reduced premiums. These two business practices create a profit opportunity for participants in the life insurance secondary market. The profit opportunity is the difference, or "spread," between (i) the cost of purchasing and maintaining a life insurance policy over the insured's lifetime; and (ii) the policy's benefit that will be 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 tools and actuarial modeling techniques developed by investors.

According to the American Council of Life Insurers Fact Book 2010 (ACLI), individuals owned over $10.3 trillion in face value of life insurance policies in the United States in 2009. This figure includes all types of policies, including term and permanent insurance known as whole life, universal life, variable life, and variable universal life. The secondary market for life insurance has developed around individuals aged 65 years or older owning either permanent insurance or term insurance convertible into permanent insurance. According to the ACLI, the average annual lapse rate and surrender rate of life insurance policies for the ten years ended 2009 was 7.3%, or over $750 billion in face value of policy benefits annually.

Owners of life insurance policies generally surrender the policies or allow them to lapse for a variety of reasons, including: (i) unrealistic original earnings assumptions made when the policy was purchased, combined with higher premium payments later in the term of the policy than initially forecasted; (ii) increasing premium payment obligations as the insured ages; (iii) changes in financial status or outlook which cause the insured to no longer require life insurance; (iv) other financial needs that make the insurance unaffordable; or (v) a desire to maximize the policy's investment value.

The market opportunity for selling and purchasing life insurance policies in the secondary market is relatively new. According to Conning Research & Consulting, the secondary market for life insurance policies grew from $2 billion in 2002 to over $11 billion in face value of life insurance policy benefits being purchased in 2008. To participate in the market opportunity, we have spent significant resources: (i) developing a robust operational platform and systems for purchasing and servicing life insurance policies; (ii) obtaining requisite licensure to purchase life insurance in the secondary market; (iii) developing financing resources for purchasing and financing our life insurance policies; (iv) recruiting and developing a professional management team; (v) establishing origination relationships for purchasing life insurance policies in the secondary market; and (vi) obtaining financing to participate in the business sector.

We were formed in 2006. Since then, we have acquired over $1.4 billion in face value of life insurance policy benefits and have become an active purchaser and financier of life insurance policies in the secondary

market. In 2008, after selling approximately $1 billion in face value of life insurance policy benefits, we adopted our current buy-and-hold strategy of investing in life insurance policies. As of June 30, 2011, we owned approximately $452 million in face value of life insurance policy benefits with an aggregate cost basis of approximately $104 million. To date, we have financed the acquisition of this portfolio through the issuance of secured notes by our direct wholly owned subsidiary GWG Life Settlements, LLC, and the use of a senior revolving credit facility, our "revolving credit facility," benefitting our indirect wholly owned subsidiary GWG DLP Funding II, LLC, which subsidiary owns title to the majority of our life insurance policy assets. For more information on our corporate structure, please refer to the caption "— Corporate Organization" below.

A summary of our portfolio of life insurance policies as of June 30, 2011 is set forth in the table below:

Life Insurance Portfolio Summary (as of June 30, 2011)

Total portfolio face value of policy benefits	$452,478,414
Average face value per policy *	$ 2,725,774
Average face value per insured life *	$ 2,900,503
Average age of insured (yrs)*	80.50
Average life expectancy estimate (yrs) *	8.08
Total number of policies	166
Demographics	62% Males; 38% Females
Number of smokers	No insureds are smokers
Largest policy as % of total portfolio	2.21%
Average policy as % of total portfolio	.60%
Average annual premium as % of face value	3.17%

* Averages presented in the table are weighted averages.

We generally purchase life insurance policies through secondary market transactions directly from the policy owner who originally purchased the life insurance in the primary market. We purchase policies in the secondary market through a network of life insurance agents, life insurance brokers, and licensed providers who assist policy owners in accessing the secondary market. Before we purchase a life insurance policy, we conduct a rigorous underwriting review that includes obtaining two life expectancy estimates on each insured from third party medical actuarial firms. We base our life expectancy estimates on the average of those two estimates. The policies we purchase are universal life insurance policies issued by rated life insurance companies. The price we are willing to pay for the policy in the secondary market is primarily a function of: (i) the policy's face value; (ii) the expected actuarial mortality of the insured; (iii) the premiums expected to be paid over the life of the insured; and (iv) market competition from other purchasers.

We seek to earn profits by purchasing policies at discounts to the face value of the insurance benefit. The discounts at which we purchase are expected to exceed the costs necessary to pay premiums and financing and servicing costs through the date of the insured's mortality. We rely on the actuarial life expectancy assumptions provided to us by third-party medical actuary underwriters to estimate the expected mortality of the insured. We seek to finance our life insurance policy purchases and payment of premiums and financing costs, until we receive policy benefits, through the sale of the debentures and the use of our revolving line of credit. In the past, we have also relied on the sale of subsidiary secured notes.

We believe that our business model provides significant advantages to potential investors. First, our earnings from life insurance policies are non-correlated to traditional external market influences such as real estate, equity markets, fixed income markets, currency, and commodities. Second, life insurance policy benefits are the most senior in rank within an insurance company's capital structure, senior even to secured debt holders, with some amounts further protected under state guaranteed funds (typically limited to $200,000). Third, our

assets provide diversification from many other investment opportunities. In addition, the policies within the life insurance portfolio are diversified as well, with no single insurance company making up more than 20% of the total face value of insurance policy benefits.

Our objective is to earn returns from the life insurance policies we purchase in the secondary market which are greater than the costs necessary to purchase and finance those policies to their maturity. We expect to accomplish our objective by:

- purchasing life insurance policies with expected internal rates of returns in excess of our cost of capital;
- paying the premiums and costs associated with the life insurance policy until the insured's mortality;
- obtaining a large and diverse portfolio to mitigate actuarial risk;
- maintaining diversified funding sources to reduce our overall cost of financing;
- engaging in hedging strategies that reduce potential volatility to our cost of financing; and
- maintaining rigorous portfolio monitoring and servicing.

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 financier since 2006. Our position within the marketplace has allowed us to evaluate over 30,000 life insurance policies for possible purchase, thereby gaining a deep understanding of the variety of issues involved when purchasing life insurance policies in the secondary market. We have participated in the leadership of various industry associations and forums, including the Life Insurance Settlement Association and the Insurance Studies Institute. Our experience gives us the confidence in building a portfolio of life insurance policies that will perform to our expectations.
- *Operational Platform*: We have built an operational platform and systems for efficiently tracking, processing, and servicing life insurance policies that we believe provide competitive advantages when purchasing policies in the secondary marketplace, and servicing the policies once acquired.
- *Origination and Underwriting Practices*: We seek to purchase life insurance policies that meet published guidelines on what policies would be accepted in a rated securitization. We purchase only permanent life insurance policies we consider to be non-contestable and that meet stringent underwriting criteria and reviews. A life insurance policy is considered "non-contestable" once applicable state law prohibits the insurer from challenging the validity of the policy due to a lack of an insurable interest. In this regard, state non-contestability laws generally require a period of one to two years to elapse after the initial issuance of the policy before that policy is considered non-contestable under state law. Non-contestability laws do not, however, prevent an insurer from challenging the validity of a policy procured by fraud or in other certain other circumstances considered contrary to public policy.
- *Origination Relationships*: We have established origination relationships with over 300 life insurance policy brokers and insurance agents who submit policies for our purchase or financing. Our referral base knows our underwriting standards for purchasing life insurance policies in the secondary market, which provides confidence in our bidding and closing process and streamlines our own due-diligence process.
- *Life Expectancy Methodology*: We rely on at least two life expectancy reports from independent third-party medical actuary underwriting firms such as 21st Services, AVS Underwriting, Fasano Associates, and ISC Services to develop our life expectancy estimate.
- *Pricing Software and Methodology*: We use actuarial pricing methodologies and software tools that are built and supported by leading independent actuarial service firms such as Modeling Actuarial Pricing Systems, Inc. ("MAPS") for calculating our expected returns.

- *Diversified Funding*: We have actively developed diversified sources for accessing capital markets in support of our buy and hold strategy for our portfolio of life insurance policies, ranging from institutional bank financing and global capital markets, to a network of broker-dealers registered with the Financial Industry Regulatory Authority ("FINRA") who have participated in our subsidiary secured notes financing.

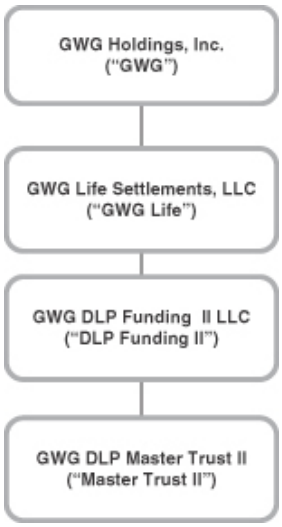
On the other hand, our business involves a number of challenges and risks described in more detail elsewhere in this prospectus, including the following:

- *Relatively New Market*. The purchase and ownership of life insurance policies acquired in the secondary market is a relatively new and evolving market. Our ability to repay the principal and interest on the debentures materially depends on the continued development of the secondary market for life insurance, including the solvency of life insurance companies to pay the face value of the life insurance benefits and other factors beyond our control.
- *Assumptions About Valuation of Our Assets.* The valuation of our insurance policies, which are the principal assets on our balance sheet, requires us to make material assumptions that may ultimately prove to be incorrect. These assumptions include actuarial life expectancies, which may not prove to be accurate.
- *Ability to Expand Our Portfolio.* Our business model relies on achieving actual results that are in line with the results we expect to attain from our investments in life insurance policy assets. In this regard, we believe that the larger portfolio we own, the greater likelihood we will achieve our expected results. Although we plan to expand of the number of life insurance policies we own using proceeds raised from the sale of debentures, we may be unable to meet this goal.
- *Reliance on Financing.* To date, we have chosen to finance our business almost entirely through the issuance of debt, including debt incurred by our subsidiary under a senior revolving credit facility. Our business model expects that we will have continued access to financing in order to purchase a large and diversified portfolio of life insurance policies, pay the attendant premiums and costs of maintaining the portfolio.
- *Risk of Investment in Life Insurance Policies.* Our investments in life insurance policies have inherent risks, including fraud and legal challenges to the validity of the policies, as well as the possibility of misleading information provided by the seller of the policy.
- *Effects of Regulation.* Our business is subject to state regulation, and changes in state laws and regulations governing our business, or changes in the interpretation of such laws and regulations, could negatively affect our business.

Corporate Organization

Our business was organized in February 2006. As a parent holding company, GWG Holdings was incorporated on March 19, 2008. Our principal executive offices are located at 220 South Sixth Street, Suite 1200, Minneapolis, Minnesota 55402 and our telephone number is (612) 746-1944. Our website address is www.gwglife.com. The information on or accessible through our website is not part of this prospectus.

On June 10, 2011, GWG Holdings converted from a Delaware limited liability company to a Delaware corporation through the filing of statutory articles of conversion. In connection with the conversion, each class of limited liability company membership interests in GWG Holdings, LLC was converted into shares of common stock of GWG Holdings, Inc. Our corporate structure, including our principal subsidiaries, is as follows:



GWG Life Settlements, LLC (Delaware limited liability company), or GWG Life, is a licensed life/viatical settlement provider. GWG Life has fully and unconditionally guaranteed payment of our renewable secured debentures offered by this prospectus. GWG DLP Funding II, LLC (Delaware limited liability company), or DLP Funding II, is a wholly owned special purpose subsidiary owning life insurance policies and is the borrower under the revolving line of credit from Autobahn/DZ Bank. The life insurance policy assets owned by DLP Funding II are held in the GWG DLP Master Trust II. The trust exists solely to hold the collateral security granted to Autobahn/DZ Bank under the revolving line of credit, and DLP Funding II is the beneficiary under the trust. Neither DLP Funding II nor Master Trust II have guaranteed the renewable secured debentures offered hereby. Further, none of the assets of DLP Funding II nor Master Trust II are collateral for the renewable secured debentures, although GWG Life has pledged the equity in DLP Funding II as collateral.

The Offering	
Issuer	GWG Holdings, Inc.
Indenture Trustee	Bank of Utah, National Association
Paying Agent	GWG Holdings, Inc.
Securities Offered	We are offering up to $250,000,000 in principal amount of our Renewable Secured Debentures, or the "debentures." The debentures are being sold on a continuous basis. We plan to market the debentures to our "LifeOffering."
Method of Purchase	Prior to your purchase of debentures, you will be required to complete a Subscription Agreement setting forth the principal amount of your purchase, the term of the debentures, the interest payment frequency and certain other information regarding your ownership of the debentures, and tender the purchase price for the debentures. The form of Subscription Agreement is filed as an exhibit to the registration statement of which this prospectus is a part. We will mail you written confirmation that your subscription has been accepted. For more information, see "Plan of Distribution."
Denomination	The minimum purchase of debentures is $25,000 in principal amount. Additional debentures in excess of $25,000 may be purchased in increments of $1,000.
Offering Price	100% of the principal of the debenture.
Limited Rescission Right	If your Subscription Agreement is accepted at a time when we have determined 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 amendment has not yet been declared effective, you will have a limited time within which to rescind your investment subject to the conditions set forth in this prospectus. See "Description of the Debentures—Limited Rescission Right" for additional information.
Maturity	You may generally choose maturities for your debentures of 6 months or 1, 2, 3, 4, 5 or 7 years. Nevertheless, depending on our capital requirements, we may not offer and sell debentures of all maturities at all times during this offering.
Interest Rates	The interest rate of the debentures will be established at the time of your purchase, or at the time of renewal, based upon the rates we are offering in this prospectus or our latest interest rate supplement to this prospectus (i.e., any prospectus supplement containing interest rate information for debentures of different maturities), and will remain fixed throughout the term of the debenture. We may offer higher rates of interest to investors with larger aggregate debenture portfolios, as set forth in the then-current interest rate supplement.

Interest Payments	We will pay interest on the debentures based on the terms you choose, which may be monthly, annually or at maturity. Interest will accrue from the effective date of the debenture. Interest payments will generally be made on the 15th day immediately following the last day of the month to the debenture holder of record as of the last day of that month. Interest will be paid without any compounding, unless you choose to be paid interest at maturity, or reinvest your interest for another term. Your first payment of interest will include interest for the partial month in which the purchase occurred.
Principal Payments	The maturity date for the debentures will be the last day of the month during which the debenture matures. We are obligated to pay the principal on the debenture on the 15th day of the month next following its maturity (or the first business day following such date).
Payment Method	Principal and interest payments will be made by direct deposit to the account you designate in your Subscription Agreement
Renewal or Redemption at Maturity	Upon maturity, the debentures will be automatically renewed for the same term at the interest rate we are offering at that time to other investors with similar aggregate debenture portfolios for debentures of the same maturity, unless repaid upon maturity at our or your election. In this regard, we will notify you at least 30 days prior to the maturity date of your debentures. In the notice, we will advise you if we intend to repay the debentures or else remind you that your debentures will be automatically renewed unless you exercise your option, within 15 days, to elect to have your debentures repaid. If we determine that a post-effective amendment to the registration statement covering the offer and sale of debentures must be filed during your 15-day repayment election period, we will extend your election period until ten days following the postmark date of our notice to you that the amendment has become effective. For any debentures offered hereby that mature more than two years after , 2011, the effective date of this registration statement, we expect that the renewal of such debentures will require us to file a new registration statement. In such a case, the new registration statement must be declared effective before we will be able to renew your debenture. In this event, if the new registration statement has not yet been filed or 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 effective, which notice will include a new prospectus. If debentures with similar terms are not being offered at the time of renewal, the interest rate upon renewal will be (a) the rate specified by us in writing on or before the maturity date or (b) if no such rate is specified, the rate of your existing debentures. Accordingly, you should understand that the interest rate offered upon renewal may differ from the interest rate applicable to your debentures prior to maturity. See

	"Description of the Debentures—Renewal or Redemption on Maturity."
Prepayment or Early Redemption	We may prepay the outstanding principal balance and accrued and unpaid interest of any or all of the debentures, in whole or in part, at any time without penalty or premium. Debenture holders will have no right to require us to prepay any debenture prior to maturity date unless the request is due to your death, bankruptcy, or total disability. In our sole discretion, we may nonetheless accommodate requests to prepay or redeem any debenture prior to its maturity. In the event we agree to prepay a debenture upon the request of a debenture holder, we will impose a prepayment fee of 6% against the outstanding principal balance of the debenture redeemed. This prepayment fee will be subtracted from the amount paid to you.
Ranking	The renewable secured debentures will constitute the senior secured debt of GWG Holdings. The payment of principal and interest on the debentures will be: • pari passu with respect to payment and collateral securing the approximately $60.6 million in principal amount of subsidiary secured notes previously issued by our subsidiary GWG Life (see the caption "—Collateral Security" below); • structurally junior to the present and future obligations owed by our subsidiary DLP Funding II under the revolving credit facility with Autobahn/DZ Bank (including the approximately $48.2 million presently outstanding under such facility); and • structurally junior to the present and future claims of other creditors of our subsidiaries, other than GWG Life, including trade creditors. See "Description of the Debentures—Ranking" for further information.
Guarantee	The payment of principal and interest on the debentures is fully and unconditionally guaranteed by GWG Life. This guarantee (and accompanying grant of a security interest in all of the assets of GWG Life) makes the debentures pari passu, with respect to collateral, with the approximately $60.6 million of subsidiary secured notes previously issued by GWG Life.
Collateral Security	The debentures are secured by the assets of GWG Holdings, Inc. We will grant a security interest in all of our assets to the indenture trustee for the benefit of the debenture holders. Our assets consist primarily of any cash proceeds we receive from life insurance policy assets of our subsidiaries, and all other cash and investments we hold in various accounts. The majority of our life insurance policy assets are held in our subsidiary DLP Funding II, LLC. The debentures' security interest

	will be structurally subordinate to the security interest in favor of the lender under DLP Funding II's revolving credit facility. The assets of GWG Life, including proceeds it receives as distributions from DLP Funding II and derived from the insurance policies owned by DLP Funding II, are collateral for GWG Life's guarantee of the repayment of principal and interest on the debentures. This security interest will be pari passu to other debt issued and outstanding by GWG Life. The debentures are also secured by a pledge of a majority of our outstanding common stock from our largest stockholders, which pledge is pari passu with the pledge of the common stock to the holders of secured notes issued by GWG Life.
Indenture Covenants	The indenture governing the debentures places restrictive covenants and affirmative obligations on us. For example: • our debt coverage ratio may not exceed 90%; and • our subordination ratio may not exceed 50% for the first four years after our initial sale of debentures. The indenture defines the debt coverage ratio as a percentage calculated by the ratio of (A) obligations owing by us and our subsidiaries on all outstanding debt for borrowed money (including the debentures), over (B) the net present asset value of all life insurance policy 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 average cost of capital for all our indebtedness for the prior month. The indenture defines the subordination ratio as a percentage calculated as a ratio of (A) the principal amount owing by us or any of our subsidiaries that is either senior in rank to the debentures or secured by the life insurance policy assets owned by us or our subsidiaries, over (B) the net present asset value of all life insurance policy 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-average cost of capital for all our indebtedness for the prior month. We are required to notify the indenture trustee in the event that we violate one of these restrictive covenants. An "event of default" will exist under the indenture if a violation of these covenants persists for a period of 30 calendar days after our initial notice to the trustee. The indenture also places limitations on our ability to engage in a merger or sale of all of our assets. See "Description of the Indentures—Events of Default" and "—Consolidation Mergers or Sales" for more information.

Use of Proceeds	If all the debentures are sold, we would expect to receive up to approximately $229 million of net proceeds from this offering after paying estimated offering and related expenses and after paying our estimated average selling commissions, dealer manager fees, accountable and non-accountable expense allowances, wholesale commissions and our offering expenses. If the maximum offering were sold and the maximum commissions, fees and allowances were paid, the proceeds to us would be approximately $229 million. There is no minimum amount of debentures that must be sold before we access investor funds. The exact amount of proceeds we receive may vary considerably depending on a variety of factors, including how long the debentures are offered. We intend to use a substantial majority of the net proceeds from this offering to purchase life insurance policies in the secondary market. We intend to use the remaining balance of the net proceeds from this offering for certain other expenditures we anticipate incurring in connection with this offering and in connection with our business. See “Use of Proceeds” for additional information.
No Market for Debentures and Restrictions on Transfers	There is no existing market for the debentures and we do not anticipate that a secondary market for the debentures will develop. We do not intend to apply for listing of the debentures on any securities exchange or for quotation of the debentures in any automated dealer quotation system. You will be able to transfer or pledge the debentures only with our prior written consent. See “Description of the Debentures—Transfers.”
Book Entry	The debentures will be issued in book entry or uncertificated form only. Except under limited circumstances, the debentures will not be evidenced by certificates or negotiable instruments. See “Description of the Debentures—Book Entry Registration and Exchange.”

RISK RELATING TO FORWARD-LOOKING STATEMENTS

Certain matters discussed in this prospectus are forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about our operations and the investments we make, including, among other things, factors discussed under the heading “Risk Factors” in this prospectus and the following:

- changes in the secondary market for life insurance;
- our limited operating history;
- the valuation of assets reflected on our financial statements;
- the reliability of assumptions underlying our actuarial models;
- our reliance of debt financing;
- risks relating to the validity and enforceability of the life insurance policies we purchase;
- our reliance on information provided and obtained by third parties;
- federal and state regulatory matters;
- additional expenses, not reflected in our operating history, related to being a public reporting company;
- competition in the secondary life insurance market;
- the relative illiquidity of life insurance policies;
- life insurance company credit exposure;
- economic outlook;
- performance of our investments in life insurance policies;
- financing requirements;
- litigation risks; and
- restrictive covenants contained in borrowing agreements.

Some of the statements in this prospectus that are not historical facts are “forward-looking” statements. Forward-looking statements can be identified by the use of words like “believes,” “could,” “possibly,” “probably,” “anticipates,” “estimates,” “projects,” “expects,” “may,” “will,” “should,” “seek,” “intend,” “plan,” “consider” or the negative of these expressions or other variations, or by discussions of strategy that involve risks and uncertainties. All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual transactions, results, performance or achievements to be materially different from any future transactions, results, performance or achievements expressed or implied by such forward-looking statements. The cautionary statements set forth under the caption “Risk Factors” and elsewhere in this prospectus identify important factors with respect to such forward-looking statements due to the life insurance focus of our business.

We base these forward-looking statements on current expectations and projections about future events and the information currently available to us. Although we believe that the assumptions for these forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Consequently, no representation or warranty can be given that the estimates, opinions, or assumptions made in or referenced by this prospectus will prove to be accurate. Some of the risks, uncertainties and assumptions are identified in the discussion entitled “Risk Factors” in this prospectus. We caution you that the forward-looking statements in this prospectus are only estimates and predictions. Actual results could differ materially from those anticipated in the forward-looking statements due to risks, uncertainties or actual events differing from the assumptions underlying these

statements. These risks, uncertainties and assumptions include, but are not limited to, those discussed in this prospectus.

Although federal securities laws provide a safe harbor for forward-looking statements made by a public company that files reports under the federal securities laws, this safe harbor is not available to certain issuers, including issuers that do not have their equity traded on a recognized national exchange or the Nasdaq Capital Market. Our common stock does not trade on any recognized national exchange or the Nasdaq Capital Market. As a result, we will not have the benefit of this safe harbor protection in the event of any legal action based upon a claim that the material provided by us contained a material misstatement of fact or was misleading in any material respect because of our failure to include any statements necessary to make the statements not misleading.

RISK FACTORS

An investment in the debentures involves a high degree of risk. Before purchasing debentures, you should carefully consider the following risk factors in conjunction with the other information contained in this prospectus. The risks discussed in this prospectus can materially harm our operations, operating results, financial condition or future results. If any of these risks materialize or occur, the value of our debentures could decline and could cause you to lose part or all of your investment. You should review the risks of this investment with your legal and financial advisors prior to purchasing debentures.

Risks Related to Our Business and Our Industry

Material changes in the life insurance secondary market, a relatively new and evolving market, may adversely affect our operating results, business prospects and our ability to repay our obligations under the debentures.

Our sole business is the purchase and ownership of life insurance policies acquired in the secondary market, which is a relatively new and evolving market. Our ability to repay the principal and interest on the debentures materially depends on the continued development of the secondary market for life insurance, including the solvency of life insurance companies to pay the face value of the life insurance benefits, both of which will critically impact the performance of the life insurance policies we own. We expect that the development of the secondary market will primarily be impacted by a variety of factors such as the interpretation of existing laws and regulations (including laws relating to insurable interests), the passage of new legislation and regulations, mortality improvement rates, and actuarial understandings and methodologies. Importantly, all of the factors that we believe will most significantly affect the development of the life insurance secondary market are beyond our control. Any material and adverse development in the life insurance secondary market could adversely affect our operating results, our access to capital, our business prospects and viability, and our ability to repay our obligations under the debentures. Because of this, an investment in the debentures generally involves greater risk as compared to investments offered by companies with more diversified business operations in more established markets.

We have a relatively limited history of operations and our earnings may be volatile, resulting in future losses and uncertainty about our ability to service and repay our debt when and as it comes due.

We are a company with a limited history, which makes it difficult to accurately forecast our earnings and cash flows. In the first six months of 2011, we had net income of $1,412,281. However, we have incurred losses in the past, including net losses of $(230,395) and $(4,833,413) for the years ending December 31, 2010 and 2009, respectively. Our equity as of June 30, 2011 was $1,573,628 and our total equity as of December 31, 2010 was $670,473. In addition, our lack of a significant history and the evolving nature of our market make it likely that there are risks inherent in our business and the performance characteristics for portfolios of life insurance policies that are as yet recognized by us or others, or not fully appreciated, and that could result in earning less on our life insurance policies than we anticipate or even suffering further losses. As a result of the foregoing, an investment in our debentures necessarily involves uncertainty about the stability of our earnings, cash flows and, ultimately, our ability to service and repay our debt.

The valuation of our principal assets on our balance sheet requires us to make material assumptions that may ultimately prove to be incorrect. In such an event, we could suffer significant losses that could materially and adversely affect our results of operations and eventually cause us to be in default of restrictive covenants contained in our borrowing agreements.

Our principle assets are life insurance policies, comprising approximately 91% of our total assets. Those assets are considered “Level 3” assets under ASU No. 2010-06, *Fair Value Measurements and Disclosures*, as there is currently no active market where we are able to observe quoted prices for identical assets. As a result, our valuation of those assets incorporates significant inputs that are not observable. Fair value is defined as an exit price representing the amount that would be received if assets were sold or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a

market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

The fair value measurement of Level 3 assets is inherently uncertain and creates additional volatility in our financial statements that are not necessarily related to the performance of the underlying assets. As of June 30, 2011, we estimate the fair value discount rate for our portfolio to be 13.38%. If we determine in the future that fair value requires a higher discount rate for a similarly situated portfolio of life insurance policies, we would experience significant losses materially affecting our results of operations. It is also possible that significant losses of this nature could at some point cause us to fall out of compliance with certain borrowing covenants contained in our revolving credit facility.

In an effort to present results of operations not subject to this volatility, we intend to provide additional non-GAAP financial disclosures, on a consistent basis, presenting the actuarial economic gain occurring within the portfolio of life insurance policies at the expected internal rate of return against the costs we incur over the same period. We report these very same non-GAAP financial measures to the lender under our revolving credit facility pursuant to financial covenants in the related borrowing documents. Nevertheless, our reported GAAP earnings may in the future be volatile for reasons that do not bear an immediate relationship to the cash flows we experience.

Our expected results from our life insurance portfolio may not match actual results, which could adversely affect our ability to service and grow our portfolio for diversification, and to service our debt.

Our business model relies on achieving actual results that are in line with the results we expect to attain from our investments in life insurance policy assets. In this regard, we believe that the larger portfolio we own, the greater likelihood we will achieve our expected results. To our knowledge, rating agencies generally suggest that portfolios of life insurance policies be diversified enough to achieve actuarial stability in receiving expected cash flows from underlying mortality. For instance, in a study published in 2009, A.M. Best concluded that at least 300 lives are necessary to achieve actuarial stability, while Standard & Poor's has indicated that statistical credibility is unlikely to be achieved with a pool of less than 1,000 lives. As of June 30, 2011, we own approximately $452 million in face value of life insurance policies covering 156 lives. Accordingly, while there is risk with any portfolio of policies that our actual yield may be less than expected, we believe that the risk we face is presently more significant given the relative lack of diversification in our current portfolio as compared to rating agency recommendations.

Although we plan to expand the number of life insurance policies we own using proceeds raised from the sale of debentures, we may be unable to meet this goal if we do not sell enough debentures and financing from other capital sources is available only on unfavorable or unacceptable terms. Furthermore, even if our portfolio reaches the size we desire, we still may experience differences between the actuarial models we use and actual mortalities.

Differences between our expectations and actuarial models and actual mortality results could have a materially adverse effect on our operating results and cash flow. In such a case, we may face liquidity problems, including difficulties servicing our remaining portfolio of policies and servicing our outstanding debt obligations owed under our revolving credit facility, subsidiary secured notes, and the debentures. Continued or material failures to meet our expected results could decrease the attractiveness of our debentures or other securities in the eyes of potential investors, making it even more difficult to obtain capital needed to both service our portfolio, grow the portfolio to obtain desired diversification, and service our existing debt.

We rely on debt financing for our business and in particular on our access to liquidity under a revolving credit facility. Any inability to borrow under the revolving credit facility could adversely affect our business operations and our ability to satisfy our obligations under the debentures.

To date, we have chosen to finance our business almost entirely through the issuance of debt, including debt incurred by our subsidiary DLP Funding II under a senior revolving credit facility provided by Autobahn/DZ Bank (which we refer to throughout this prospectus as our "revolving credit facility"). This revolving credit

facility is secured by all of the assets of DLP Funding II, has a maximum amount of $100 million, and the outstanding balance at June 30, 2011 was approximately $48.2 million. Obligations under the revolving credit facility have a scheduled maturity date of July 15, 2013.

Our business model expects that we will have continued access to financing in order to purchase a large and diversified portfolio of life insurance policies, pay the attendant premiums and costs of maintaining the portfolio, all while satisfying our current interest and principal repayment obligations under our revolving credit facility, our other indebtedness and the debentures. In particular, and in light of the fact that we do not presently expect to begin receiving cash inflows from policy benefits exceeding our premium obligations until 2014, we expect to refinance our revolving credit facility, either through renewal or replacement, when it comes due in July 15, 2013. Pending the due date or refinancing of our revolving credit facility, we expect that proceeds from our life insurance policies will first be used to satisfy our obligations under that facility, as required by the revolving loan agreement. Accordingly, until we achieve cash flows derived from the portfolio of life insurance policy benefits, we expect to rely on debt to satisfy our ongoing financing and liquidity needs, including the costs associated with the offer and sale of the debentures. Nevertheless, continued access to financing and liquidity under the revolving credit facility is not guaranteed. If we are unable to borrow under the revolving credit facility for any reason, or to renew or replace the revolving credit facility when it comes due in July 2013, our business may be adversely impacted as well as our ability to repay our obligations under the debentures.

Our investments in life insurance policies have inherent risks, including fraud and legal challenges to the validity of the policies, which we will be unable to eliminate and which may adversely affect our results of operations.

When we purchase a life insurance policy, we underwrite the purchase of the policy to mitigate risks associated with insurance fraud and other legal challenges to the validity of the life insurance policy. To the extent that the insured is not aware of the existence of the policy, the insured him or herself does not exist, or the insurance company does not recognize the policy, the insurance company may cancel or rescind the policy thereby causing the loss of an investment in a policy. In addition, if medical records have been altered in such a way as to shorten a related life expectancy report, this may cause us to overpay for the related policy. Finally, we may experience legal challenges from insurance companies that the insured failed to have an insurable interest at the time the policy was originally purchased, or from the beneficiaries of an insurance policy claiming the sale was invalid upon mortality of the insured. To mitigate these risks, we require a current verification of coverage from the insurance company, complete thorough due diligence on the insured and accompanying medical records, review the life insurance policy application, require a policy to have been in force for at least two years before purchasing, and require a legal review of any premium financing associated with the life insurance policy to insure insurable interest existed. Nevertheless, we do not expect that these steps will eliminate the risk of fraud or legal challenges to the life insurance policies we purchase. If a significant face amount of policies were invalidated for reasons of fraud or any other reason, our results of operations may be adversely affected.

Every acquisition of a life insurance policy necessarily requires us to materially rely on information provided or obtained by third parties. Any misinformation or negligence in the course of obtaining material information could materially and adversely affect the value of the policies we own.

The acquisition of each life insurance policy is negotiated based on variables that are particular facts unique to the life insurance policy itself and the health of the insured. The facts we obtain about the policies and the insured at the time at which the policy was applied for and obtained are based on factual representations made to the insurance company by the insured, and the facts the insurance company independently obtains in the course of its own due-diligence examination, such as facts concerning the health of the insured and whether or not there is an insurable interest present at the inception of each issued policy. It is nearly impossible for us to confirm many of the facts provided by the insured or obtained by the insurance company at the time a policy was issued. Any misinformation or negligence in the course of obtaining or supplying material information relating to the insurance policy or the insured could ultimately materially and adversely impact the value of the life insurance policies we own.

Our business is subject to state regulation and changes in state laws and regulations governing our business, or changes in the interpretation of such laws and regulations, could negatively affect our business.

When we purchase a life insurance policy, we are subject to state insurance regulations. Over the past three years, we have seen a dramatic increase in the number of states that have adopted legislation and regulations from a model law promulgated by either the National Association of Insurance Commissioners (NAIC) or by the National Conference of Insurance Legislators (NCOIL). These laws are essentially consumer protection statutes responding to abuses that arose early in the development of our industry. Today, almost every state has adopted some version of either the NAIC or NCOIL model laws, which generally require the licensing of purchasers of and brokers for life insurance policies, the filing and approval of purchase agreements, disclosure of transaction fees, require various periodic reporting requirements and prohibit certain business practices deemed to be abusive.

State statutes typically provide state regulatory agencies with significant powers to interpret, administer and enforce the laws relating to the purchase of life insurance policies. Under statutory authority, state regulators have broad discretionary power and may impose new licensing requirements, interpret or enforce existing regulatory requirements in different ways or issue new administrative rules, even if not contained in state statutes. State regulators may also impose rules that 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 industry, we believe it is likely that state regulation will increase and grow more complex during the foreseeable future. We cannot, however, predict what any new regulation would specifically involve.

As discussed in “Business—Government Regulation,” in 2007, the Florida Department of Insurance issued an order for us to desist and refrain from further operating as a life settlement provider unless and until qualification had been made under the Florida law, or unless exempt. In April 2009, without admitting any wrongdoing, we settled the matter with the Florida Department of Insurance. Furthermore, in April 2011, without admitting any wrongdoing, we entered into a settlement agreement with the Nevada Secretary of State, Securities Division, for alleged failures to register as a broker-dealer of life insurance settlement transactions and to file a notice of exempt offering for the sale of subsidiary secured notes to residents of that state in 2009-2010. We believe that we are in compliance with all applicable laws in Florida, Nevada, and elsewhere, and that neither the Company nor this offering is adversely impacted by the Florida or Nevada settlements.

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 we conduct a 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 way that adversely affects our profitability. Any such action could have a corresponding material and negative impact on our results of operations and financial condition, primarily through a material decrease in revenues, and could also negatively affect our general business prospects.

If federal or state regulators or courts conclude that the purchase of life insurance in the secondary market constitutes, in all cases, a transaction in securities, we could be in violation of existing covenants under our revolving credit facility, which could result in significantly diminished access to capital. We could also face increased operational expenses. The materialization of any of these risks could adversely affect our operating results and possibly threaten the viability of our business.

Some states and the SEC have, on occasion, attempted to regulate the purchase of non-variable universal life insurance policies as transactions in securities under federal or 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 types of 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 will take or advocate for any action to implement the recommendations of the Staff Report. In addition, there have been several federal court cases in which transactions involving the purchase and fractionalization of life insurance contracts have been held to be

transactions in securities under the federal Securities Act of 1933. We believe that the matters discussed in the Staff Report, and existing caselaw, do not impact our current business model since our purchases of life settlements are distinguishable 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.

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

As a practical matter, the widespread application of securities laws to our purchases of life insurance policies, either through the expansion of the definition of what constitutes a security, the expansion of the types of transactions in life insurance policies that would constitute transactions in securities, or the elimination or limitation of available exemptions and exceptions (whether by statutory change, regulatory change, or administrative or court interpretation) could burden us as well as other companies operating in the life insurance secondary market through the imposition of additional processes in the purchase of life insurance policies or the imposition of additional corporate governance and operational requirements through the application of the federal Investment Company Act of 1940. Any such burdens could be material. Among the particular repercussions for us would be a violation of existing covenants under our revolving credit facility requiring us to not be an “investment company” under the Investment Company Act of 1940, which could in the short or long term affect our liquidity and increase our cost of capital and operational expenses, all of which would 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 obligations as they come due, including obligations under our debentures.

Being a public company will result in additional expenses and divert management’s attention. Being a public company could also adversely affect our ability to attract and retain qualified directors.

We will become a public reporting company upon the effectiveness of the registration statement of which this prospectus is a part. As a public reporting company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934 pursuant to Section 15(d) of that Act. These requirements will generate significant accounting, legal and financial compliance costs, and can be expected to make some activities more difficult, time consuming or costly, and may place significant strain on our personnel and resources. The Securities Exchange Act of 1934 requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to establish the requisite disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight are required. As a result, management’s attention may be diverted from other business concerns, which could have an adverse and even material effect on our business, financial condition and results of operations. These rules and regulations may also make it more difficult and expensive for us to obtain director and officer liability insurance. If we are unable to obtain appropriate director and officer insurance, our ability to recruit and retain qualified officers and directors, especially those directors who may be deemed independent, could be adversely impacted. Our historical financial statements contained in this prospectus do not presently include or reflect any of the costs or strains of being a public reporting company. As a consequence, an investor should understand that our general and administrative expenses can be expected to increase as a result of our becoming a public reporting company.

Our business and prospects may be adversely affected by changes, lack of growth or increased competition in the life insurance secondary market.

The growth of the life insurance policy secondary market and our expansion within the market may be negatively affected by a variety of factors beyond our ultimate control, including:

- the inability to locate sufficient numbers of life insurance policy sellers and agents to source life sellers;

- the inability to convince life insurance policy owners of the benefits of selling their life insurance policy;
- competition from other companies in the life insurance secondary market;
- negative publicity about the market based on actual or perceived abuses; and
- the adoption of additional governmental regulation.

The relatively new and evolving nature of the market in which we operate makes these risks unique and difficult to quantify.

Changes in general economic conditions could adversely impact our business.

Changes in general economic conditions, including, for example, interest rates, investor sentiment, changes specifically affecting insurance industry, competition, technological developments, political and diplomatic events, tax laws, and other factors not known to us today, can substantially and adversely affect our business and prospects. For example, changes in interest rates may increase our cost of capital and ability to raise capital, and have a corresponding adverse impact on our operating results. While we may engage in certain hedging activities to mitigate the impact of these changes, none of these conditions are or will be within our control.

If actuarial assumptions we obtain from third-party providers and rely on to model our expected returns on our investments in life insurance policies changes, our operating results and cash flow could be adversely affected, as well as the value of our collateral and our ability to service our debt obligations, including obligations owed to the holders of debentures.

The expected internal rate of return we calculate we will earn when purchasing a life insurance policy is based upon our estimate of how long the insured will live—an actuarial life expectancy. We obtain actuarial life expectancies from third-party medical actuarial underwriting companies. These actuarial life expectancies are subject to interpretation and change. Any change to the actuarial expectancies or the mortality assumptions accompanied therewith that extend the estimated actuarial life expectancies could have a materially adverse effect on our operating results and cash flow. Adverse impacts on the value of our life insurance policy portfolio or our cash flow could in turn impair the value of the collateral we have pledged to our creditors, including the holders of our debentures, and our ability to service our debt. In September 2008, we experienced adverse changes in actuarial life expectancy estimates by many of the medical actuarial underwriting firms we use with the release of the Society of Actuaries' 2008 Valuation Basic Table. This change in actuarial estimates by the medical actuarial firms had a negative impact on the valuation of our life insurance policy investments and reduced the rate of return we expected we would earn on those investments.

In addition, to actuarial life expectancies, we rely on pricing and premium forecasting software models developed by third-party actuarial companies for the valuation of policies we purchase, future mortality revenues, and the calculation of anticipated internal rates of return. These pricing models forecast the estimated future premiums due, as well as the future mortalities based on the survival probabilities of the insureds over their life expectancies. It is possible that the actuarial tables we presently use will again change in the future or that the mortality assumptions will fail substantially to meet actuarial estimates, and that any such failure could have a materially adverse effect on our business.

We rely on estimated rates of mortality for the actuarial assumptions we use when valuing life insurance policies and forecasting the performance of our portfolio, and we also rely on other estimates derived from statistical methodologies for projecting our future cash flows, among other things. If our estimates prove to be incorrect, it could materially and adversely affect our ability to satisfy our debt service and repayment obligations, including our obligations under the debentures.

If we assume we will receive cash inflows from policies sooner than we actually do, we may not be able to make payment on the obligations, including the debentures, in a timely manner, or at all. Moreover, a significant

discovery that results in mortality improvements among seniors, above historically predicted rates by medical actuaries providing life expectancies, could have a material adverse effect on the life insurance policy investments.

For example, we use a modeling method for projecting cashflows known as the "probabilistic method." This is an actuarial method that uses a mortality curve to project the likely flow of policy benefits to us, and attempts to reflect the probability that each premium must be paid. Using this method, we have in fact experienced fewer cash flows from policy benefits than projected in the early stages of ownership of our current life insurance policy portfolio. We had expected to receive approximately $8,691,446 in policy benefits as of June 30, 2011, and have in fact received $400,000. This has resulted in greater than expected premium payments, increasing from an expected $14,938,590 to $15,108,604. Barring significant mortality improvements, however, the fact that actual results have differed from the expectations derived from the probabilistic method of projecting cashflows should ordinarily result in greater cashflows later in the portfolio's servicing period.

We update and revise our projected future cash flows each month using the probabilistic method to reflect the actual experience within our life insurance policy portfolio to date. We use the current future cash flow projection to generate our expected internal rate of return on the life insurance policy portfolio we own. We would expect to change our method of calculating our future cash flows only if leading actuarial firms no longer believed such methodology was the most appropriate means of generating projected cash flows from a life insurance policy portfolio. Any change to the pricing model, methodology, premium forecasting assumptions, cashflow projections, or the mortality assumptions accompanied therewith that increase the projected cost of insurance premiums or decrease the probability of mortality could have a material and adverse impact on our results of operations and cash flows. Ultimately, this could adversely affect our ability to meet our debt service and repayment obligations, including our obligations under the debentures.

Risks Related to This Offering and Our Company

We may not be able to raise the capital that we are seeking in this offering, and may be unable to meet our overall business objectives of growing a larger, more statistically diverse portfolio of life insurance policies without the proceeds from the sale of debentures.

Arque Capital serves as our underwriter in this offering on a best-efforts basis. And, while Arque Capital will use its best efforts in the offer and sale of the debentures, investors should understand that (i) there is no minimum aggregate principal amount of debentures that we must sell prior to accessing investor funds, and (ii) we may not be able to sell the debentures that we are seeking to sell in this offering. Consequently, the additional capital we are seeking may not be available.

While we plan to continue the offering in support of our overall business objectives of growing a larger, more statistically diverse portfolio that is more likely to meet our actuarial cash flow projections, if we are unable to continue the offering for any reason, and we are unable to obtain capital from other sources, we expect that our business would be adversely affected, as the timing of our actuarial cash flow projections from our portfolio of life insurance policies would become less certain. In addition, if holders of our subsidiary secured notes were to fail to renew those notes with the frequency we have historically experienced, and actual cash flows from our portfolio of life insurance policies do not occur as our actuarial projections have forecasted, we could be forced to sell our investments in life insurance policies in order to service or satisfy our debt-related obligations. If we are forced to sell investments in life insurance policies, we may be unable to sell them at prices we believe are appropriate. In any such event, our business may be materially and adversely impacted.

We depend upon cash distributions from our subsidiaries, and contractual restrictions on distributions to us or adverse events at one of our operating subsidiaries could materially and adversely affect our ability to pay our debts, including our obligations under the debentures.

GWG Holdings is a holding company. As a holding company, we conduct our operations through our operating subsidiaries, and our only significant assets are the capital stock of our subsidiaries. Accordingly, our

ability to meet our cash obligations, including our obligations under the debentures, depends in part upon the ability of our subsidiaries to make cash distributions to us. The ability of our subsidiaries to make distributions to us is, and will continue to be, restricted by certain negative covenants relating to our revolving credit facility. DLP Funding II is the borrower under our revolving credit facility. See note 8 to our consolidated financial statements. The significant majority of insurance policies owned by the Company are subject to a collateral arrangement with the agent to our revolving credit lender, as described in note 2 to the consolidated financial statements. Under this arrangement, collection and escrow accounts are used to fund purchases and premiums of the insurance policies and to pay interest and other charges under its revolving credit facility. The lender and its agent must authorize all disbursements from these accounts, including any distributions to GWG Life. Distributions are limited to an amount that would result in the borrowers realizing an 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 credit agreement requires that excess funds be used to fund repayments or a reserve account in certain amount, before any additional distributions may be made.

If any of the above limitations were to materially impede the flow of cash to us, such fact would materially and adversely affect our ability to service and repay our debt, including obligations under the debentures. In addition, any adverse event at the subsidiary level, such as a declaration of bankruptcy, liquidation or reorganization or an event of default under our revolving credit facility, could materially and adversely affect the ability of our subsidiaries to make cash distributions to us. Just as with a material contractual impediment to cash flow, any such subsidiary corporate event would materially and adversely affect our ability to service and repay our debt, including obligations under the debentures.

Subordination provisions contained in the indenture will restrict the ability of the trustee or the debenture holders to enforce their rights against us under the indenture, including the right to payment on the debentures, if a default then exists under our senior revolving credit facility.

The debentures will be subordinate in right of payment to any claims of the senior lender under our revolving credit facility. In this regard, subordination provisions limiting the right of debenture holders to enforce their rights are contained in the indenture. These provisions include:

- a prohibition on challenging any enforcement action taken by a senior lender or interfering with any legal action or suits undertaken by a senior lender 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 revolving 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 facility lender has been paid in full.

Furthermore, in the event of a default, we will be prohibited from making any payment, direct or indirect (whether for interest, principal, as a result of any redemption or repurchase at maturity, on default, or otherwise), on the debentures and any other indebtedness, and neither the holders of the debentures nor the trustee will have the right, directly or indirectly, to sue to enforce the indenture or the debentures, if a default or event of default under any senior credit facility has occurred and is continuing, or if any default or event of default under any senior credit facility would result from such payment. This payment restriction will generally remain in effect unless and until: (i) the default and event of default respecting the senior credit facility has been cured or waived or has ceased to exist; and (ii) 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 ending on the earlier of (1) the indenture trustee’s receipt of a valid waiver of default from the holder of a credit facility; or (2) the indenture trustee’s receipt of a written notice from the holder of a credit facility terminating the payment blockage period.

Other provisions of the indenture permit the trustee to take action to enforce the right of debenture holders to payment after 179 days have passed since the trustee’s receipt of notice of default from the senior lender, but

in such case any funds paid as a result of any such suit or enforcement action shall be applied toward the senior credit facility until the facility is indefeasibly paid in full before being applied to the debentures. These subordination provisions present the risk that, upon any default by us on obligations owed under our senior debt, the holders of the debentures will be unable to enforce their right to payment.

If the 180-day standstill period noted above or any other limitation on the rights of the trustee or debenture holders to assert their rights to payment of principal or interest under the indenture or debentures is ultimately determined to conflict with provisions of the Trust Indenture Act of 1939 (most notably sections 316(b) 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 (notwithstanding such provision contained in the indenture) be authorized to institute a lawsuit for the enforcement of any payment of principal or interest after their respective due dates.

The collateral granted as security for our obligations under the debentures may be insufficient to repay the debentures upon an event of default.

While the debentures will be guaranteed by GWG Life and rank pari passu with our outstanding subsidiary secured notes with respect to collateral security, the debentures will be structurally subordinated to all obligations of any of our subsidiaries other than GWG Life, including DLP Funding II. Importantly in this regard, DLP Funding II owns the vast majority of our life insurance policies. Moreover, trade payables of our operating subsidiaries other than GWG Life will be structurally senior to the debentures. This means that holders of the debentures will have a junior position to the claims of creditors, including trade creditors, of such other operating subsidiaries on their assets and earnings.

The debentures will also be effectively subordinate to all senior secured debt we have or may incur, to the extent of the value of the assets securing that debt. The indenture governing the debentures does not limit the amount of debt that we or our subsidiaries can incur, and it permits us and our subsidiaries to incur secured debt. As of June 30, 2011, we had approximately $48.2 million of outstanding secured indebtedness under our revolving credit facility that is senior to the debentures. For a description of the ranking of the debentures, see “Description of Debentures—Ranking” in this prospectus. Because of the fact that 94% of our life insurance policies, representing approximately 96% of the face value of our life insurance policy benefits as of June 30, 2011, are held in our DLP Funding II subsidiary, and all of those assets serve as collateral security for our obligations under the revolving credit facility, debenture holders risk the possibility that the collateral security we have granted for our obligations under the debentures may be insufficient to repay the debentures upon an event of default.

If a significant number of holders of our short-term subsidiary secured notes demand repayment of those notes instead of renewing them, and we have not at such time raised sufficient capital in this offering, we may be forced to liquidate some of our life insurance policy assets, which could have a material and adverse impact on our results of operations.

Our direct and wholly owned subsidiary, GWG Life, has issued and outstanding approximately $60.6 million in subsidiary secured notes. By virtue of GWG Life’s full and unconditional guarantee of obligations under the debentures, and other agreements contained in or made in connection with the indenture, the debentures are pari passu in right of payment and collateral with such subsidiary secured notes. The indenture for the debentures, and the note issuance and security agreement for the subsidiary secured notes, each provide for cross defaults upon an event of default under the provisions of the other agreement (i.e., an event of default under the note issuance and security agreement will constitute an event of default under the indenture for the debentures, and vice versa).

As of June 30, 2011 (unaudited), we had the following principal amount of subsidiary secured notes due during the referenced years ended December 31:

2011	$ 16,981,000
2012	19,698,000
2013	8,811,000
2014	1,790,000
2015	5,005,000
2016	2,002,000
2017	6,334,000
Total	$ 60,621,000

The renewal terms of the subsidiary secured notes have auto-renewal features. Since we first issued our subsidiary secured notes, we have experienced $35,013,644 in maturities, of which $25,714,952 has renewed for an additional term as of June 30, 2011. This has provided us with an aggregate renewal rate of approximately 73% for investments in our subsidiary secured notes.

We expect to use a portion of the proceeds from this offering to repay all or a portion of the subsidiary secured notes; however, we do not plan to immediately retire all of such notes. See “Use of Proceeds” for more information in this regard. If investors holding existing indebtedness with short-term maturities do not elect to renew and we have not, at such time, raised sufficient capital through the sale of debentures, we may need to liquidate some of our investments in life insurance policies earlier than anticipated. In such an event, we may be unable to sell those life insurance policies at prices we believe are fair or otherwise appropriate, and such sales could have a material and adverse impact on our results of operations.

Because we intend to hold our life insurance policies to their maturity, we therefore measure our debt coverage ratio against our current cost of financing, which may not reflect the sale price if we had to liquidate the policies.

We intend and expect to hold the life insurance policy investments until they are paid out at the mortality of the insured. As a result, we measure our debt coverage ratio based on the portfolio’s gross expected yield against the interest cost of our total debt obligations to finance the portfolio. The debt coverage ratio, expressed as a percentage, is defined as the ratio of (i) total amounts outstanding on any indebtedness for borrowed money, over (ii) the net present asset value of all life insurance assets we own, plus any cash held in our accounts. For this purpose, the net present asset value is calculated as the present value of the life insurance portfolio’s expected future cash flows discounted at the weighted average interest rate of the indebtedness for the previous month. Under the indenture, the maximum amount of debentures we may issue at any time is limited to an amount such that our debt coverage ratio does not exceed 90%. This limitation is designed to provide some comfort to holders of our debt that the value of our assets exceeds our obligations to those holders. Nevertheless, the debt coverage ratio is not based on the market value of our life insurance policy assets, which may be different—greater or less—than the amount we would receive if we were forced to sell those assets in the marketplace.

We have no obligation to repurchase debentures prior to their maturity date except in narrowly limited circumstances.

We will have no obligation, and debenture holders will have no right to require us, to prepay any debenture prior to its maturity date. The only exceptions exist for situations in which an individual natural person investor suffers a total permanent disability, a bankruptcy or dies. In such an event, we will be required to repurchase the debenture of such person so long as certain procedural requirements are met. Outside these narrow exceptions, we may nonetheless agree, in our sole and absolute discretion, to accommodate requests to prepay or repurchase a debenture prior to its maturity in other cases. If we do agree to prepay or repurchase debentures, we will assess

a 6% repurchase fee for redeeming the debentures. For more information, see "Description of the Debentures—Redemption or Repurchase Prior to Stated Maturity (Prepayment)." As a result, any investment in a debenture should be considered illiquid and unable to be redeemed until its stated maturity.

Fraudulent transfer statutes may limit your rights under the guarantee of the debentures.

Our obligations under the debentures will be fully and unconditionally guaranteed by our direct wholly owned subsidiary, GWG Life. The guarantee may be subject to review under various laws for the protection of creditors. It is possible that other creditors of GWG Life may challenge the guarantee as a fraudulent transfer under relevant federal and state laws. Under certain circumstances, including a finding that GWG Life was insolvent at the time its guarantee was issued, a court could hold that the obligations of GWG under the guarantee may be voided or are subordinate to other obligations of GWG Life, or that the amount for which GWG Life is liable under its guarantee of the debentures may be limited. Different jurisdictions define "insolvency" differently, and we cannot assure you as to what standard a court would apply to determine whether GWG was insolvent. If a court were to determine that GWG Life was insolvent on the date on which it guaranteed the debentures, or that the guarantee constituted a fraudulent transfer on other legal grounds, the claims of creditors of GWG Life would effectively have priority with respect to GWG Life's assets and earnings over the claims of the holders of the debentures.

Our controlling stockholders and principal executives are involved in a litigation "clawback" claim made by a bankruptcy trustee to an affiliate, and it is possible that the trustee may assert claims against our company.

Our Chief Executive Officer, Jon R. Sabes and Chief Operating Officer, Steven F. Sabes, who together beneficially own approximately 86.1% of our common stock are subject to litigation relating to claims by a bankruptcy trustee for loan payments made to an affiliate, Opportunity Finance, LLC. Such payments may ultimately be deemed to be avoidable transfers under preference or other legal theories. Case No. 08-45257 (U.S. Bankruptcy Court District of Minnesota). In addition, GWG Holdings invested $1 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 claim has been made against GWG Holdings.

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 action will vigorously defend against the trustee's claims, such defendants may not prevail in the litigation with the bankruptcy trustee. If the bankruptcy trustee sought to sell or 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 business together with all of our investors, including investors in our debentures, could be materially and adversely impacted. Such adverse results would likely arise in connection with negative change-in-control covenants contained in our revolving credit facility agreements, the breach of those covenants and an ensuing event of 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 result of the litigation, such transfers would adversely affect debenture holders by reducing the number of shares of common stock of GWG Holdings that have been pledged as collateral security for our obligations under the debentures. Finally, regardless of the outcome of this litigation, these matters are likely to distract management and reduce the time and attention that they are able to devote to our business.

We have no obligation to contribute to a sinking fund to retire the debentures, nor are the debentures guaranteed by any governmental agency.

We have no obligation to contribute funds to a sinking fund to repay principal or interest on the debentures upon maturity or default. The debentures are not certificates of deposit or similar obligations of, or guaranteed by, any depository institution. Further, no governmental entity insures or guarantees payment on the debentures if we do not have enough funds to make principal or interest payments.

The loss of the services of our current executives or other key employees, or the failure to attract additional key individuals, would materially adversely affect our business operations and prospects.

Our financial success is dependent to a significant degree upon the efforts of our current executive officers and other key employees. In addition, our revolving credit facility requires Messrs. Jon R. Sabes and Steven F. Sabes to generally remain active within the business. We have entered into employment agreements with Messrs. Jon R. Sabes, Steven F. Sabes, Paul A. Siegert and Jon Gangelhoff. Nevertheless, there can be no assurance that these individuals will continue to provide services to us. A voluntary or involuntary termination of employment could have an adverse effect on our business operations if we were not able to attract qualified replacements in a timely manner. At present, we do not maintain key-man life insurance policies for any of these individuals. In addition, our success and viability is also dependent to a significant extent upon our ability to attract and retain qualified personnel in all areas of our business, especially our sales, policy acquisition, and financial management team. If we were to lose the members of our respective service teams, we would need to replace them with qualified individuals in a timely manner or our business operations and prospects could be adversely impacted.

We will have the discretion to purchase assets, including life insurance policies, through different subsidiaries, and to transfer assets among our subsidiaries. Any decision to purchase or hold title to assets in one subsidiary, as opposed to a different subsidiary, may affect the value of collateral security for our obligations under the debentures.

We may at our discretion direct the purchase of policies by, and the sale of policies and other assets amongst, different subsidiaries of GWG Holdings as a method of asset and liability management and to attempt to maintain diversification and certain ratios in our investment portfolio. Purchases of assets in, or movements of assets amongst, different subsidiaries could affect the value of the collateral security for obligations under the debentures. For example, purchases through, or transfers of life insurance polices to, DLP Funding II would cause the policies acquired by DLP Funding II to become collateral for our revolving credit facility, whereas purchases through, or transfers of life insurance policies to, GWG Life would cause the policies acquired by GWG Life to become collateral for the debentures. Moreover, we determine the sales prices for intracompany (consolidated) transfers of assets, including life insurance policies, amongst our subsidiaries. In the case of life insurance policies, intracompany sales are generally priced at the sum of the total amount theretofore advanced on the outstanding policies as of the date of transfer. These purchase prices will ordinarily not be equivalent to the fair market value of the policies at the time of the transfer. Accordingly, purchases of assets such as life insurance policies through, or transfers of such assets to, different subsidiaries may affect the value of collateral security for different classes of holders of our debt, including the debentures. In the case of a liquidation, any of these discretionary decisions may affect the value of and amount you may ultimately be entitled to receive with respect to your debentures.

We do not expect a market to exist that will enable you to sell your debentures.

The debentures will not be readily resalable or transferable. No public market for the debentures exists and none is expected to develop. As a result, transferability of the debentures will be limited. The purchase of debentures is not suitable for investors desiring liquidity at any time prior to the maturity of the debentures.

We cannot know the tax implications of an investment in the debentures for the debenture holder.

The section of this prospectus entitled “Material Federal Income Tax Considerations” sets forth a summary of federal income tax consequences to the purchasers of the debentures. No information is provided concerning tax consequences under any other federal, state, local or foreign laws that may apply to the purchasers of the debentures. Prospective investors or their representatives should read that section very carefully in order to properly evaluate the federal income tax risks of an investment in the debentures. Each prospective investor should consult his personal counsel, accountant and other business advisors as to the federal, state, local and foreign tax consequences of an investment in the debentures. Debenture holders will receive an IRS Form 1099-INT in connection with their receipt of interest payments.

The protection provided by the federal securities laws relating to forward-looking statements does not apply to us. The lack of this protection could harm us in the event of an adverse outcome in a legal proceeding relating to forward-looking statements made by us.

Although federal securities laws provide a safe harbor for forward-looking statements made by a public company that files reports under the federal securities laws, this safe harbor is not available to certain issuers, including issuers that do not have their equity traded on a recognized national exchange (or the Nasdaq Capital Market). Our common stock does not trade on any recognized national exchange (or the Nasdaq Capital Market). As a result, we will not have the benefit of this safe harbor protection in the event of any legal action based upon a claim that the material provided by us contained a material misstatement of fact or was misleading in any material respect because of our failure to include any statements necessary to make the statements not misleading. The lack of this protection in a contested proceeding could harm our financial condition.

Advances previously made to members of our executive management and outstanding at the time that we initially filed the registration statement of which this prospectus is a part may be deemed violations of Section 402 of the Sarbanes-Oxley Act of 2002, which prohibits public reporting companies from extending or maintaining credit to directors or executive officers in the form of a personal loan, and such violations could have material and adverse effect upon our reputation and business.

As described elsewhere in this prospectus, prior to our conversion from a limited liability company to a corporation and the filing of the registration statement of which this prospectus is a part, we made certain advances to our executive management personnel, Messrs. Jon R. Sabes, Steven F. Sabes and Paul A. Siegert, that were to be repaid by such individuals upon or in connection with operating distributions to be paid by us when the Company had cash flow sufficient to make distributions on account of their ownership interests in the Company. For further information, please refer to “Executive Compensation—Summary Compensation Table,” “—Employment Agreements and Change-in-Control Provisions,” and “—Related-Party Transactions.”

Each of Messrs. Jon R. Sabes, Steven F. Sabes and Paul A. Siegert have repaid all outstanding advances, including all interest accrued thereon. However, because such loan advances remained outstanding at the time that we initially filed such registration statement with the SEC, we may be deemed to have inadvertently violated Section 402 of the Sarbanes-Oxley Act of 2002, which prohibits “issuers” from extending or maintaining credit to directors or executive officers in the form of a personal loan. As defined under the Sarbanes-Oxley Act of 2002, the term “issuer” includes, in addition to public companies, a company that has filed a registration statement that has not yet become effective under the Securities Act of 1933 and that has not been withdrawn. Although we believe that the loan advances constitute business loans, as opposed to personal loans, regulatory authorities may not agree with this assessment if the matter is investigated and claims alleging a violation are pursued. On July 27, 2011, Messrs. Jon R. Sabes, Steven F. Sabes and Paul A. Siegert repaid their loan balances.

Violations of the Sarbanes-Oxley Act of 2002 could result in significant penalties, including censure, cease and desist orders, revocation of registration and fines. It is also possible that the criminal penalties could exist, although criminal penalties require a related violation to have been willful, and not the result of an innocent mistake, negligence or inadvertence. In the end, it is possible that we could face any of these potential penalties or results, and any action by administrative authorities, whether or not ultimately successful, could have a material and adverse effect upon our reputation and business.

USE OF PROCEEDS

If all of the debentures are sold, we expect to receive up to approximately $229.75 million of net proceeds from this offering after paying estimated offering and related expenses and after paying our estimated average selling and wholesale commissions, dealer manager fees, accountable and non-accountable expense allowances. The estimated commissions, dealer manager fees, accountable and non-accountable expense allowances and wholesale commission expenses of our selling group members aggregate to approximately $19.25 million based on expected average selling commissions of $12.5 million (5.00%), dealer manager fees of $2.5 million (1.00%), accountable and non-accountable expenses of $2.5 million (1.00%), and wholesale commissions of $1.75 million (0.70%), assuming the sale of all of the debentures. In addition, we expect that our offering expenses, consisting of legal, accounting, printing, mailing, registration, qualification and associated securities offering filing costs and expenses, will aggregate to approximately $1,000,000.

As explained elsewhere in this prospectus, the maximum amount of commissions, fees and allowances payable to FINRA selling members is 8.00% of the aggregate principal amount of debentures sold. Therefore, if all of the debentures were sold and the maximum commissions, fees and allowances were paid, we estimate that the net proceeds to us, after paying our estimated offering and related expenses, would be approximately $229.75 million. However, because we do not know the total principal amount of debentures that will be ultimately sold, we are unable to accurately forecast the total net proceeds that will be generated by this offering. For more information about dealer manager fees, selling commissions, non-accountable expense allowances and accountable due diligence expenses payable to our selling group in connection with the sale of debentures, as well as our own offering and related expenses, please see “Plan of Distribution.”

There is no minimum amount of debentures that must be sold before we access investor funds. The exact amount of proceeds we receive may vary considerably depending on a variety of factors, including how long the debentures are offered.

Our goal is to use a majority of the net proceeds from this offering to purchase additional life insurance policies in the secondary market. The amount of proceeds we apply towards purchasing additional life insurance policies will depend, among other things, on how long the debentures are offered, the amount of net proceeds that we receive from the sale of debentures being offered, the existence and timing of opportunities to expand our portfolio of insurance policy assets, our cash needs for certain other expenditures (summarized below) we anticipate incurring in connection with this offering and in connection with our business, and the availability of other sources of cash (e.g., our revolving credit facility). These certain other expenditures, listed in order of priority, include:

- paying premiums on life insurance policy assets we own;
- paying principal at maturity, interest and fees to our lenders, including under our revolving credit facility, the subsidiary secured notes, and the debentures; and paying fees and expenses of the trustees of certain trusts associated with our subsidiary secured notes and the debentures; and
- providing funds for portfolio operations.

The extent to which we will use proceeds from this offering for these other purposes, and the amounts and timing of such expenditures will depend on, among other things, how long the debentures are offered, the amount of net proceeds that we receive from the sale of debentures being offered, the existence and timing of opportunities to expand our portfolio of insurance policy assets and the availability of funds from other sources, including borrowings from our revolving credit facility and cash generated from our operations. We currently expect to allocate net offering proceeds as follows, based upon various assumed amounts of gross proceeds that we receive from the sale of debentures:

	Gross Offering Proceeds							
	$250,000,000		$125,000,000		$62,500,000		$25,000,000	
Net Offering Proceeds	229,750,000	100%	115,250,000	100%	57,625,000	100%	23,050,000	100%
Purchase Policies	178,400,000	78%	83,625,000	72%	39,025,000	68%	11,150,000	48%
Payment of Premiums	17,840,000	8%	11,150,000	10%	8,362,500	14%	4,460,000	19%
Payment of Principal and Interest	15,610,000	7%	11,150,000	10%	5,575,000	10%	4,460,000	19%
Other Expenditures	17,650,000	7%	9,325,000	8%	4,662,500	8%	2,980,000	14%

Proceeds not immediately applied to the uses summarized above will be invested in money market funds, commercial paper, U.S. Treasury Bills and similar securities investments pending other uses. We may also purchase interest rate hedges to lock in our cost of capital, or longevity hedges to lock in our expected return from our portfolio.

As indicated above, we may use some of the net proceeds from this offering to pay premiums on life insurance policy assets we own. Our aggregate premium obligations over the next five years for life insurance policy assets that we currently own are set forth in the table below. These premium obligations do not take into account the expectation of mortality over the periods presented.

Year	Premiums
2011	$ 7,186,333
2012	14,485,417
2013	15,406,979
2014	16,476,439
2015	17,628,285
Total	$ 71,183,453

Also as indicated above, we may use some of the net proceeds from this offering to pay principal amounts owing under our subsidiary secured notes when such amounts become due and payable. The amount of such notes that we would repay with proceeds of this offering will depend on whether the holders of such notes elect repayment rather than renewal of such notes, as well as whether we elect to use other sources of repayment such as available borrowings under our line of credit. We believe it is most likely that such payments, if any, would relate to subsidiary secured notes that mature within the first three years after the initial effective date of the registration statement of which this prospectus is a part (i.e., the maximum period of time during which we may offer securities under the registration statement). Of the subsidiary secured notes presently scheduled to mature on or prior to June 30, 2014, such notes have an aggregate outstanding principal amount of approximately $46.4 million and a weighted average interest rate of 7.66%. We do not intend to use any net proceeds from this offering to repurchase subsidiary secured notes prior to their maturity.

Some of the outstanding subsidiary secured notes due to mature within the next year may have been issued within the prior year (i.e., less than one year ago). In such a case, we used the proceeds of such debt to purchase life insurance policies or finance the servicing of such policies.

CAPITALIZATION

The following table sets forth, as of June 30, 2010, our consolidated debt and stockholders' equity on an actual basis and as adjusted to give effect to the sale of the maximum amount of debentures offered hereby and an assumed application of approximately 11% of our net proceeds to repay outstanding amounts owed under our subsidiary secured notes. You should read this table in conjunction with our consolidated financial statements and the notes thereto which are incorporated herein by this reference.

	At June 30, 2011	
	Actual	As Adjusted
	(Dollars in thousands, except per share amounts) (Unaudited)	
Debt:		
Debentures offered hereby	—	250,000
Subsidiary secured notes (1)	58,854	34,324
Revolving credit line (2)	48,175	48,175
Total debt	$107,029	$ 332,499
Stockholders' equity:		
Common stock (par value $0.001 per share; shares authorized 210,000,000; shares issued 9,000,000) (3)	5	5
Additional paid-in capital	6,867	6,867
Retained earnings	(2,992)	(2,992)
Other	(2,306)	(2,306)
Total stockholders' equity	1,574	1,574
Total debt and stockholders' equity	$100,666	$ 334,073

(1) The total outstanding face amount of subsidiary secured notes outstanding at June 30, 2011 was $60,620,729, less unamortized selling costs of $1,791,460, plus subscriptions receivable of $25,000. The weighted average interest rate of our outstanding subsidiary secured notes at June 30, 2011 was approximately 8.01%, and the weighted average maturity was approximately 1.80 years.

(2) The interest rate of our revolving credit line floats in conjunction with advances made thereunder. The weighted average interest rate payable under our revolving credit line at June 30, 2011 was approximately 2.08%. Amounts owing under our revolving credit line come due on July 15, 2013.

(3) On August 9, 2011, we effected a two-for-one forward stock split of our issued and outstanding common stock. The outstanding share figure contained in the table reflects the total number of outstanding common shares after giving effect to the forward stock split. Unless otherwise noted, all share figures contained in this prospectus are post-split share figures determined giving after giving effect to the forward stock split.

For more discussion and information relating to the retirement of subsidiary secured notes, please refer to the "Use of Proceeds" section of this prospectus.

SUMMARY FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information. The summary statement of operations data for fiscal years 2010 and 2009 and the selected balance sheet data as of December 31, 2010 and 2009 are derived from our audited consolidated financial statements contained elsewhere in this prospectus. The selected statement of operations data for the six months ended June 30, 2011 and June 30, 2010 and the selected balance sheet data as of June 30, 2011 have been derived from our unaudited consolidated financial statements contained elsewhere in this prospectus. In the opinion of management, the interim consolidated financial information reflects all adjustments of a normal recurring nature necessary for a fair statement of our financial position and results of operations at the dates and for the periods indicated. The results of operations for the six months ended June 30, 2011 may not be indicative of the results to be expected for the year ending December 31, 2011 or any other interim period.

The selected consolidated financial information should be read in conjunction with, and is qualified by reference to, our consolidated financial statements and the related notes and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this prospectus.

BALANCE SHEET DATA:

	December 31, 2010	December 31, 2009	June 30, 2011 (Unaudited)
Total Assets	$ 91,050,758	$ 24,090,614	$ 114,192,020
Investment in Portfolio	82,717,562	12,908,172	108,479,885
Cash and Cash Equivalents	1,758,230	1,180,850	349,170
Restricted Cash	5,219,009	5,751,115	3,571,451
Total Debt	90,889,411	22,365,538	112,618,392
Revolving Credit Facility	37,085,452	4,987,425	48,175,000
Subsidiary Secured Notes	51,798,992	13,570,983	58,854,268
Stockholder Equity	670,473	2,195,512	1,573,628

INCOME STATEMENT DATA:

	Year Ended		Six Months Ended (Unaudited)	
	December 31, 2010	December 31, 2009	June 30, 2011	June 30, 2010
Total Revenue	$8,898,947	$ 1,347,123	$10,326,079	$(4,632,524)
Gain on Life Insurance Contracts	8,658,874	808,944	10,294,109	(4,689,860)
Interest Expense	3,683,733	593,101	2,414,672	1,311,403
Net Income (Loss)	(230,395)	(4,833,413)	1,412,281	(8,570,372)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the consolidated and combined financial statements and accompanying notes and the information contained in other sections of this prospectus, particularly under the headings "Risk Factors," "Summary Financial Information" and "Business." This discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. The statements in this discussion and analysis concerning expectations regarding our future performance, liquidity and capital resources, as well as other non-historical statements in this discussion and analysis, are forward-looking statements. See "Risk Relating to Forward-Looking Statements." These forward-looking statements are subject to numerous risks and uncertainties, including those described under "Risk Factors." Our actual results could differ materially from those suggested or implied by any forward-looking statements.

Business Overview

We are engaged in the emerging secondary market for life insurance policies. We acquire life insurance policies in the secondary market from policy owners desiring to sell their policies at a discount to the face value of the insurance benefit. Once we purchase a policy, we continue paying the policy premiums in order to ultimately collect the face value of the insurance benefit. We generally hold the individual policies to maturity, in order to ultimately collect the policy's face value upon the insured's mortality. Our strategy is to continue to build a diversified and profitable portfolio of policies.

Corporate Conversion

We converted from a Delaware limited liability company to a Delaware corporation on June 10, 2011. As a limited liability company, we were treated as a partnership for United States federal and state income tax purposes and, as such, we were not subject to income taxation. For all periods after such conversion, our income will be subject to corporate-level United States federal and state income taxes.

Public Company Expenses

We filed the registration statement of which this prospectus is a part on June 14, 2011. Upon the effectiveness of the registration statement, we will become a public reporting company under Section 15(d) of the Securities Exchange Act of 1934. As a result, we will need to comply with federal securities laws, regulations and requirements, including certain provisions of the Sarbanes-Oxley Act of 2002. Compliance with the requirements of being a public company increase our general and administrative expenses to pay our employees, legal counsel, accountants, and other advisors to assist us in, among other things, external reporting, instituting and maintaining internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, and preparing and distributing periodic public reports in compliance with our obligations under the federal securities laws. In addition, being a public company will make it more expensive for us to obtain director and officer liability insurance.

Critical Accounting Policies

Critical Accounting Estimates

The preparation of the financial statements requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our judgments, estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions and conditions. We evaluate our judgments, estimates and assumptions on a regular basis and make changes accordingly. We believe that the judgments, estimates and assumptions involved in the accounting for the valuation of investments in life insurance policies have the greatest potential impact on our financial statements

and accordingly believe these to be our critical accounting estimates. Below we discuss the critical accounting policies associated with the estimates as well as selected other critical accounting policies. For further information on our critical accounting policies, see the discussion in Note 1 to our audited consolidated financial statements.

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 accordance with ASC 325-30, *Investments in Insurance Contracts*, which requires us to use either the investment method or the fair value method. The election is made on an instrument-by-instrument basis and is irrevocable. We have elected to account for these life insurance policies as investments using the fair value method.

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 associated with the acquisition. The fair value of the investment in insurance policies is evaluated at the end of each reporting period. Changes in the fair value of the life insurance policies are based on periodic evaluations and are recorded as changes in fair value of life insurance policies in our consolidated and 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 incorporates current life expectancy 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, management also makes calculations based on the weighted average expected internal rate of return of the policies. See "Non-GAAP Financial Measures" below.

Valuation of Insurance Policies

Our valuation of insurance policies is a critical component of our estimate for the fair value of our investments in life insurance policies. We currently use a probabilistic method of valuing life insurance policies, which we believe to be the preferred and most prevalent valuation method in the industry. In this regard, the most significant assumptions we make are the life expectancy of the insured and the discount rate.

In determining the life expectancy estimate, we use actuarial medical reviews from independent medical underwriters. These medical underwriters summarize the health of the insured by reviewing historical and current medical records. The medical underwriters evaluate the health condition of the insured in order to produce an estimate of the insured's mortality—a life expectancy report. The life expectancy report represents a range of probabilities for the insured's mortality against a group of cohorts with the same age, sex, and smoking status. These 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 life 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 discount rate represents the internal rate of return we expect to earn on investments in a policy or in the portfolio as a whole. The discount rate used to calculate fair value of our portfolio incorporates the guidance provided by ASU No. 2010-06, *Fair Value Measurements and Disclosures*.

At the end of each reporting period we re-value the life insurance policies using our valuation model in order to update our estimate of fair value for investments in policies held on our balance sheet. This includes reviewing our assumptions for discount rates and life expectancies as well as incorporating current information for premium payments and the passage of time. The table below provides the discount rate used for the fair value of the life insurance policies for the period ending:

June 30, 2011	June 30, 2010	December 31, 2010	December 31, 2009
13.38%	14.11%	13.36%	14.24%

Fair Value Measurement Guidance

We follow ASU No. 2010-06, *Fair Value Measurements and Disclosures*, which defines fair value as an exit price representing the amount that would be received if an asset were sold or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions the guidance establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. Level 1 relates to quoted prices in active markets for identical assets or liabilities. Level 2 relates to observable inputs other than quoted prices included in Level 1. Level 3 relates to unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Level 3 fair value measurement is the estimated fair value is based on a model whose significant inputs are the life expectancy of the insured and the discount rate, which are not observable and based on limited information on market activity. Although we believe that the Level 3 fair value is predictable based on the fixed contractual terms of the life insurance policy and its premium schedule and face value of the policy benefit, as well as the ability to predict the insured's age at the time of mortality, and appropriate discount rate to apply, all of which are the key factors in determining the fair value of a life insurance policy, we cannot be certain of the ultimate accuracy of this estimate.

Principal Revenue and Expense Items

Components of Revenue

We earn revenues from two primary sources.

Policy Benefits Realized. We recognize and record revenues upon the receipt of the face value of the policy benefits paid upon the mortality of an insured. We generally collect the face value of the life insurance policy from the insurance company typically within 45 days of the insured's mortality.

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 ASC 325-30, *Investments in Life Insurance Contracts*. Accordingly, we value our investments in life insurance policies each reporting period in accordance with the fair value principles discussed herein, which includes the payment of premiums for such period.

Components of Expenses

Selling, General and Administrative Expenses. We recognize and record expenses in the operations of the purchasing and servicing of life insurance policies for the current period. These expenses include legal, salaries, and sales and marketing expenditures.

Employee Compensation and Benefits. As described in note 6 to the consolidated financial statements, we had notes receivable from equity owners of the Company at each of the balance sheet dates. Effective January 1, 2011, interest income earned on these notes were treated as guaranteed payments to the members and are included in employee compensation and benefits in the statements of operations.

Interest Expense. We recognize and record interest expenses associated with the costs of financing our life insurance portfolio for the current period. These expenses include interest amounts paid to our senior lender under our revolving credit facility, as well as all interest paid on our other outstanding indebtedness such as our subsidiary secured notes.

Amortization of Deferred Costs. When we issue long-term indebtedness, we amortize the costs associated with such indebtedness over the outstanding term of the financing.

Results of Operations

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

Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010

Revenue. Recognized revenue includes an increase in the fair value of life insurance policies in the amount of $10,294,109 for the six months ended June 30, 2011, compared to a decline of $(4,689,860) for the same period in 2010. We initially record our investments in life insurance policies at the total purchase price paid for policies. We recorded change in fair value gains of $10,294,109 during the six months ended June 30, 2011 due to the evaluation of the fair value of the total portfolio of life insurance policies at the end of the reporting period. The increases in fair value were due to the change in discount rate. The change in discount rate was driven primarily by increasing demand for the types of policies we purchase. Increasing demand during the six months ended June 30, 2011 was observed primarily from (i) an increased number of purchasers bidding on policies in general and (ii) our own decreasing success rate at consummating purchases (i.e., submitting winning bids) for policies fitting within our purchase criteria. The discount rate used for the fair value of the life insurance policies was 13.38% for the period ending June 30, 2011, compared to 14.11% for the same period in 2010.

Expenses. Interest expense was $2,414,679 for the six months ended June 30, 2011, compared to $1,394,007 for the same period in 2010, an increase of $1,020,672. The increase in interest expense was due to the increase in the issuance of debt outstanding to purchase life insurance policies. Selling, general and administrative expenses were $1,821,086 for the six months ended June 30, 2011, compared to $2,427,393 for the same period in 2010, a decrease of $606,307. This increase was due to a decrease in travel and marketing activities related to the issuance of indebtedness. Amortization of deferred issuance costs was $896,540 for the six months ended June 30, 2011, compared to $116,448 for the same period in 2010, an increase of $780,092. This increase resulted from the increase in the issuance of indebtedness in 2010.

Tax expense for the six months ended June 30, 2011 was $3,781,500 compared to $0 for the same period in 2010. This was due to recording the deferred tax liability on June 10, 2011 upon converting the Company from a limited liability company to a corporation.

2010 Compared to 2009

Revenue. Recognized revenue from the receipt of policy benefits was $157,552 in 2010, compared to no revenue from the receipt of policy benefits during 2009. Revenue recognized from the change in fair value of our life insurance policies was $8,501,322 in 2010 compared to $808,994 in 2009. We initially record these investments at the total purchase price paid for policies. We recorded change in fair value gains of $8,501,322 in 2010 due to the evaluation of the fair value of the total portfolio of life insurance policies at the end of the reporting period. The increases in fair value were due to the change in the discount rate. The change in discount rate was driven primarily by increasing demand for the types of policies we purchase. The discount rate used for the fair value of the life insurance policies we own was 13.36% for the period ending December 31, 2010 compared to 14.24% for the same period ending in 2009.

Expenses. Interest expense was $3,683,733 in 2010 compared to $593,101 in 2009, an increase of $3,090,632. The increase in interest expense was due to an increase in the issuance of debt outstanding to purchase life insurance policies. Selling, general and administrative expenses were $4,772,399 in 2010 compared to $5,506,059 in 2009, a decrease of $783,660. This decrease in expense was due to the restructuring of the sales and marketing activities associated with the issuance of indebtedness to include hiring the services of a managing broker-dealer. Amortization of deferred issuance costs was $743,635 in 2010, compared to $232,896 in 2009, an increase of $510,739. This increase resulted from the increase in principal amount of subsidiary secured notes sold in 2010.

Liquidity and Capital Resources

Historically, we have funded our operational expenditures for the management of our business primarily through origination fees derived from the purchase of life insurance policies, and we have funded the acquisition, servicing and financing of our life insurance policy portfolio through various forms of debt financing.

The origination fee we charge is generally one to four percent of the face value of a life insurance policy's benefit and is charged and received by us when we acquire the related policy. The origination fee we charge is calculated into the total purchase price we pay for a life insurance policy, but is a separate transaction that is not netted against the purchase price we pay to a seller of an insurance policy. In 2010, we generated cash flows of $6,048,493 from origination fees that covered our operational expenditures. Profit from intra-company origination fees for life insurance policies retained by the Company are eliminated from our statement of operations. As such, the origination fees collected under our life insurance policy financing arrangements are reflected in our statement of cash flows as cash flows from financing activities. See the subcaption "—Cash Flows" below for further information. We determine the purchase price of life insurance policies in accordance with ASC 325-30 *Investments in Insurance Contracts* using the fair value method. Under the fair value method, the initial investment is recorded at the transaction price, including direct acquisition costs. Since the origination fees are paid from a wholly owned subsidiary to the parent company, these costs are not included in the transaction price for our GAAP financial statements. For further discussion on our accounting policies for life settlements, please refer to footnote 1 of the notes to our consolidated financial statements. In 2010, we used origination fees earned in 2010 to repay approximately $1,446,825 in unsecured working capital loans, along with $90,900 in accrued interest from those loans. The loans were made to us by Insurance Strategies Fund, LLC, a Delaware limited liability company controlled by Jon R. Sabes and Steven F. Sabes, our Chief Executive Officer and Chief Operating Officer, respectively, in 2009. The agreement with Insurance Strategies Fund under which the working capital loans were made remains in effect so that additional working capital loans may in the future be made as our Board of Directors determines to be necessary. See "Management—Related-Party Transactions."

To date, we have financed our policy acquisition, servicing and related financing expenditures primarily through restricted borrowings made directly by our subsidiaries. In particular, DLP Funding II has entered into a $100 million revolving credit facility with Autobahn/DZ Bank and GWG Life has issued secured notes (referred to throughout this prospectus as the "subsidiary secured notes"). At June 30, 2011, we owed approximately $48.2 million in principal amount on our revolving credit facility. Interest accrues on amounts borrowed under the revolving credit facility at a floating rate the weighted average of which was 2.08% per annum at June 30, 2011. As of June 30, 2011 we had the ability to borrow up to $51.8 million. At June 30, 2011 we estimate our borrowing base made available to us an additional $11.46 million under the revolving credit facility. On that same date, we had approximately $60.6 million in principal amount of subsidiary secured notes outstanding. The weighted-average interest rate of our outstanding subsidiary secured notes at that date was 8.01%, and the weighted-average maturity at that date was 1.8 years. The subsidiary secured notes outstanding have renewal features similar to those of the debentures. Since we first issued our subsidiary secured notes, we have experienced $35,013,644 in maturities, of which $25,714,952 has renewed for an additional term as of June 30, 2011. This has provided us with an aggregate renewal rate of approximately 73% for investments in our subsidiary secured notes.

As of June 30, 2011, we had approximately $15.36 million in available cash and available borrowing capacity under our revolving credit facility for the purpose of purchasing of additional life insurance policies, paying premiums on existing policies, paying portfolio servicing expenses, and paying of principal and interest on our outstanding financing obligations. As of June 30, 2011, we also had approximately $2.31 million in outstanding unsecured notes receivable from certain of our equity owners, as described in note 6 to the consolidated financial statements. Because management believes the ability to collect the amounts due is directly linked to future profits, the Company has classified these receivables as members' equity on its consolidated balance sheets.

We expect to meet our ongoing operational capital needs through a combination of origination fees, unsecured working capital loans, and proceeds from financing transactions. We expect to meet our policy acquisition, servicing, and financing capital needs from the net proceeds from our offering of debentures, and our revolving credit facility. However because we only receive origination fees 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 receipt of external funding. We expect to begin receiving insurance benefit payments on our portfolio of life

insurance policies as the average age of the insureds increase and mortality events occur over time—beginning in 2012 and steadily increasing until 2018. In addition, despite recent capital market conditions including a credit crisis, we demonstrated continued access to credit and financing markets. As a result, we estimate that our liquidity and capital resources are sufficient for our current and projected financial needs. Nevertheless, if we are unable to continue the offering of debentures for any reason, and we are unable to obtain capital from other sources, we expect that our business would be materially and adversely affected as we are staffed and organized to support a larger portfolio of life insurance policies than we currently own. In addition, our business would be materially and adversely affected if we did not receive the policy benefits we forecast and if holders of our subsidiary secured notes also failed to renew those notes with the frequency we have historically experienced. In such a case, we could be forced to sell our investments in life insurance policies, in order to service or satisfy our debt-related obligations.

Capital expenditures have historically not been material and we do not anticipate making material capital expenditures in 2011 or beyond.

Debt Financings Summary

We had the following outstanding debt balances as of June 30, 2011:

Issuer/Borrower	Principal Amount Outstanding at June 30, 2011 ($)	Weighted Average Interest Rate (%)
GWG Holdings, Inc.	$ 0	—
GWG Life Settlements, LLC	$ 60,654,729	8.01%
GWG DLP Funding II, LLC	$ 48,175,000	2.08%
Total	$ 108,829,729	5.39%

Our total credit facility and other indebtedness balance as of $108,829,729 was used to purchase and finance our portfolio of life insurance policies. The fair value of our investments in life insurance policies of $108,479,885, plus our restricted cash balance of $3,571,451, totaled $112,051,336, representing an excess of portfolio assets over secured indebtedness of $3,221,607 at June 30, 2011.

Cash Flows

The payment of premiums and servicing costs to maintain life insurance policies represents our most significant requirement for cash disbursement. When a policy is purchased, we are able to calculate the minimum premium payments required to maintain the policy in-force. Over time as the insured ages, premium payments will increase, however the probability of actually needing to pay the premiums decreases since mortality becomes more likely. These scheduled premiums and associated probabilities are factored into our expected internal rate of return and cash-flow modeling. Beyond premiums, we incur policy servicing costs, including annual trustee and tracking costs, and debt servicing costs, including principal and interest payments. Until we receive proceeds from the policy benefits, we intend to pay these costs from our credit facility and through the issuance of debt. We presently expect that by 2014, the cash inflows from the receipt of policy benefits will exceed the premium obligations on the remaining life insurance policies held within the portfolio. However, because our revolving credit facility matures on July 15, 2013, we believe we will need to refinance our revolving credit facility, either through renewal or replacement, when it comes due. Pending the due date or refinancing of our revolving credit facility, we expect that proceeds from our life insurance policies will first be used to satisfy our obligations under that facility, as required by the revolving loan agreement. We expect to begin servicing and paying down our outstanding indebtedness from these cash flows when we receive payments from the policy benefits. See “Business—Portfolio Management.”

The amount of payments that we will be required to make over the next five years to cover the payment of premiums and servicing costs to maintain life insurance policies is set forth in the table below.

Year	Premiums + Servicing
2011	$ 7,285,933
2012	14,684,617
2013	15,606,179
2014	16,675,639
2015	17,827,485
Total	$ 72,079,852

The significant majority of insurance policies owned by the Company are subject to a collateral arrangement with the agent to our revolving credit lender, as described in notes 2 and 8 to the consolidated financial statements. Under this arrangement, collection and escrow accounts are used to fund purchases and premiums of the insurance policies and to pay interest and other charges under its revolving credit facility. The lender and its agent must authorize all disbursements from these accounts, including any distributions to GWG Life, which is the guarantor subsidiary under the renewable secured debentures offered hereby. Distributions are limited to an amount that would result in the borrowers realizing an 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 credit agreement requires that excess funds be used to fund repayments or a reserve account in certain amount, before any additional distributions may be made. In the future, these arrangements may restrict the cash flows available for payment of principal and interest on the renewable secured debentures offered hereby.

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 of operations in the periods presented in our financial statements.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Credit Risk

We review our portfolio of life insurance policies to determine their adequacy of bad debt reserves for losses on life insurance policy benefits, and other assets. We expect to maintain the reserves for losses on policies at an amount estimated to be sufficient to absorb future losses, net of recoveries, inherent in the policies. In evaluating the adequacy of the bad debt reserves, we consider insurance company solvency, credit risk indicators, economic conditions, on-going credit evaluations, reserve account balances if any, and company positions. We attempt to manage our credit risk related to life insurance policies typically by purchasing policies issued only from companies with an investment grade credit rating by either Standard & Poor's, Moody's, or A.M. Best Company. As of June 30, 2011, 99.4% of our life insurance policies were issued by companies rated "A" or better by Standard & Poor's. Our overall credit risk is subject to rapid changes that may be unforeseen and could result in immediate increased losses and material adjustments to the allowance or actual losses.

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 debentures) is generally impacted by prevailing interest rates. Furthermore, while our other indebtedness provides us with fixed-rate financing, our debt coverage ratio is calculated in relation to our total cost of financing. Therefore, fluctuations in interest rates impact our business by increasing our borrowing costs, and reducing availability under our debt financing arrangements. Furthermore, we calculate

our portfolio earnings based upon the spread generated between the return on 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 investments in life insurance policies. While we expect to manage this volatility with interest rate hedges to mitigate our exposure to changes in interest rates, our income and business may nonetheless be impacted by changes in interest rates.

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 covenants contained in our borrowing agreements. Non-GAAP financial measures disclosed by management are provided as additional information to investors in order to provide them with an alternative method for assessing our financial condition and operating results. These non-GAAP financial measures are not in accordance with GAAP and may be different from non-GAAP measures used by other companies, including other companies within our industry. **This presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for comparable amounts prepared in accordance with GAAP.** See our audited consolidated financial statements at pages F-1 through F-34 of this prospectus.

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 accounting principles. In addition to GAAP, we are required to report non-GAAP financial measures to Autobahn/DZ Bank under certain financial covenants made to that lender under our revolving credit facility. We also use non-GAAP financial reporting to manage and evaluate the financial performance of our business.

GAAP-based fair value accounting imports subjective financial market volatility into our financial reporting by requiring management to estimate the value of our assets as if they were sold in an orderly transaction between market participants at the measurement date based upon prevailing conditions supported by little or no market activity that is readily observable. However, we believe one of the key attractions for purchasing life insurance policies is the non-correlated nature of the returns to be derived from such policies. Therefore, in contrast to a GAAP-based fair valuation, we can accrue for the actuarial gain occurring within life insurance policies at the expected internal rate of return based on statistical mortality probabilities for an insured (using primarily the insured's age, sex and smoking status). The expected internal rate of return tracks actuarial gain occurring within the policies according to mortality tables as the ages of insureds increase. By comparing the actuarial gain accruing within our life insurance policies against our costs in the same period, we manage and evaluate the financial profitability of our business. We use this information to balance our life insurance policy purchasing and manage our capital structure, including the issuance of debt under our revolving credit agreement and utilization of our other sources of capital, and to monitor our compliance with borrowing covenants. We believe that these non-GAAP financial measures provide information that is useful for investors to understand period-over-period operating results separate and apart from fair value items that may, or could, have a disproportionately positive or negative impact on results in any particular period.

Our revolving credit facility requires us to maintain an "excess spread," which is the 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 of our credit facility's interest rate. In addition, our credit facility requires us to maintain a "tangible net worth" and "positive net income" each of which are calculated on an adjusted non-GAAP basis by recognizing the accrual of value at the expected internal rate of return of the policies we own, without regard to GAAP-based fair value.

Excess Spread. Our revolving credit facility requires us to maintain a 2.00% "excess spread" between our weighted-average expected internal rate of return of our 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. Management uses the "total excess spread" to gauge expected profitability of our investments, and uses the "excess spread" to monitor compliance with our borrowing covenants.

	As of June 30, 2011	As of June 30, 2010	At December 31, 2010	At December 31, 2009
Weighted-average expected IRR (1)	13.84%	11.52%	12.87%	15.41%
Weighted-average revolving credit facility interest rate (2)	2.08%	2.28%	2.14%	2.16%
Excess spread (3)	11.76%	9.24%	10.73%	13.25%
Total weighted-average interest rate on indebtedness for borrowed money (4)	5.38%	6.04%	5.54%	6.12%
Total excess spread	8.46%	5.48%	7.33%	9.29%

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

	As of June 30, 2011	As of June 30, 2010	As of December 31, 2010	As of December 31, 2009
GAAP fair value	$ 108,479,885	$ 48,924,984	$ 82,717,562	$ 12,908,172
Unrealized fair value loss/(gain) (A)	(19,604,375)	3,880,915	(9,310,266)	(808,944)
Adjusted cost basis increase/(decrease) (B)	15,500,989	6,282,987	11,195,989	1,556,803
Investment cost basis (C)	$ 104,376,499	$ 59,088,886	$ 84,603,285	$ 13,656,031

(A) This represents the reversal of cumulative unrealized GAAP fair value gain or loss 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 relating to our 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 measurement date, determined as follows:

	Outstanding Indebtedness			
	As of June 30, 2011	As of June 30, 2010	As of December 31, 2010	As of December 31, 2009
Revolving credit facility	$ 48,175,000	$20,361,403	$37,085,452	$ 4,987,425
Subsidiary secured notes	$ 60,654,729	$45,907,964	$53,292,714	$13,220,983
Total	$108,829,729	$66,269,367	$90,378,166	$18,208,408
Interest Rates on Indebtedness:				
Revolving credit facility	2.08%	2.28%	2.14%	2.16%
Subsidiary secured notes	8.01%	7.74%	7.90%	7.62%
Weighted-average interest rates on indebtedness	5.38%	6.04%	5.54%	6.12%

Adjusted Tangible Net Worth. Our revolving credit facility requires us to maintain a tangible net worth in excess of $5 million calculated on an adjusted non-GAAP basis. We calculate the adjusted tangible net worth by recognizing the accrual of value at the expected internal rate of return of the policies we own without regard to fair value.

	As of June 30, 2011	As of June 30, 2010	As of December 31, 2010	As of December 31, 2009
GAAP net worth (1)	$ 1,573,628	$ (7,171,746)	$ 161,347	$ 1,725,076
Less intangible assets	(2,334,681)	(2,254,702)	(619,008)	(824,381)
GAAP tangible net worth	(761,053)	(9,426,448)	(457,661)	900,695
Unrealized fair value loss/(gain) (2)	(19,604,375)	3,880,915	(9,310,266)	(808,944)
Adjusted cost basis increase/(decrease) (3)	15,500,989	6,282,987	11,195,989	1,556,803
Accrual of unrealized actuarial gain (4)	15,701,183	5,841,875	9,977,051	479,365
Adjusted non-GAAP tangible net worth	10,836,744	6,579,329	11,405,113	2,127,919
Accrual of unrealized gain of portfolio sold (5)	0	56,650,709	—	52,871,708
Total adjusted non-GAAP tangible net worth (6)	10,836,744	63,230,038	11,405,113	54,999,627

(1) Includes termination of redeemable member's interest prior to corporate conversion.
(2) Reversal of cumulative unrealized fair value gain or loss of life insurance policies.
(3) Adjusted cost basis is increased by acquisition and servicing expenses which are not capitalized under GAAP.
(4) Accrual of cumulative actuarial gain at expected internal rate of return based on investment cost basis.
(5) Represents the accrual of unrealized gain in the life insurance portfolio sold on November 1, 2010 owned by GWG DLP Funding, LLC and financed by WestLB AG. This entity was deconsolidated in our GAAP financial statements, but consolidated for our total adjusted non-GAAP tangible net worth measurement.
(6) We must maintain a total adjusted non-GAAP tangible net worth of $5 million to maintain compliance with our revolving credit facility with DZ Bank/Autobahn.

Adjusted Net Income. Our credit facility requires us to maintain a positive net income calculated on an adjusted non-GAAP basis. We calculate the adjusted net income by recognizing the accrual of value at the expected internal rate of return of the policies we own without regard to fair value.

	January 1, 2011 to June 30, 2011	January 1, 2010 to June 30, 2010	January 1, 2010 to December 31, 2010	January 1, 2009 to December 31, 2009
GAAP net income	$ 1,412,279	$ (9,010,633)	$ (230,395)	$ (4,833,413)
Unrealized fair value loss/(gain) (1)	(10,294,109)	(4,689,860)	(8,501,322)	(808,944)
Adjusted cost basis increase/(decrease) (2)	4,405,630	4,172,900	9,675,064	1,556,803
Accrual of unrealized actuarial gain (3)	5,859,832	2,111,203	6,246,378	479,366
Adjusted non-GAAP income	1,383,632	1,963,330	7,189,725	(3,606,188)
Adjusted non-GAAP income (loss) of portfolio sold (4)	0	3,244,595	24,837,599	10,001,433
Total adjusted non-GAAP income (5)	$ 1,383,632	$ 5,207,925	$ 32,027,324	$ 6,395,245

(1) Reversal of unrealized fair value gain or loss of life insurance policies for current period.
(2) Adjusted cost basis is increased to include those acquisition and servicing expenses which 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) Represents adjusted non-GAAP income from the life insurance portfolio sold on November 1, 2010 owned by GWG DLP Funding, LLC and financed by WestLB AG. This entity was deconsolidated in our GAAP financial statements, but consolidated for our total adjusted non-GAAP Income measurement.
(5) We must maintain a positive consolidated net income, calculated on a non-GAAP basis, to maintain compliance with our revolving credit facility with DZ Bank/Autobahn.

BUSINESS

Overview

We are engaged in the emerging secondary market of life insurance. We acquire life insurance policies in the secondary market from policy owners who sell their policies at a price greater than the cash surrender value, but less than the face value of the policy's benefit. We continue to pay the premiums and generally hold the individual policies to maturity, in order to ultimately collect the policy's face value upon the insured's mortality. Our strategy is to continue to build a diversified and profitable portfolio of policies.

The market opportunity for selling and purchasing life insurance policies in the secondary market is relatively new. According to Conning Research & Consulting, the secondary market for life insurance policies grew from $2 billion in 2002 to over $12 billion in face value of life insurance policy benefits being purchased in 2008. To participate in the market opportunity, we have spent significant resources: (i) developing a robust operational platform and systems for purchasing and servicing life insurance policies; (ii) obtaining requisite licensure to purchase life insurance in the secondary market; (iii) developing financing resources for purchasing and financing our life insurance policies; (iv) recruiting and developing a professional management team; (v) establishing origination relationships for purchasing life insurance policies in the secondary market; and (vi) obtaining financing to participate in the business sector.

As of June 30, 2011, we owned $452 million in face value of life insurance policy benefits with an aggregate cost basis of $104 million. We have acquired this portfolio through a combination of the sale of secured notes by a subsidiary and our revolving credit facility. Our objective is to earn returns from the life insurance policies we purchase in the secondary market which are greater than the costs necessary to purchase and finance those policies to their maturity. We expect to accomplish our objective by:

- purchasing life insurance policies with expected internal rates of returns in excess of our cost of capital;
- paying the premiums and costs associated with the life insurance policy until the insured's mortality;
- obtaining a large and diverse portfolio to mitigate actuarial risk;
- maintaining diversified funding sources to reduce our overall cost of financing;
- engaging in hedging strategies that reduce potential volatility to our cost of financing; and
- maintaining rigorous portfolio monitoring and servicing practices.

We generally purchase life insurance policies through secondary market transactions directly from the policy owner who originally purchased the life insurance in the primary market. We purchase policies in the secondary market through a network of life insurance agents, life insurance brokers, and licensed providers who assist policy owners in accessing the secondary market. Before we purchase a life insurance policy, we conduct a rigorous underwriting review that includes obtaining two life expectancy estimates on each insured from third party medical actuarial firms. The policies we purchase are universal life insurance policies issued by rated life insurance companies. The price we are willing to pay for the policy in the secondary market is primarily a function of: (i) the policy's face value; (ii) the expected actuarial mortality of the insured; (iii) the premiums expected to be paid over the life of the insured; and (iv) market competition from other purchasers.

We intend to apply the proceeds of this offering, along with approximately $51.8 million potentially available to DLP Funding II under the revolving credit facility with Autobahn/DZ Bank, of which $11.46 million is currently available, to expand the portfolio of insurance policies we own, and finance those policies until their maturity.

Industry Background

Life insurance companies earn substantial revenue windfalls due to the lapse and surrender of many insurance policies. These revenue windfalls have enabled life insurance companies to issue policies with reduced premiums. These two business practices create a profit opportunity for the life insurance secondary market. The profit opportunity is the difference, or "spread," between (i) the cost of purchasing and maintaining a life insurance policy over the insured's lifetime; and (ii) the policy's benefit that will 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 tools and actuarial modeling techniques developed by investors.

According to the American Council of Life Insurers Fact Book 2010 (ACLI), individuals own over $10.3 trillion of face value of life insurance policies in the United States in 2009. This figure includes all types of policies, including term and permanent insurance known as whole life, universal life, variable life, and variable universal life. The secondary market for life insurance has developed around individuals aged 65 years or older owning either permanent insurance or term insurance convertible into permanent insurance. According to the ACLI, the average annual lapse rate and surrender rate of life insurance policies for the ten years ending 2009 was 7.3%, or over $750 billion in face value of policy benefits annually.

Owners of life insurance policies generally surrender the policies or allow them to lapse for a variety of reasons, including: unrealistic original earnings assumptions made when the policy was purchased, combined with higher premium payments later in the term of the policy than initially forecasted; (ii) increasing premium payment obligations as the insured ages; (iii) changes in financial status or outlook which cause the insured to no longer require life insurance; (iv) other financial needs that make the insurance unaffordable; or (v) a desire to maximize the policy's investment value. Rather than allowing a policy to lapse as worthless, or surrendering a life insurance policy at a fraction of its inherent value, the sale of a life insurance policy in the secondary market can bring significant value to the policy owner. The life insurance secondary market often pays policy sellers amounts ranging from two to ten times the value that would otherwise be paid by the insurer upon policy surrender.

According to the U.S. Census Bureau, the population of individuals aged 65 years or older is growing three times faster than the general population over the next 20 years, growing from an estimated 39 million seniors in 2010 to over 69 million seniors by 2030. As awareness of the secondary market grows, we expect that recent financial recessionary pressures coupled with historically low savings rates will lead many individuals to sell their life insurance policies rather than lapse or surrender the policies. Therefore, we believe there will be continued growth in the number of life insurance policy owners seeking to sell their life insurance in the secondary market.

As the life insurance secondary market has grown, a regulatory framework has been established to oversee the sale of life insurance policies in the secondary market. Since 2007, there has been a dramatic increase in the number of states who have adopted legislation and regulations. Today, almost every state has adopted some version of model laws that prohibit business practices deemed to be abusive and generally require the licensing of life insurance purchasers and brokers, the filing and approval of purchase agreements, disclosure of transaction fees and periodic reporting requirements. The widespread adoption of this regulatory framework by states has brought about standardized practices and procedures for purchasing life insurance policies in the secondary market. In addition, several states have modified their laws to adopt notice requirements for the benefit of life insurance owners, alerting them to the existence of the secondary market before they lapse or surrender their life insurance policy.

We believe the strengthened regulatory framework, along with the emergence of best practices adopted within the life insurance secondary market, has led to a growing awareness of the secondary market among life insurance agents and financial advisors. We expect this growing awareness, along with the demographic factors described above, will lead to continued growth in the secondary market for life insurance policies.

The secondary market for life insurance policies has also attracted global investor interest because investments in these policies can provide non-correlated investment diversification. The ability for investors to invest in the life insurance asset class comes as a result of the development of life insurance policy pricing tools and actuarial modeling techniques for valuing portfolios of life insurance policies. Standardized life insurance pricing tools and actuarial modeling software, including life expectancies, have provided foundational support for the development of the life insurance secondary market. The appeal for investors to achieve non-correlated diversification is strong, particularly after the global recession of 2008. The notion of non-correlation is that the underlying investment return is independent of the factors contributing to economic downturns such as real estate values, commodity prices, and stock market indices. In addition, many life insurance policies represent payment obligations from highly rated life insurance companies. As a result, investors can evaluate 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 premium offered by the asset class, along with the non-correlated return profile has attracted a large number of investors seeking investment opportunities in the life insurance secondary market. As innovation and investor awareness of the secondary market for life insurance increases, we expect continued investor interest in the asset class.

Company History

After we were founded in 2006, we developed a platform to evaluate, purchase, service, and track life insurance policies purchased in the secondary market. Our original model was to operate as a joint venture with WestLB, AG, a German commercial bank, with the goal of having the bank securitize and sell the life insurance policies we purchased. During 2006 and 2007, we built an institutional platform to underwrite, purchase, service, and track life insurance policies purchased in the secondary market in conjunction with a $250 million revolving credit facility we obtained from WestLB. In 2008, however, WestLB informed us that they were abandoning their effort to securitize and sell our life insurance portfolio in light of the global economic and financial crisis. This resulted in a material change to our business plan, as we had earlier purchased the portfolio of life insurance policies in DLP Funding per WestLB's mandate with the expectation these policies would be sold through a securitization. Subsequently, in 2010, we sold the original portfolio owned by DLP Funding.

Since 2008, we have focused on establishing diversified funding sources whose investment expectation is based on the purchase and finance of life insurance policies to their maturity—a buy and hold strategy—as opposed to the securitized sale of those assets prior to maturity. In July 2008, our wholly owned subsidiary GWG DLP Funding II, LLC, or "DLP Funding II," established a $100 million credit facility with Autobahn Funding Company, LLC, a bank sponsored commercial paper conduit administered by DZ Bank AG Deutsche Zentral-Genossenschaftsbank, or DZ Bank. In addition, our subsidiary GWG Life Settlements, LLC, or "GWG Life," began selling secured notes to further finance the business.

Our Business Model

Our business plan is to earn returns from life insurance policies purchased in the secondary market which are greater than the costs to finance those policies to their maturity. We purchase life insurance policies at a discount to the face value of the policy benefit. We base our purchase price on an actuarial assessment or valuation of the expected mortality of the insured and the costs of maintaining the policy over this same period. Once we purchase a life insurance policy, we continue to pay the premiums until the insured's mortality, at which time we collect the face value of the life insurance policy benefit. We perform the services required for the assessment, valuation, purchase, underwriting, monitoring, administration, and servicing of the life insurance policies we purchase.

We are also compensated for underwriting and purchasing the life insurance policies in an amount typically between one and four percent of the face value of the policy benefits we purchase in the form of an origination fee. The origination fees are incorporated into our total acquisition costs and expected yield calculations. We expect that the difference between the returns we earn from the life insurance policies we purchase and the cost of financing those purchases to their maturity represents the majority of the compensation we stand to earn.

We believe that our business model provides significant advantages to potential investors, including:

- *Non-Correlating Assets*: Our earnings from life insurance policies are non-correlated to traditional external market influences such as real estate, equity markets, currency, and commodities.
- *Insurance Carrier Capital Structure*: Life insurance policy benefits are the most senior in rank within an insurance company's capital structure, senior even to secured debt holders, with some amounts further protected under state guaranteed funds (typically limited to $200,000).
- *Asset Diversification*: Our assets provide diversification from many other investment opportunities. In addition, the policies within the life insurance portfolio are diversified as well, with no single insurance company making up more than 20% of the total face value of insurance policy benefits. The fair value of our life insurance policies, as reflected on our balance sheet as of December 31, 2010, comprised approximately 91% of our total assets.

Our Strategy and Competitive Strengths

Our objective is to earn returns from the life insurance policies we purchase in the secondary market which are greater than the costs necessary to purchase and finance those policies to their maturity. We expect to accomplish our objective by:

- purchasing life insurance policies with expected internal rates of returns in excess of our cost of capital;
- paying the premiums and costs associated with the life insurance policies until the insured's mortality;
- obtaining a large and diverse portfolio to mitigate actuarial risk;
- maintaining diversified funding sources to reduce our overall cost of financing;
- engaging in hedging strategies that reduce potential volatility to our cost of financing; and
- maintaining rigorous portfolio monitoring and servicing.

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 financier since 2006. Our position within the marketplace has allowed us to evaluate over 30,000 life insurance policies for possible purchase, thereby gaining a deep understanding of the variety of issues involved when purchasing life insurance policies in the secondary market. We have participated in the leadership of various industry associations and forums, including the Life Insurance Settlement Association and the Insurance Studies Institute. Our experience gives us the confidence in building a portfolio of life insurance policies that will perform to our expectations.
- *Operational Platform*: We have built an operational platform and systems for efficiently tracking, processing, and servicing life insurance policies that we believe provide competitive advantages when purchasing policies in the secondary marketplace, and servicing the policies once acquired.
- *Origination and Underwriting Practices*: We purchase life insurance policies that meet published guidelines on what policies would be accepted in a rated securitization. We purchase only non-contestable permanent life insurance policies that meet stringent underwriting criteria and reviews. A life insurance policy is considered "non-contestable" once applicable state law prohibits the insurer from challenging the validity of the policy due to a lack of an insurable interest. In this regard, state non-contestability laws generally require a period of one to two years to elapse after the initial issuance of the policy before that policy is considered non-contestable under state law. Non-contestability laws do not, however, prevent an insurer from challenging the validity of a policy procured by fraud or in other certain other circumstances considered contrary to public policy.
- *Origination Relationships*: We have established origination relationships with over four hundred life insurance policy brokers and insurance agents who submit policies for our purchase or financing. Our

referral base knows our underwriting standards for purchasing life insurance policies in the secondary market, which provides confidence in our bidding and closing process and streamlines our due-diligence process.

- *Life Expectancy Methodology*: We rely on at least two life expectancy reports from independent third-party medical actuary underwriting firms that include 21st Services, AVS Underwriting, Fasano Associates, and ISC Services to develop our life expectancy estimate.
- *Pricing Software and Methodology*: We use actuarial pricing methodologies and software tools that have been built and are supported by leading independent actuarial service firms, such as Modeling Actuarial Pricing Systems, Inc. ("MAPS") for calculating our expected returns.
- *Diversified Funding*: We have actively developed diversified sources for accessing capital markets in support of our buy and hold strategy for our portfolio of life insurance policies, ranging from institutional bank financing and global capital markets, to a network of broker-dealers registered with the Financial Industry Regulatory Authority ("FINRA") who have participated in our subsidiary secured notes financing.

Our business also involves challenges and risks, which are described under the caption "Prospectus Summary — Our Company," in the section entitled "Risk Factors" and elsewhere in this prospectus.

Our Portfolio and Operations

Our Portfolio

Our portfolio of life insurance policy portfolio as of June 30, 2011 is summarized and set forth below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$452,478,414
Average face value per policy *	$ 2,725,774
Average face value per insured life *	$ 2,900,503
Average age of insured (yrs) *	80.50
Average life expectancy estimate (yrs) *	8.08
Total number of policies	166
Demographics	62% Males; 38% Females
Number of smokers	No insureds are smokers
Largest policy as % of total portfolio	2.21%
Average policy as % of total portfolio	.60%
Average annual premium as % of face value	3.17%

* Averages presented in the table are weighted averages.

We track concentrations of pre-existing medical conditions among insured individuals within our portfolio based on information contained in life expectancy reports. We track these medical conditions with ten primary disease categories: (1) cardiovascular, (2) cerebrovascular, (3) dementia, (4) cancer, (5) diabetes, (6) respiratory disease, (7) neurological disorders, (8) other, no disease, or multiple. Our primary disease categories are summary generalizations based on the ICD-9 codes we track on each insured individuals within our portfolio. ICD-9 codes, published by the World Health Organization, are used worldwide for medical diagnoses and treatment systems, as well as mobidity and mortality statistics. Currently, cardiovascular is the only primary disease category within our portfolio that represents a concentration over ten percent. The table below sets forth the primary disease categories of our portfolio as of June 30, 2011:

Primary Disease Category	Policy Benefits	%
Cardiovascular	$ 111,636,047	25%
Cerebrovascular	34,985,000	8%
Dementia	24,755,380	5%
Cancer	24,550,000	5%
Diabetes	32,153,000	7%
Respiratory Diseases	24,700,000	5%
Neurological Disorders	12,600,000	3%
Other	57,113,520	13%
No Disease	59,485,467	13%
Multiple Primary Disease Categories	70,500,000	16%
Total Policy Benefits	452,478,414	100%

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

Life Insurance Portfolio Detail (as of June 30, 2011)

Face Value Ben. Amt. ($)	Sex	Insured Current Age (years) (1)	Est. Life Expectancy (months) (2)	Insurance Company	Ins. Co. S&P Rating
2,000,000	F	88	43.5	Pruco Life Insurance Company	AA-
5,000,000	F	87	84.2	American General Life Insurance Company	A+
5,000,000	F	87	52.2	John Hancock Life Insurance Company (U.S.A)	AA-
1,000,000	F	87	37.5	Protective Life Insurance Company	AA-
1,350,000	F	86	88.4	Jefferson-Pilot Life Insurance Company	AA-
2,500,000	F	86	86.9	AXA Equitable Life Insurance Company	AA-
2,500,000	F	86	86.9	AXA Equitable Life Insurance Company	AA-
1,500,000	F	86	85.4	Jefferson-Pilot Life Insurance Company	AA-
5,000,000	F	86	85.0	ING Life Insurance and Annuity Company	A

Face Value Ben. Amt. ($)	Sex	Insured Current Age (years) (1)	Est. Life Expectancy (months) (2)	Insurance Company	Ins. Co. S&P Rating
600,000	F	86	84.0	Columbus Life Insurance Company	AA+
3,500,000	F	86	83.1	John Hancock Life Insurance Company (U.S.A)	AA-
3,333,333	M	86	74.6	Metropolitan Life Insurance Company	AA-
1,203,520	M	86	69.1	Columbus Life Insurance Company	AA+
3,000,000	F	86	67.1	Jefferson-Pilot Life Insurance Company	AA-
5,000,000	M	86	62.4	John Hancock Life Insurance Company (U.S.A)	AA-
5,000,000	F	86	55.8	Lincoln National Life Insurance Company	AA-
2,000,000	F	86	53.7	American General Life Insurance Company	A+
3,000,000	F	85	110.8	Massachusetts Mutual Life Insurance Company	AA+
2,225,000	F	85	105.9	Transamerica Life Insurance Company	AA-
5,000,000	M	85	95.2	AXA Equitable Life Insurance Company	AA-
715,000	F	85	94.5	Jefferson-Pilot Life insurance Company	AA-
3,500,000	F	85	84.8	Lincoln National Life Insurance Company	AA-
2,500,000	F	85	82.6	American General Life Insurance Company	A+
500,000	M	85	82.1	Lincoln National Life Insurance Company	AA-
4,500,000	F	85	76.5	John Hancock Life Insurance Company (U.S.A)	AA-
2,500,000	M	85	70.5	Pacific Life Insurance Company	A+
1,500,000	M	85	68.8	John Hancock Life Insurance Company (U.S.A)	AA-
1,500,000	M	85	68.8	John Hancock Life Insurance Company (U.S.A)	AA-
5,000,000	F	85	67.3	Massachusetts Mutual Life Insurance Company	AA+
1,500,000	M	85	63.4	Union Central Life Insurance Company	A+
8,985,000	M	85	60.4	Massachusetts Mutual Life Insurance Company	AA+
3,600,000	F	84	107.7	AXA Equitable Life Insurance Company	AA-
4,000,000	F	84	105.7	Transamerica Life Insurance Company	AA-
800,000	M	84	84.8	National Western Life Insurance Company	A
5,000,000	F	84	84.0	Penn Mutual Life Insurance Company	AA-
4,445,467	M	84	83.5	Penn Mutual Life Insurance Company	AA-
1,803,455	F	84	82.8	Metropolitan Life Insurance Company	AA-
1,529,270	F	84	82.8	Metropolitan Life Insurance Company	AA-
2,500,000	M	84	81.3	Transamerica Life Insurance Company	AA-
500,000	F	84	75.6	Sun Life Assurance Company of Canada (U.S.)	AA-
200,000	M	84	73.1	Lincoln Benefit Life Company	A+
5,000,000	M	84	72.7	John Hancock Life Insurance Company (U.S.A)	AA-
4,785,380	F	84	71.8	John Hancock Life Insurance Company (U.S.A)	AA-
2,000,000	M	84	70.1	John Hancock Life Insurance Company (U.S.A)	AA-
7,500,000	M	84	64.3	Jefferson-Pilot Life Insurance Company	AA-
1,600,000	F	84	56.9	ING Life Insurance and Annuity Company	A

Face Value Ben. Amt. ($)	Sex	Insured Current Age (years) (1)	Est. Life Expectancy (months) (2)	Insurance Company	Ins. Co. S&P Rating
1,000,000	F	83	123.8	ING Life Insurance and Annuity Company	A
1,200,000	M	83	103.9	Transamerica Life Insurance Company	AA-
8,500,000	M	83	96.7	Massachusetts Mutual Life Insurance Company	AA+
1,000,000	F	83	88.2	New York Life Insurance Company	AAA
1,000,000	M	83	86.4	John Hancock Life Insurance Company (U.S.A)	AA-
2,000,000	M	83	86.4	John Hancock Life Insurance Company (U.S.A)	AA-
5,000,000	M	83	76.2	Jefferson-Pilot Life Insurance Company	AA-
1,000,000	M	83	67.3	American General Life Insurance Company	A+
5,000,000	F	83	66.7	Transamerica Life Insurance Company	AA-
3,000,000	F	82	131.1	Transamerica Life Insurance Company	AA-
1,365,000	F	82	124.3	Transamerica Life Insurance Company	AA-
2,000,000	M	82	96.7	Transamerica Life insurance Company	AA-
2,000,000	M	82	92.7	AXA Equitable Life Insurance Company	AA-
1,750,000	M	82	92.7	AXA Equitable Life Insurance Company	AA-
1,000,000	M	82	75.4	John Hancock Life Insurance Company (U.S.A)	AA-
1,800,000	M	82	69.4	John Hancock Variable Life Insurance Company	AA-
2,000,000	M	82	65.5	Jefferson-Pilot Life Insurance Company	AA-
2,000,000	M	82	58.8	Transamerica Life Insurance Company	AA-
750,000	M	82	47.8	ING Life Insurance and Annuity Company	A
750,000	M	82	47.8	ING Life Insurance and Annuity Company	A
2,000,000	F	81	144.0	Lincoln Benefit Life Company	A+
5,000,000	F	81	142.8	American General Life Insurance Company	A+
1,500,000	F	81	136.0	Lincoln Benefit Life Company	A+
3,500,000	F	81	130.0	Lincoln Benefit Life Company	A+
2,000,000	F	81	116.3	AXA Equitable Life Insurance Company	AA-
3,000,000	F	81	116.0	Sun Life Assurance Company of Canada (U.S.)	AA-
1,000,000	F	81	114.1	John Hancock Life Insurance Company (U.S.A)	AA-
3,750,000	M	81	109.4	AXA Equitable Life Insurance Company	AA-
5,000,000	M	81	104.6	ING Life Insurance and Annuity Company	A
1,000,000	M	81	101.3	John Hancock Life Insurance Company (U.S.A)	AA-
2,500,000	F	81	95.2	American General Life Insurance Company	A+
1,500,000	M	81	87.1	AXA Equitable Life Insurance Company	AA-
1,500,000	M	81	82.6	ING Life Insurance and Annuity Company	A
1,500,000	M	81	82.6	ING Life Insurance and Annuity Company	A
1,500,000	M	81	81.1	Transamerica Life Insurance Company	AA-
4,000,000	F	81	76.8	ING Life Insurance and Annuity Company	A
4,000,000	M	81	67.8	John Hancock Life Insurance Company (U.S.A)	AA-

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Face Value Ben. Amt. ($)	Sex	Insured Current Age (years) (1)	Est. Life Expectancy (months) (2)	Insurance Company	Ins. Co. S&P Rating
1,000,000	M	81	60.8	John Hancock Life Insurance Company (U.S.A)	AA-
829,022	F	81	46.9	Hartford Life and Annuity Insurance Company	A
4,200,000	F	80	163.4	Transamerica Life Insurance Company	AA-
1,500,000	M	80	136.6	Jefferson-Pilot Life Insurance Company	AA-
6,000,000	F	80	133.8	American General Life Insurance Company	A+
500,000	F	80	132.8	AXA Equitable Life Insurance Company	AA-
7,600,000	F	80	132.0	Transamerica Life Insurance Company	AA-
5,000,000	F	80	131.9	AXA Equitable Life Insurance Company	AA-
750,000	M	80	131.4	West Coast Life Insurance Company	AA-
500,000	M	80	129.5	Metropolitan Life Insurance Company	AA-
3,500,000	F	80	110.7	AXA Equitable Life Insurance Company	AA-
5,000,000	M	80	108.4	AXA Equitable Life Insurance Company	AA-
2,000,000	M	80	96.1	Pacific Life Insurance Company	A+
10,000,000	F	80	88.2	American National Insurance Company	A+
5,000,000	M	80	87.2	Jefferson-Pilot Life Insurance Company	AA-
2,700,000	M	80	82.7	John Hancock Life Insurance Company (U.S.A)	AA-
500,000	M	80	71.1	West Coast Life Insurance Company	AA-
5,403,000	F	79	127.7	Phoenix Life Insurance Company	BB-
3,500,000	F	79	125.8	Jefferson-Pilot Life Insurance Company	AA-
2,000,000	F	79	123.1	Jefferson-Pilot Life Insurance Company	AA-
5,000,000	F	79	111.6	Sun Life Assurance Company of Canada (U.S.)	AA-
1,250,000	F	79	109.5	Columbus Life Insurance Company	AA+
1,995,000	F	79	105.9	Transamerica Life Insurance Company	AA-
4,000,000	M	79	105.2	Jefferson-Pilot Life Insurance Company	AA-
3,500,000	M	79	103.3	AXA Equitable Life Insurance Company	AA-
5,000,000	M	79	95.5	Transamerica Life Insurance Company	AA-
4,500,000	M	79	91.6	AXA Equitable Life Insurance Company	AA-
350,000	M	79	83.6	Reassure America Life Insurance Company	A+
750,000	M	79	81.7	John Hancock Life Insurance Company (U.S.A)	AA-
1,900,000	M	79	76.5	American National Insurance Company	A+
500,000	M	79	71.7	New York Life Insurance Company	AAA
500,000	M	79	71.7	New York Life Insurance Company	AAA
250,000	M	79	61.7	Jackson National Life Insurance Company	AA
550,000	M	78	144.7	Genworth Life Insurance Company	A
2,000,000	F	78	139.0	Transamerica Life Insurance Company	AA-
10,000,000	M	78	126.0	John Hancock Life Insurance Company (U.S.A)	AA-
3,000,000	M	78	91.0	Protective Life Insurance Company	AA-

Face Value Ben. Amt. ($)	Sex	Insured Current Age (years) (1)	Est. Life Expectancy (months) (2)	Insurance Company	Ins. Co. S&P Rating
1,500,000	M	78	85.7	Pacific Life Insurance Company	A+
5,000,000	M	78	74.9	AXA Equitable Life Insurance Company	AA-
3,000,000	M	77	145.1	Principal Life insurance Company	A
3,000,000	F	77	135.7	West Coast Life Insurance Company	AA-
5,000,000	M	77	133.4	AXA Equitable Life Insurance Company	AA-
3,000,000	M	77	125.2	John Hancock Life Insurance Company (U.S.A)	AA-
8,000,000	M	77	115.5	AXA Equitable Life Insurance Company	AA-
2,000,000	M	77	115.0	Jefferson-Pilot Life Insurance Company	AA-
1,250,000	F	77	107.5	Principal Life Insurance Company	A
1,680,000	F	77	101.7	AXA Equitable Life Insurance Company	AA-
250,000	M	77	95.1	American General Life Insurance Company	A+
1,000,000	M	77	72.0	AXA Equitable Life Insurance Company	AA-
1,000,000	M	76	155.4	Empire General Life Assurance Corporation	AA-
4,000,000	M	76	120.0	Jefferson-Pilot Life Insurance Company	AA-
5,000,000	M	76	107.6	AXA Equitable Life Insurance Company	AA-
5,000,000	M	76	107.6	AXA Equitable Life Insurance Company	AA-
500,000	M	76	100.8	Transamerica Life Insurance Company	AA-
1,000,000	M	75	123.3	Metropolitan Life Insurance Company	AA-
3,601,500	M	75	114.7	Transamerica Life Insurance Company	AA-
5,000,000	M	75	110.3	John Hancock Life Insurance Company (U.S.A)	AA-
1,000,000	M	75	103.5	Sun Life Assurance Company of Canada (U.S.)	AA-
4,000,000	M	75	103.2	MetLife Investors USA Insurance Company	AA-
5,000,000	M	75	96.4	John Hancock Life Insurance Company (U.S.A)	AA-
3,750,000	M	75	94.4	AXA Equitable Life Insurance Company	AA-
2,250,000	M	75	92.7	Massachusetts Mutual Life Insurance Company	AA+
870,000	M	75	78.3	Pruco Life Insurance Company	AA-
1,009,467	M	75	69.8	John Hancock Life Insurance Company (U.S.A)	AA-
1,000,000	M	74	135.8	Metropolitan Life Insurance Company	AA-
5,000,000	M	74	128.3	Jefferson-Pilot Life Insurance Company	AA-
500,000	F	74	127.4	Columbus Life Insurance Company	AA+
2,500,000	M	74	118.8	Massachusetts Mutual Life Insurance Company	AA+
2,500,000	M	74	118.8	Massachusetts Mutual Life Insurance Company	AA+
500,000	M	74	89.6	John Hancock Life Insurance Company (U.S.A)	AA-
2,000,000	F	74	77.6	Transamerica Life Insurance Company	AA-
750,000	M	73	149.1	U.S. Financial Life Insurance Company	AA-
600,000	M	73	119.5	Protective Life Insurance Company	AA-
5,000,000	M	72	104.8	West Coast Life Insurance Company	AA-

Face Value Ben. Amt. ($)	Sex	Insured Current Age (years) (1)	Est. Life Expectancy (months) (2)	Insurance Company	Ins. Co. S&P Rating
850,000	M	72	102.6	New York Life Insurance Company	AAA
5,000,000	M	72	70.5	Lincoln Benefit Life Company	A+
200,000	M	71	133.2	ING Life Insurance and Annuity Company	A
2,000,000	M	71	127.6	U.S. Financial Life Insurance Company	AA-
2,000,000	M	70	157.1	American General Life Insurance Company	A+
1,000,000	M	70	127.3	United of Omaha Life Insurance Company	A+
500,000	M	70	93.5	Midland National Life Insurance Company	A+
2,850,000	M	70	90.6	Massachusetts Mutual Life Insurance Company	AA+
1,500,000	M	68	139.6	Metropolitan Life Insurance Company	AA-
$452,478,414					

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

(2) The insured's life expectancy estimate is the average of two life expectancy estimates provided by independent third-party medical actuarial underwriting firms at the time of purchase, actuarially adjusted through the measurement date.

Obtaining Life Insurance Policies

We seek to purchase life insurance policies nationwide. We work directly with consumers to purchase their policies in states where we hold proper licensure, and in states where we are not licensed we work through other licensed providers. Policy sourcing typically begins with life insurance agents that identify policy owners who should consider selling a life insurance policy. The agents typically work with professional life insurance policy brokers specializing in packaging the policies for presentation to potential purchasers. Their packaging includes obtaining medical records on the insured, life expectancy estimates from medical actuarial firms, current insurance policy illustrations, and other information needed to enable potential purchasers to properly evaluate the policy. The purchasers may work directly in the market or through "providers" who represent investors. Once potential purchasers have evaluated the policy, the policy is sold through an auction process whereby brokers facilitate competing bids from purchasers, concurrently negotiating fees. The highest bidder typically wins the auction, but not always. Brokers and agents also consider the track record of the purchaser and will sometimes award the policy to the purchaser most likely to get the sale of the policy closed. This has been one of our advantages, as we have developed a network of brokers throughout the United States who have advised us that they recognize that our purchase criteria and bids are reliable. This enables the brokers to focus on policy referrals, thus filtering out policies they know we will not consider, and maximizing their return on effort to close the sale of a policy.

Our contacts with life insurance policy brokers and life insurance agent, from whom we obtain referrals, have been developed over the past several years through our marketing efforts. We maintain membership affiliations and representation within key industry groups, such as the Life Insurance Settlement Association (LISA). We typically sponsor events and or maintain a trade booth where we are able to maintain contacts with existing life settlement brokers and meet new brokers to submit policies for purchase.

Life Insurance Policy Underwriting and Purchasing Process

The process used to value and underwrite life insurance policies is relatively new and continues to be refined. We underwrite and administer all the life insurance policies that we purchase. When we identify a

suitable client owning a life insurance policy that meets our purchasing criteria, we seek to make a bid that provides us with an expected internal rate of return that meets our internal guidelines. Once our bid is accepted, we enter into a policy purchase agreement with the seller. This agreement gives us the right to, among other things, pay premiums, collect policy benefits, file collateral assignments, change the ownership, and obtain medical records. The terms of the agreement are standardized.

We maintain an underwriting department with experience in underwriting life insurance policies for purchase in the secondary market. The underwriting due diligence process consists of a careful review and analysis of available due-diligence materials related to a life insurance policy and the covered individual. The goal of the underwriting process is to make an informed purchasing decision with respect to the life insurance policy. While we believe that our underwriting policies and practices are consistent with industry best 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 the extent the 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, which could adversely affect profitability.

Life Insurance Policy Characteristics

We purchase universal life insurance policies whose insureds are 65 years or older and whose actuarial life expectancies are less than 168 months. In some cases, however, we purchase term life insurance policies that are convertible into universal life insurance policies, depending on the analysis of the life insurance policy and the insured's life expectancy. The life expectancy is the number of months the insured is expected to live based upon 50% mortality (meaning roughly half of the individuals with similar age, sex, smoking and medical statuses will have died within that number of months), which is in turn based upon actuarial studies. We purchase life insurance policies with the goal that the average life expectancy in the portfolio generally will not exceed 144 months. The requirements as to which life insurance policies we will purchase are set forth in the indenture. We reserve the right to disqualify some life insurance companies or categories of life insurance policies for purchasing in our sole discretion.

We purchase life insurance policies that have been in force for more than two years from the policy issuance date and meet our other underwriting guidelines. Our underwriting and business development departments use pricing and credit criteria that are similar to those used by other institutions that finance similar assets. We test the prospective life insurance policies through the use of at least two life expectancy reports for assessing the value of the life insurance policies. In addition, the relevant historical, projected and actual premium streams are reviewed to assess the accuracy of the pricing expectations and identify any variance from projected premium levels, as well as the cause of such variance. This includes a periodic review of the policy's premium payment history and ongoing confirmations of account values with life insurance companies.

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 company providing a schedule of level premium payments until the insured reaches age 125. Then, utilizing pricing software now owned by Modeling Actuarial Pricing Systems, Inc. ("MAPS"), we reverse engineer the premium schedule of the policy to determine a premium schedule that provides for the minimum payments required to 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—the mortality curve. This analysis covers the insured's entire projected lifespan using estimates generated by third-party medical actuarial underwriting firms ("life expectancy reports").

In determining the life expectancy estimate, we require at least two life expectancy reports from independent medical actuarial underwriting firms, and we average the estimates of the two reports to generate

our estimated life expectancy. The health of the insured is summarized by the underwriters in a written health assessment based on the review of the insured's historical and current medical records. The underwriting assesses the characteristics and health risks of the insured in order to quantify the health into a mortality rating that represents their life expectancy. We average the life expectancy estimates provided by independent medical actuarial underwriting firms to form our life expectancy estimate.

By combining the optimized premiums and the insured's life expectancy estimate within the MAPS software, we generate detailed information, including the expected mortality curve over the insured's total projected lifespan; the expected servicing and related costs over the insured's total projected lifespan; the expected policy 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 various purchase prices. From this information set, we are able to calculate the present value of the life insurance policy by discounting the anticipated cash flows at the sought for internal rate of return using the probabilistic pricing methodology employed by the MAPS program. The price of the policy, or its value, is the present value of the policy's cash flows discounted at our expected internal rate of return. We expect that we will realize an operating profit as long as we are able to acquire and service life insurance policies that generate yields in excess of our borrowing costs.

Portfolio Administration

We have developed a comprehensive administration and servicing platform to administer and service the life insurance policies we own. This allows us to safeguard our life insurance policy 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 account values, confirm the correct application of premium payments made, and the resulting account values inside the life insurance policy after application of the premium payment and the deduction of the cost of insurance. We typically maintain little account value inside the policy and seek to make only minimum premium payments necessary 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 and health status. We monitor social security database for mortalities as well as online obituary databases. When we are notified of an insured's mortality, we are required to 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.

Portfolio Management

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

We believe our portfolio represents a balanced and stable portfolio of life insurance policies. In order to assess the stability of our portfolio, we analyze longevity risk, which is the risk of the insured living longer than his/her life expectancy estimate. Longevity risk is the single largest variable affecting the returns on an

investment in life insurance policy assets and the 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 portfolio of life 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 in the number 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 published in 2009 by A.M. Best concluded that at least 300 lives are necessary to narrow the band of cash flow volatility in the Monte Carlo simulations, i.e., the same methodology we use to evaluate our portfolios. Our internal analysis of our portfolio, which currently consists of 156 lives, resulted in a standard 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 of our 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% of the face value of an entire portfolio or collateral pool. As of June 30, 2011, the largest face value policy in our portfolio represented approximately 2.21% of the total portfolio. We intend to maintain a well diversified and relatively stable portfolio as we continue to expand our purchases of life insurance policies.

We also believe our portfolio represents a profitable portfolio. In order to assess the profitability, we analyze the future cash flows expected from our portfolio of life insurance policies. The standard practice within the insurance industry is to analyze the timing of uncertain future cash flows through stochastic modeling, or Monte Carlo simulations. We continue to analyze the internal rates of return and spread against borrowing costs represented by our portfolio.

Portfolio Credit Risk Management

The life insurance policies that we acquire represent obligations of third-party life insurance companies to pay the benefits under the relevant policy. Because we finance life insurance policies, we rely on the payments from the face value of policy benefits from life insurance companies for revenue collections. We rely on the face value of the life insurance policy 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. In order to manage this risk, our purchasing policy is that, unless the benefits of a particular policy fall within applicable state minimum guarantees, 90% of life insurance companies insuring the policies in our portfolio hold an investment grade rating from either A.M. Best, Moody's or Standard & Poor's. This policy also comprises a covenant under the borrowing documents relating to our subsidiary secured notes. To further mitigate risk, our purchasing policy is to limit the face amount of policies issued by any one life insurance company within the total portfolio to 20%. State guaranty funds generally guaranty policy benefits less than $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 insurance companies. Recently, some of the credit ratings on insurance companies were downgraded and we will no longer consider purchasing policies issued by these insurance companies. Finally, we will only purchase those life insurance policies that meet the financial requirements and underwriting standards established in the indenture.

Of the 33 insurance companies that insure the policies we own, ten companies insure approximately 81.87% of total face value of insurance benefits and the remaining 23 insurance companies insure the remaining approximately 18.13% of total face value of insurance benefits. We seek to have not more than 20% of our total insured benefits insured by any one company. All of the companies are rated "A" or better from Standard & Poor's. The concentration risk of our ten largest insurance company holdings as of June 30, 2011, is set forth in the table below.

Rank	Face Value Benefit Amt. ($)	Percentage of Total Portfolio Face Value Benefit Amt. (%)	Insurance Company	Ins. Co. S&P Rating
1	$81,030,000	17.91%	AXA Equitable Life Insurance Company	AA-
2	71,744,847	15.86%	John Hancock Life Insurance Company (U.S.A)	AA-
3	51,686,500	11.42%	Transamerica Life Insurance Company	AA-
4	48,065,000	10.62%	Jefferson-Pilot Life Insurance Company	AA-
5	35,585,000	7.86%	Massachusetts Mutual Life insurance Company	AA+
6	26,250,000	5.80%	American General Life Insurance Company	A+
7	21,300,000	4.71%	ING Life Insurance and Annuity Company	A
8	12,200,000	2.70%	Lincoln Benefit Life Company	A+
9	11,900,000	2.63%	American National Insurance Company	A+
10	10,666,058	2.36%	Metropolitan Life Insurance Company	AA-

Servicing Agents

We have contracted with Wells Fargo Bank to provide servicing, collateral agent, and trustee services with respect to certain life insurance policies owned by DLP Funding II. In addition, we have contracted with Bank of Utah to provide servicing, collateral agent, and trustee services with respect to all other life insurance policies we own. Wells Fargo Bank and Bank of Utah provide services for certain life insurance policies in connection with ownership and tracking of life insurance policies it owns, including paying premiums, posting of payments (receipts) of the life insurance policies, certain monitoring, enforcement of rights and payor notifications, and related services. We reserve the right to service and provide collateral agent services for certain life insurance policies directly, or appoint additional third-party servicers in the future. Neither Wells Fargo Bank nor Bank of Utah participated in the preparation of this prospectus and they make no representations concerning the debentures, the collateral securing obligations under the debentures, or any other matter stated in this prospectus. Wells Fargo Bank and Bank of Utah have no duty or obligation to pay the debentures from their funds, assets or corporate capital or to make inquiry regarding, or investigate the use of, amounts disbursed from any account.

Competition

We encounter significant competition in the life insurance purchasing and financing business from numerous companies, including hedge funds, investment banks, secured lenders, specialty life insurance finance companies and life insurance companies themselves. Many of these competitors have greater financial and other resources than we do and may have significantly lower cost of funds because they have greater access to insured deposits or the capital markets. Moreover, some of these competitors have significant cash reserves and can better fund shortfalls in collections that might have a more pronounced impact on companies such as ours. 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 experience 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 application and 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 generally have operated in the markets we service for a longer period of time. Increased competition may result

in increasing our costs of purchasing policies, or it may affect the availability and qualify of policies that are available for our purchase. These factors could adversely affect our profitability by reducing our return on investment or increasing our risk.

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 insurance purchasing and finance business. There are significant regulations in many states that require us to obtain specific licenses or approvals to be able to purchase life 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 federal government actions with respect to insurance companies have increased the federal government's role in regulating the insurance industry. These efforts may affect the number of life insurance 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 life insurance policies in those states. Under statutory authority, state regulators have broad discretionary power and may impose new licensing requirements, interpret or enforce existing regulatory requirements in different ways or issue new administrative rules, even if not contained in state statutes. State regulators may also impose rules that 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 industry, we believe it is likely that state regulation will increase and grow more complex during the foreseeable future. We cannot, however, predict what any new regulation would 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 we conduct a 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 way that adversely affects our profitability. Any such action could have a corresponding material and negative impact on our results of operations and financial 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 federal or 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 types of 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 will take or advocate for any action to implement the recommendations of the Staff Report. In addition, there have been several federal court cases in which transactions involving the purchase and fractionalization of life insurance contracts have been held to be transactions in securities under the federal Securities Act of 1933. We believe that the matters discussed in the Staff Report, and existing caselaw, do not impact our current business model since our purchases of life settlements are distinguishable 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-variable life insurance policies would be considered transactions in securities, we would be in violation of existing covenants under our revolving credit facility requiring us to not be an "investment company" under the Investment Company Act of 1940. This could in the short or long term affect our liquidity and increase our cost of capital and operational expenses, all of which would 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 obligations as they come due, including obligations under our debentures.

With respect to state securities laws, many of states currently treat the sale of a life insurance policy as a securities transaction under state laws, although most states exclude from the definition of security the original sale from the insured or the policy owner to the provider. To date, due to the manner in which we conduct and structure our activities and the availability, in certain instances, of exceptions and exemptions under securities laws, such laws have not adversely 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 conduct the life insurance policy purchasing only in those states in which we are licensed or where no licensure is required. The licensing requirements differ from state to state, but 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 purchase any life insurance policies in any states that require a license or similar qualification without first obtaining such license or qualification or purchasing through a licensed provider in that state.

The table below identifies all states (and the District of Columbia) in which we can do business directly with the seller of a life insurance policy. An asterisk (*) indicates that the state does not require licensing. In those states identified in the right-hand column, we can purchase policies through our provider relationships with Magna Administrative Services, Inc. and Lotus Life, LLC. If our relationships with either Magna Administrative Services 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*	California
Arizona*	Colorado
Arkansas	Florida
Connecticut	Georgia
Delaware	Illinois
District of Columbia*	Kentucky
Hawaii*	Minnesota
Indiana	Nevada
Iowa	New Jersey
Kansas	New York
Louisiana	Ohio
Maine	Rhode Island
Maryland	Wisconsin
Massachusetts*	
Michigan*	
Mississippi	
Missouri*	
Nebraska	
New Mexico*	
North Carolina	
Oklahoma	
Pennsylvania	
South Carolina*	
South Dakota*	
Tennessee	
Texas	
Virginia	
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 relationship with another licensed provider in that state: Alaska, Idaho, Montana, New Hampshire, North Dakota, Oregon, Utah, Vermont, Washington and West Virginia.

Health Insurance Portability and Accountability Act

HIPAA requires that holders of medical records maintain such records and implement procedures in ways designed to assure the privacy of patient records. HIPAA has precipitated widespread changes in record keeping, including patient consent forms and access restrictions in data processing software. In order to carry out the 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 information, 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

In 2007, the Florida Department of Insurance issued us an order to desist and refrain from further operating as a life settlement provider unless and until qualification had been made under the Florida law, or unless exempt. In April 2009, without admitting any wrongdoing, we settled the matter with the Department of Insurance. Furthermore, in April 2011, without admitting any wrongdoing, we entered into a settlement agreement with the Nevada Secretary of State, Securities Division, for alleged failures to register as a broker-dealer of life insurance settlement transactions and to file a notice of exempt offering for the sale of subsidiary secured notes to residents of that state in 2009-2010. We believe that we are in compliance with all applicable laws in Florida, Nevada, and elsewhere, and that neither the Company nor this offering is adversely impacted by the Florida or Nevada settlements.

Employees

We employ approximately 22 employees.

Properties

Our principal executive offices are located at 220 South Sixth Street, Suite 1200, Minneapolis, Minnesota 55402. We lease 11,695 square feet of space for a lease term expiring in April 20, 2012. We believe that the existing facilities are adequate for our current needs and that suitable additional space will be available as needed.

Legal Proceedings

Our Chief Executive Officer, Jon R. Sabes and Chief Operating Officer, Steven F. Sabes, who together beneficially own approximately 86.1% of our common stock are subject to litigation relating to claims by a bankruptcy trustee for loan payments to an affiliate, Opportunity Finance, LLC, received, and such payments may ultimately be deemed to be avoidable transfers under preference or other legal theories. Case No. 08-45257 (U.S. Bankruptcy Court District of Minnesota). In addition, GWG Holdings invested $1 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 claim has been 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 action will vigorously defend against the trustee’s claims, such defendants may not prevail in the litigation with the bankruptcy trustee. If the bankruptcy trustee sought to sell or 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 and our business together with all of our investors, including investors in our debentures could be materially and adversely impacted. Such adverse results would likely arise in connection with negative change-in-control covenants contained in our revolving credit facility agreements, the breach of those covenants and an ensuing event of 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 result of the litigation, such transfers would adversely affect debenture holders by reducing the number of shares of common stock of GWG Holdings that have been pledged as collateral security for our obligations under the debentures. Finally, regardless of the outcome of this litigation, these matters are likely to distract management and reduce the time and attention that they are able to devote to our business.

MANAGEMENT

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	44	Chief Executive Officer and Director
Paul A. Siegert	72	President and Director (Chairman of the Board)
Steven F. Sabes	42	Chief Operating Officer, Secretary and Director
Jon Gangelhoff	51	Chief Financial Officer
Brian Tyrell	50	Director
Laurence Zipkin	71	Director
Kenneth Fink	46	Director

Jon R. Sabes, co-founder and Chief Executive Officer of our company and GWG Life, is a financial professional with over 20 years of experience in the fields of finance, venture capital, business development, managerial operations, and federal taxation. Since 1999, Mr. Sabes has served as Chief Executive Officer of Opportunity Finance, LLC, a family investment company specializing in structured finance. Over his career, Mr. Sabes has been active in receivable financing, life insurance financing, and casualty insurance financing, structuring over $900 million in financing commitments for his related businesses. Mr. Sabes' experience includes co-founding and leading the development of two leading insurance-related finance companies: GWG Life, a company in the life insurance finance industry founded in 2006, and MedFinance, an innovator in casualty insurance and healthcare finance founded in 2005. Through these companies, Mr. Sabes has developed and applied financial structuring techniques, underwriting algorithms, and business modeling aspects to the insurance industry. Mr. Sabes' education includes a Juris Doctor degree *cum 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. Sabes has held several licenses and professional association memberships including FINRA Series 7, Series 63, Minnesota State Bar Association, and American Bar 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 Studies Institute. Mr. Sabes is the brother of Steven F. Sabes. Mr. Sabes has served as our Chief Executive Officer, and a director, since 2006.

Steven F. Sabes, co-founder and Chief Operating Officer and Secretary of our company and GWG Life, is responsible for various managerial aspects of our business, with a specific focus on treasury and financial operations, life insurance policy purchasing, and specialty finance operations. Since 1998, Mr. Sabes has served as a Managing Director of Opportunity Finance, LLC, a family investment company specializing in structured finance. Mr. Sabes holds a Master of Science and Doctor of Philosophy in organic 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. Sabes has served as our Chief Operating Officer and Secretary, and a director, since 2006.

Paul A. Siegert, co-founder of our company and GWG Life, has over 50 years experience in national and international business with focus on general business, financial and investment strategies, management practices, fiscal controls, profit incentives, systems and corporate structuring and governance. Over his career, Mr. Siegert has consulted to Fortune 500 corporations, regional firms, emerging businesses, government and education, and has served as director, general partner and advisor to partnerships and corporations, including restructuring of economically troubled businesses. Mr. Siegert has provided written testimony to the Senate Finance Committee regarding SEC practices and created two companies registered under the Investment Advisors Act of 1940. Mr. Siegert was an active participant in the formation and direction of the Colorado Institute for Artificial Intelligence at the University of Colorado. Mr. Siegert's education includes studies toward a Master of Business Administration, University of Chicago; and Bachelor of Science and Industrial Management, Purdue University. His insurance-related experiences include the creation of one of the nation's first employer self-funded life, medical and disability insurance programs; designing medical, life insurance and social security opt-out

programs for educational institutions; incorporation of financial analysis disciplines in life insurance and estate planning; and strategizing of key-man insurance plans and life insurance in business continuation planning for corporations and senior executives. From 1979 to 1986, Mr. Siegert was nationally recognized 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 2004, he founded Great West Growth, LLC, a Nevada limited liability company and a predecessor to GWG Life, to purchase life insurance policies. In his capacities with GWG Life, he created an insurance policy valuation and pricing model, created life insurance policy purchase documentation, undertook state licensing and 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. Mr. Siegert currently serves as President, Director and Chairman of the Board of GWG Holdings, Inc. He has been active in a variety of charities and foundations, including Rotary International.

Jon Gangelhoff has served rapidly growing businesses in several industries as chief financial officer with a strong focus on business operations since 1986. Prior to joining our company and GWG Life in 2009, he served as chief financial officer for Northern Metal Recycling, a metal recycling firm the sales of which exceeded $500 million annually, from 2006 to 2008. Mr. Gangelhoff's responsibilities at Northern Metal Recycling included acquisition and related integration operations focused on finance, information systems, and human resources functions. Prior to that, from 2003 to 2006, Mr. Gangelhoff served as the chief financial officer of Kuhlman Company, formerly a public reporting company, where he established corporate infrastructure, developed financial reporting and internal control systems, and managed the SEC reporting process. During his 25-year career, Mr. Gangelhoff has used an integrated hands-on and financial management approach to improve the performance of the companies he served in a variety of industries. Mr. Gangelhoff holds a bachelor of Bachelor of Arts degree from Mankato State University.

Brian Tyrell is a principal of Athena Securities Ltd. based in Dublin, Ireland where he has worked in the financial services industry specializing in structured investments and fund creation for over the past 19 years. Mr. Tyrrell has held directorships in a number of financial service companies with a particular focus on the life insurance finance industry for the past several years. Mr. Tyrrell is a Business Studies (Finance) graduate of Dublin City University. He completed postgraduate studies with the Society of Investment Analysts of Ireland and the Institute of Investment Management and Research UK. He is a member of the CFA Institute and a fellow of the Chartered Institute of Securities and Investment. Mr. Tyrell joined our Board of Directors in June 2011.

Laurence Zipkin is nationally recognized for his expertise in the gaming industry, restaurants, and emerging small growth companies. From 1996 to 2006, Mr. Zipkin owned Oakridge Securities, Inc. where, as an investment banker, he successfully raised capital for various early growth-stage companies and advising clients with regard to private placements, initial public offerings, mergers, debt offerings, bridge and bank financings, developing business plans and evaluating cash needs and resources. He has extensive experience in the merger and acquisition field and has represented companies on both the buy and sell side. Since 2006, Mr. Zipkin has been self-employed, engaging in various consulting activities, owning and operating two restaurant properties, and purchasing distressed real estate. Mr. Zipkin is a licensed insurance agent for both life and health insurance. Mr. Zipkin attended the University of Pennsylvania Wharton School of Finance. Mr. Zipkin joined our Board of Directors in June 2011.

Kenneth Fink is President and Chief Executive Officer of Tamar-Fink, Inc. and Family Wealth Counselors, LLC, representing family offices for estate and wealth counseling services. Since 1999, Mr. Fink has led Tamar-Fink, Inc. to become a leading life insurance agency, transacting over $1 billion of insurance sales transactions. Mr. Fink is a lifetime and qualifying member of the Million Dollar Round Table, the nation's leading life insurance sales organization. He is a member of the prestigious International Forum and Top of the Table organizations, which are limited to approximately 500 of the leading insurance agents in the world. Mr. Fink is also a member of the Planned Giving Counsel, Minnesota Life Underwriters, National Association of Insurance and Financial Advisors, and the Association for Advanced Life Underwriting. Mr. Fink is a member of the National Association of Family Wealth Counselors and was named the 1998 Family Wealth Counselor of the Year after creating and implementing plans that would generate more than $700 million dollars for charities. Recently,

Mr. Fink designed a plan that resulted in a $42 million dollar gift to the United Hospitals in Cleveland, the largest gift in their history. Mr. Fink is the recipient of the 2006 Preston Hotchkis Distinguished Achievement Award for his generous charitable and business contributions to the community. Mr. Fink has published numerous articles on tax, estate and charitable giving in leading national and regional publications. Mr. Fink is a co-contributor to the book *Getting to the Heart of the Matter*, which has received critical acclaim nationwide. Mr. Fink has been featured in Forbes magazine and quoted in many of the nation's newspapers as an expert in the field of insurance and charitable planned giving. Mr. Fink graduated Cum Laude from the University of Pennsylvania and received advanced certification as a Family Wealth Counselor in 1997. Mr. Fink joined our Board of Directors in June 2011.

When considering whether directors have the experience, qualifications, attributes and skills to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of the Company's business and structure, the Board of Directors focuses primarily on the information discussed in each of the directors' individual biographies set forth above. With regard to Mr. Jon R. Sabes, the board considered his significant experience, expertise and background with regard to financial matters, and his demonstrated experience and skills in managing the Company's business. With regard to Mr. Steven F. Sabes, the board considered his background and experience with the Company and its business. With respect to Mr. Siegert, the board considered his significant experience in securities and finance, and his background in secondary life insurance market. With regard to Mr. Tyrell, the board considered his experience in global capital markets and his knowledge and experience with the secondary life insurance market. In the case of Mr. Zipkin, the board considered his knowledge, experience and skills in the finance, public securities and investment banking fields. With regard to Mr. Fink, the board considered his extensive background and knowledge of the insurance industry.

The Board of Directors periodically reviews relationships that directors have with the Company to determine whether the directors are independent. Directors are considered "independent" as long as they do not accept any consulting, advisory or other compensatory fee (other than director fees) from the Corporation, are not an affiliated person of the Company or its subsidiaries (e.g., an officer or a greater-than-ten-percent shareholder) and are independent within the meaning of applicable laws, regulations and the Nasdaq listing rules. In this latter regard, the Board of Directors uses the Nasdaq listing rules (specifically, Section 5605(a)(2) of such rules) as a benchmark for determining which, if any, of its directors are independent, solely in order to comply with applicable SEC disclosure rules. However, this is for disclosure purposes only. It should be understood that, as a corporation whose shares are not listed for trading on any securities exchange or listing service, the Company is not required to have any independent directors at all on its Board of Directors, or any independent directors serving on any particular committees of the Board of Directors.

The Board of Directors has determined that, of its current directors, Messrs. Tyrell, Zipkin and Fink are independent within the meaning of the 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 independent. 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 more than ten percent of the common stock of the Company, similarly precludes them from being considered independent within the meaning of the cited Nasdaq listing rule.

If the Company had its shares listed for trading on the Nasdaq Stock Market, the composition of its Board of Directors would not meet the Nasdaq requirement that a majority of its directors be independent, and would not have met such requirement at any time during fiscal 2010. Similarly, the composition of the committees of our Board of Directors would not meet the Nasdaq requirements for either independence or minimum number of directors.

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 and agents against liabilities that they may incur in such capacities. A summary of the circumstances in which such indemnification provided for is contained herein, 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' fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred in a proceeding (including any civil, criminal, administrative or investigative 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 in the 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 criminal action, such person had no reasonable cause to believe the actions were unlawful. Unless ordered by a court, indemnification generally may be awarded only after a determination of independent members of the Board of Directors or a committee thereof, by independent legal counsel or by vote of the stockholders that the 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 of any proceeding to which he was a party, he is entitled to receive indemnification against expenses, including attorneys' fees, actually and reasonably incurred in connection 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 is permitted only with respect to expenses, including attorneys' fees actually and reasonably incurred in connection with the defense. In such actions, the 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 us unless and 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 adjudication of 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 Chancery or such other court shall deem proper. Indemnification is otherwise prohibited in connection with a proceeding brought on behalf of GWG Holdings, Inc. in 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 adjudged 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 advance of 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 determined 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 our certificate of incorporation, corporate bylaws, resolutions of our stockholders or disinterested directors, or otherwise. These indemnification provisions continue for a 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 such persons.

The statutory provision cited above also grants the power to GWG Holdings, Inc. to purchase and maintain insurance policies that protect any director, officer, 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 for 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 Delaware General Corporation Law. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling GWG Holdings, Inc. pursuant to the foregoing provisions, we understand that in the opinion of the SEC such indemnification is against public policy as expressed in that Act and is therefore unenforceable.

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

EXECUTIVE COMPENSATION

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 officer and principal financial officer of GWG Holdings during the year ended December 31, 2010; and (ii) each other individual that served as an executive officer of either GWG Holdings or GWG Life Settlements, Inc. at the conclusion of the year ended December 31, 2010 and who received more than $100,000 in the form of salary and bonus during such fiscal year. For purposes of this report, these individuals are collectively the "named executives" of the Company.

Name and Principal Position		Salary	Other Annual Compensation	Stock Option Awards	Total
Jon R. Sabes	2010	$ 0(1)	—	—	$ 0(1)
Chief Executive Officer	2009	$ 0(1)	—	—	$ 0(1)
Jon Gangelhoff	2010	$120,000	25,000	—	$145,000
Chief Financial Officer	2009	$120,000	2,500	—	$122,500

(1) Mr. Sabes received no salary during 2010 or 2009. Mr. Sabes did, however, receive loan advances, on which advances interest accrued at rates ranging from 4.2% to 5.0% per annum. The advances were repaid in full on July 27, 2011. This arrangement is more fully described in the narrative below. Total advances made under this arrangement during 2010 and 2009 were $162,500 and $137,500, respectively.

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 R. Sabes is our Chief Executive Officer; Mr. Steven F. Sabes is our Chief Operating Officer and Secretary; Mr. Siegert is our President (and also our Chairman of the Board); and Mr. Gangelhoff is our Chief Financial Officer. These employment agreements establish key employment terms (including reporting responsibilities, base salary, discretionary and bonus opportunity and other benefits), provide for severance benefits in certain situations, and contain non-competition, non-solicitation and confidentiality covenants.

Under their respective employment agreements, Mr. Jon R. Sabes receives an annual base salary of $350,000, Messrs. Steven F. Sabes and Paul A. Siegert receive an annual base salary of $150,000, and Mr. Gangelhoff receives an annual base salary of $120,000. The employment agreements contain customary provisions prohibiting the executives from soliciting our employees for one year after any termination of employment, and from competing with the 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 cause or if he resigns with good reason). If an executive's employment is terminated by us without "good cause" or if the executive voluntarily resigns with "good reason," then the executive will be entitled to (i) severance pay for a period of 12 months and (ii) reimbursement for health 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 they incur in enforcing their rights under the employment agreement and, to the fullest extent permitted by applicable law, indemnify them for claims, costs and expenses arising in 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 employment 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 executive 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, the named executive officer is better off, on an after-tax basis, receiving the full amount of such payments and paying the excise taxes due.

Prior to entering into the executive employments with Messrs. Jon R. Sabes, Paul A. Siegert and Steven F. Sabes, those individuals received loan advances that accrued interest at rates ranging from 4.2% to 5.0% per annum. Under this arrangement, made during the time when GWG Holdings was a limited liability company, these advance amounts were to be repaid upon or in connection with operating distributions made by us. Under the prior arrangements and through June 13, 2011, advances aggregating approximately $981,167 were made to Jon R. Sabes with cumulative interest owed of $114,496, $287,500 to Paul A. Siegert with cumulative interest owed of $22,708, and $861,976 to Steven F. Sabes with cumulative interest owed of $94,438. As indicated in footnote (1) to the Summary Compensation Table, Mr. Jon R. Sabes received $162,500 of these advances during 2010. In addition, each of Mr. Paul A. Siegert and Mr. Steven F. Sabes received $150,000 of advances during 2010. On July 27, 2011, Messrs. Jon R. Sabes, Steven F. Sabes and Paul A. Siegert repaid their loan balances.

Outstanding Equity Awards at Fiscal Year End

We had no outstanding equity awards as of December 31, 2010 for any named executives.

Compensation of Directors

Currently, our directors receive no compensation pursuant to any standard arrangement for their services as directors. Nevertheless, we may in the future determine to provide our directors with some form of compensation, either cash or options or contractually restricted securities.

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, Paul A. Siegert 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 arrangement, made during the time when GWG Holdings was a limited liability company, these advance amounts were to be repaid upon or in connection with operating distributions made by us. From inception through June 13, 2011, advances aggregating approximately $981,167 were made to Jon R. Sabes with cumulative interest 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 interest owed of $94,438. As indicated in footnote (1) to the Summary Compensation Table above, Mr. Jon R. Sabes received $162,500 of these advances during 2010. In addition, each of Mr. Paul A. Siegert and Mr. Steven F. Sabes received $150,000 of advances during 2010. On July 27, 2011, Messrs. Jon R. Sabes, Steven F. Sabes and Paul A. Siegert repaid their loan balances.

In May 2008, our affiliate, Insurance Strategies Fund, LLC, a Delaware limited liability company beneficially owned by Mr. Jon R. Sabes, our Chief Executive Officer, agreed to make discretionary unsecured general working capital loans to GWG Holdings for short-term working capital needs. In 2010, GWG Holdings repaid a total of $1,446,825 outstanding in principal amount of earlier made working capital loans, together with a total of $90,900 of interest on such loans. Presently, we owe no amounts to Insurance Strategies Fund. Nevertheless, an Amended and Restated Investment Agreement with Insurance Strategies Fund, dated as of September 3, 2009, remains in place. That agreement permits Insurance Strategies Fund to make additional discretionary unsecured short-term work capital loans in the future.

Effective July 14, 2008, the Company entered into an Addendum No. 1 to Sub-Sublease Agreement with Opportunity Finance, LLC, a limited liability company of which Jon R. Sabes, our Chief Executive Officer, also

serves as Chief Executive Officer. Pursuant to the Addendum, Opportunity Finance, LLC assigned to the Company, and the Company assumed, all of Opportunity Finance's rights and obligations under a Sub-Sublease Agreement between Opportunity Finance and an unrelated third party. The Sub-Sublease Agreement relates to the facilities in which we conduct our business operations. Under the Sub-Sublease Agreement, as assigned, the Company assumed the obligation to make 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, 2011 through the April 20, 2012 expiration of the Sub-Sublease Agreement). In addition, the Sub-Sublease Agreement, as assigned, requires that the Company pay additional monthly amounts in respect of operating costs as additional rent. The Company made aggregate payments under the Sub-Sublease Agreement of $168,000 and $149,000 for the calendar years ended December 31, 2010 and 2009, respectively.

On July 11, 2011, the Company entered into and consummated certain transactions contemplated by a Purchase and Sale Agreement with Athena Securities Group Ltd. In connection with the agreement, the Company sold 989,000 shares of common stock (after giving effect to the August 9, 2011 two-for-one forward stock split) to Athena Securities Group, and purchased 5,940 ordinary shares of Athena Structured Funds PLC. As a result of these transactions, the Company owns approximately 9.9% of Athena Structured Funds, and Athena Securities Group owns approximately 9.9% of the common stock of the Company. The larger purpose of the transaction was to facilitate cooperation among the Company and the Athena entities in future financing efforts that may permit the Company to raise capital from global markets outside of the United States for the purpose of financing the acquisition of additional life insurance policies in the secondary market.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

As of the close of business on October 3, 2011, we had outstanding two classes of voting securities—common stock, of which there were 9,989,000 shares issued and outstanding; and Series A Convertible Preferred Stock, of which there were 326,622.69 shares issued and outstanding. Each share of capital stock is currently entitled to one vote on all matters put to a vote of our stockholders. The following table sets forth the number of common shares, and percentage of outstanding common shares, beneficially owned as of October 3, 2011, 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.

Unless otherwise indicated, the address of each of the following persons is 220 South Sixth Street, Suite 1200, Minneapolis, Minnesota 55402, and each such person has sole voting and investment power with respect to the shares set forth opposite his, her or its name.

Name and Address	Common Shares Beneficially Owned (1)	Percentage of Common Shares
Jon R. Sabes (2)	4,854,788	48.6%
Steven F. Sabes (3)	4,722,494	47.2%
Paul A. Siegert (4)	400,890	4.0%
Jon Gangelhoff (5)	0	*
Brian Tyrell (6)	0	*
Laurence Zipkin (7)	0	*
Kenneth Chaim Fink (8)	0	*
All current directors and officers as a group (9)	9,000,000	90.1%
Athena Securities Group Ltd.	989,000	9.9%

* less than one percent.

(1) Beneficial ownership is determined in accordance 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 exercise of options or warrants that are currently exercisable or exercisable within 60 days of the record rate, and shares of common stock issuable upon conversion of other securities currently convertible or convertible within 60 days, are deemed outstanding for computing the beneficial ownership percentage of the person holding such securities but are not deemed outstanding for computing the beneficial ownership percentage of any other person. Under the applicable SEC rules, each person's beneficial ownership is calculated by dividing the total number of shares with respect to which they possess beneficial ownership by the total number of outstanding shares of the Company. In any case where an individual has beneficial ownership over securities that are not outstanding, but are issuable upon the exercise of options 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 the 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 presently outstanding, the sum total of the percentages set forth in such column may exceed 100%.

(2) Mr. Sabes is our Chief Executive Officer and a director of the Company. Shares reflected in the table include 400,890 shares held individually, 3,475,726 shares held by Mokeson, LLC, a Minnesota limited liability company of which Mr. Sabes is a manager and member, and 978,172 shares held by Opportunity Finance, LLC, a Minnesota limited liability company of which Mr. Sabes is a manager and member.

(3) Mr. Sabes is our Chief Operating Officer, Secretary and a director of the Company. Shares reflected in the table include 1,599,558 shares held individually, 978,172 shares held by Opportunity Finance, LLC, a Minnesota limited liability company of which Mr. Sabes is a manager and member, 1,042,316 shares held by SFS Trust 1982, a trust of which Mr. Sabes is the beneficiary, 701,558 shares held by SFS Trust 1982 Esther, a trust of which Mr. Sabes is a beneficiary, and 400,890 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 and Ross A. Sabes.

(4) Mr. Siegert is our President and a director of the Company.

(5) Mr. Gangelhoff is our Chief Financial Officer.

(6) Mr. Tyrell is a director of the Company.

(7) Mr. Zipkin is a director of the Company.

(8) Mr. Fink is a director of the Company.

(9) Includes the beneficial ownership of Messrs. Jon R. Sabes, Steven F. Sabes, Siegert, Gangelhoff, Tyrell, Zipkin and Fink.

DESCRIPTION OF THE DEBENTURES

General

The debentures will be secured obligations of GWG Holdings. The debentures will be issued under an indenture between us and Bank of Utah, National Association, as the indenture trustee. The terms and conditions of the debentures include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939. The following is a summary of the material provisions of the indenture. For a complete understanding of the debentures, you should review the definitive terms and conditions contained in the indenture, which include definitions of certain terms used below. A copy of the indenture has been filed 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 debentures:

- The debentures are general secured obligations of GWG Holdings, Inc. The obligations are secured by a grant of a security interest in all of the assets of GWG Holdings, which assets will serve as collateral for our obligations under the debentures. This grant of a security interest is effected pursuant to a pledge and security agreement attached to the indenture.
- The debentures are fully and unconditionally guaranteed by our wholly owned direct subsidiary, GWG Life, but otherwise are not guaranteed by any 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 additional collateral for our obligations under the debentures. Chief among these assets is GWG Life's ownership interest in DLP Funding II. This guarantee is effected pursuant to a subsidiary guarantee agreement attached to the indenture.
- The debentures are also secured by a pledge of the equity ownership interests in GWG Holdings, Inc. by its principal stockholders—Jon R. Sabes and Steven F. Sabes—which pledge will be effected pursuant to a pledge and security agreement attached to the indenture.
- The collateral granted for our obligations under the debentures (i.e., the security interest in all of the assets of GWG Holdings, and the guarantee by GWG Life and corresponding security interest in all of its assets including a pledge of the equity ownership interests in DLP Funding II), together with (i) certain covenants contained in the documents relating to our earlier issued series of subsidiary secured notes (of which approximately $60.6 million is presently outstanding), and (ii) an intercreditor agreement between the trustee (on behalf of the debenture holders) and Lord Securities Corporation (the collateral trustee for our subsidiary secured notes), make the debentures pari passu with the subsidiary secured notes with respect to payment, security and collateral. The intercreditor agreement is attached to the indenture. As of June 30, 2011, the collateral security granted by GWG Holdings and GWG Life for our debentures (i.e., all of the assets of such entities) was valued at $5,608,584 and $65,626,282, respectively. As of December 31, 2010, such collateral was valued at $(1,576,667) and $53,002,838, respectively.
- The debentures will be junior to the $100 million revolving credit facility of DLP Funding II with Autobahn/DZ Bank, which currently has an outstanding balance of approximately $42 million. The debentures will also be junior to any later senior lending facility we may obtain.
- The debentures are not savings accounts, certificates of deposit (CDs) or other forms of "deposits," and are not insured by the FDIC or any other governmental agency.
- The debentures are *not* directly secured by any life insurance policy assets that are not owned by GWG Life. Nearly all of our life insurance policy assets (94% of our policies, representing approximately 96% of the face value of policy benefits as of June 30, 2011) are held by our DLP Funding II subsidiary. Although 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 interest to serve as collateral for obligations

under the debentures, the payment on such equity interests will be subordinate to the interests of creditors of DLP Funding II, including our senior creditor Autobahn/DZ Bank.

- The debentures do not have the benefit of a "sinking fund" for the retirement of principal.
- The debentures are not convertible into our capital stock or other securities.
- We have the option to prepay the outstanding principal balance and accrued but unpaid interest of the debentures, in whole or in part, at any time without premium or penalty. If we elect to prepay your debentures, the redeemed debentures will cease to accrue interest after the prepayment date under the terms and subject to the conditions of the indenture.
- Except in limited circumstances (death, bankruptcy or total disability), debenture holders will have no right to require us to prepay any debenture prior to its maturity date. If we in our sole discretion nonetheless elect to accommodate a prepayment request, we will impose a prepayment fee of 6% against the outstanding principal balance of the debenture redeemed and this fee will be subtracted from the amount paid to you.

The debentures will be denominated in U.S. dollars and we intend to sell the debentures at 100% of their principal face amount. The minimum investment amount in the debentures will be $25,000. Above that minimum amount, debentures may be purchased in $1,000 increments. Subject to the minimum investment amount, you may select the principal amount and term (ranging from six months to 7 years) of the debentures you would like to purchase when you subscribe. The interest rate of your debenture will remain fixed until maturity. Depending our capital requirements, we may not, however, always offer debentures with the particular terms you seek. See "Description of the Debentures—Interest Rate and Maturity" below.

Upon acceptance of your purchase subscription, we will create an account in a book-entry registration and transfer system for you, and credit the principal amount of your subscription to your account. We will send you a purchase confirmation that will indicate our acceptance of your subscription. You will have five business days from the postmark date of your purchase confirmation to rescind your subscription. If your subscription is rejected, or if you rescind your subscription during the rescission period, all funds deposited will be promptly returned to you without any interest. See "—Book-Entry Registration and Exchange" and "—Limited Rescission Right" below.

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

The debentures are not assignable without our prior consent. The debentures may be transferred or exchanged for other debentures of the same 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, transfer or exchange of debentures. However, we may require the holder to pay any tax, assessment fee, or other governmental charge required in connection with any registration, transfer or exchange of debentures. The registered holder of a debenture will be treated as its owner for all purposes.

Denomination

You may purchase debentures in the minimum principal amount of $25,000, and in whole increments of $1,000 above $25,000. You will determine the original principal amount of each debenture you purchase when you subscribe. You may not cumulate purchases of multiple debentures with principal amounts less than $25,000 to satisfy the minimum requirement. In our discretion, we may waive the $25,000 minimum purchase requirement for any investor.

Term

We may offer debentures with the following terms to maturity:

- six months
- one year
- two years
- three years
- four years
- five years
- seven years

You will select the term of each debenture you purchase when you subscribe. You may purchase multiple debentures with different terms by filling in investment amounts for more than one term on your subscription agreement. However, during this offering we may not always offer debentures with each of the terms outlined above.

The actual maturity date will be on the last day of the month in which the debenture matures (i.e., in which the debenture's term ends). For example, if you select a one-year term and your debenture becomes effective on January 15, 2012, the actual maturity date will be January 31, 2013. After actual maturity, we will pay the principal and all accrued but unpaid interest on the debenture on or prior to the 15th day of the calendar month next following its maturity (or the first business day following the 15th day of such month). So, in the case of a debenture with a maturity date of January 31, 2012, actual payment will be made on or prior to February 15, 2012 (unless such date is not a business day, in which case actual payment will be made on the next business day).

Should the original debenture holder (x) no longer be the holder of the debenture or (y) be unavailable, or a change in payee be necessary, such as in the case of a surviving estate, we may require a copy of the executed assignment agreement between the original debenture holder and any transferee along with our consent to such transfer, or an order from a court or probate commission, as the case may be, in order that we know the principal is returned to the rightful party.

Interest Rate

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

We may offer debentures that earn incrementally higher interest rates when, at the time they are purchased or renewed, the aggregate principal amount of the debenture portfolio of the holder increases. If applicable, the interest rates payable at each level of investment will be set forth in an interest rate supplement to 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 change the interest rates, the interest rate on debentures issued before the date of the change will not be affected.

Payments on the Debentures; Paying Agent and Registrar

Investors will have the opportunity to select whether interest on their debentures will be paid monthly, annually, or upon maturity. This selection opportunity will be presented in the Subscription Agreement.

Interest will accrue on the debentures at the stated rate from and including the effective date of the debenture until maturity. The effective date of a debenture will be: (a) if the debenture is paid for via wire transfer directly to us, the business day on which we receive the wire; (b) if the debenture is paid for by bank

draft, the business day after we receive the draft; and (c) if by personal check, five business days after we receive the check. For purposes of the foregoing, the date we receive the bank draft or personal check means the date on which GWG Holdings actually receives such draft or check either directly from an investor or from a broker-dealer. We will receive all Subscription Agreements, bank drafts, and personal checks, and will deposit the drafts and checks, together with information specifying the effective date, provided that no debentures will be issued or dated prior to our receipt and acceptance of a completed and executed related Subscription Agreement. The debentures generally do not earn interest after the maturity date or any date set for prepayment.

Interest payments on debentures, other than those debentures that pay interest only at maturity, will be paid 15 days immediately following the last day of the month. Interest will be paid without any compounding unless all interest is deferred by the holder and paid at maturity. The first payment of interest will include interest for the partial month in which the purchase occurred. Interest on debentures paying interest only at maturity will compound annually and be paid along with principal at the maturity date. The indenture provides that all interest will be calculated based on a year with twelve 30-day months.

We will pay the principal of, and interest on, debentures by direct deposit to the account you specify in your Subscription Agreement. We will not accept subscriptions from investors who are not willing to receive their interest payments via direct deposit. If the foregoing payment method is not available, principal and interest payments on the notes will be payable at our principal executive office or at such other place as we may designate for payment purposes.

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 other satisfactory equivalent in the Subscription Agreement (or another document) or where the IRS has notified us that backup withholding is otherwise required. Please see “Material Federal Income Tax Considerations—Backup Withholding and Information Reporting.”

Book-Entry Registration and Exchange

The debentures will be issued in book-entry form, which means that no physical debenture is created. Evidence of your ownership is provided by written confirmation. Except under limited circumstances described below, holders will not receive or be entitled to receive any physical delivery of a certificated security or negotiable instrument that evidences their debentures. The issuance and transfer of debentures will be accomplished 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 debentures will be deemed to be the owners of the debentures under the indenture. The holder of the debentures must rely upon the procedures established by the trustee to exercise any rights of a holder of debentures under the indenture. We 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 principal and interest due to holders of debentures. 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 beneficial interests in the debentures.

Book-entry notations in the accounts evidencing ownership of the debentures are exchangeable for certificated debentures in principal denominations of $1,000 and any amount in excess of $25,000 and fully registered in those names as we direct only if: (i) we, at our option, advise the trustee in writing of our election to terminate the book-entry system; or (ii) after the occurrence of an event of default under the indenture, holders of more than 50% of the aggregate outstanding principal amount of the debentures advise the trustee in writing that

the continuation of a book-entry system is no longer in the best interests of the holders of debentures and the trustee notifies all registered holders of the occurrence of any such event and the availability of certificated securities that evidence the debentures. Subject to these limited exceptions, the book-entry interests in these securities will not be exchangeable for fully registered certificated debentures.

Limited Rescission Right

If your Subscription Agreement is accepted at a time when we have determined 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 amendment has not 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. You will thereupon have the right to rescind your investment upon written request within five business days from the postmark date of the notice we send to you that the post-effective amendment has been declared effective (and containing the related prospectus). We will promptly return any funds sent with a Subscription Agreement that is properly rescinded without penalty, although any interest previously paid on a rescinded debenture will be deducted from the funds returned to you upon rescission. A written request for rescission, except in the case of a mailed rescission, must be postmarked on or before the fifth business day after our notice to (described above). If you notify us other than by mail, we must actually receive your rescission request on or before the fifth business day after our notice to you.

Renewal or Repayment on Maturity

At least 30 days prior to the maturity of your debenture, we will provide you with a notice indicating that your debenture is about to mature and whether we will allow automatic renewal of your debenture. If we allow you to renew your debenture, we will also provide to you the then-current form of prospectus, which will include an interest rate supplement and any other updates to the information contained in this prospectus. The interest rate supplement will set forth the interest rates then in effect. The notice will recommend that you review the then-current prospectus, including any prospectus supplements and the interest rate supplement, prior to exercising one of the below options. If we do not provide you a new prospectus because the prospectus has not changed since the delivery of this prospectus in connection with your original subscription or any prior renewal, we will nonetheless send you a new copy of the prospectus upon your 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 options:

- You can do nothing, in which case your debenture will automatically renew for a new term equal to the original term but at the interest rate in effect at the time of renewal. If your debenture pays interest only at maturity, all accrued interest will be added to the principal amount of your debenture upon renewal. For debentures with other interest payment schedules, interest will be paid on the renewed debenture on the same schedule as the original debenture.
- You can elect repayment of your debenture, in which case the principal amount will be repaid in full along with any accrued but unpaid interest. If you choose this option, your debenture will not earn interest on or after the maturity date.
- You can elect repayment of your debenture and use all or part of the proceeds to purchase a new debenture with a different term or principal amount. To exercise this option, you will need to complete a new Subscription Agreement for the new debenture and mail it along with your request. The issue date of the new debenture will be the maturity date of the old debenture. Any proceeds from the old debenture that are not applied to the new debenture will be sent to you.
- If your debenture pays interest only at maturity, you can receive the accrued interest that you have earned during the debenture term just ended while allowing the principal amount of your debenture to roll over and renew for the same term but at the interest rate then in effect. To exercise this option, you will need to call, fax or send a written request to us.

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 term. Each renewed debenture will retain all its original provisions, including provisions relating to payment, except that the interest rate payable during any renewal term will be the interest rate that is being offered at that time to other holders with similar aggregate debenture portfolios for debentures of the same term as set forth in the interest rate supplement delivered with the maturity notice. If similar debentures are not then being offered, the interest rate upon renewal will be the rate specified by us on or before the maturity date, or the rate of the existing debenture if no such rate is specified.

If we notify the holder of our intention to repay a debenture at maturity, or if the holder timely request repayment, we will pay the principal and all accrued but unpaid interest on the debenture on or prior to the 15th day of the calendar month after the maturity date (or the first business day following the 15th day of such month). Thus, in the case of a debenture with a maturity date of January 31, 2012, actual payment will be made on or prior to February 15, 2012 (unless such date 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 aware that because payment is made by ACH transfer, funds may not be received in the holder's account for two to three business days.

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 information it contains. If you would otherwise be required to elect to have your debentures renewed or repaid following their stated maturity at a time when we have determined that a post-effective amendment must be filed with the SEC, but such post-effective amendment has not yet been declared effective, the period during which you can elect renewal 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 declared effective, which notice shall contain a copy of the related prospectus. All other provisions relating to the renewal or redemption of debentures upon their stated maturity described above shall remain unchanged.

For any debentures offered hereby that mature on or after , 2013, we expect that the renewal of such debentures will require us to file a new registration statement. In such a case, the new registration statement must be declared effective before we can renew your debenture. In this event, if the new registration statement has not yet been filed or 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 effective, which notice will include a new prospectus. In addition, we will be required to renew or extend our applications for effectiveness in one or more states from time to time.

Redemption or Repurchase Prior to Stated Maturity (Prepayment)

The debentures may be redeemed prior to stated maturity only as set forth in the indenture and described below. The holder has no right to require us to prepay or repurchase any debenture prior to its maturity date (as originally stated or as it may be extended), except as indicated in the indenture and described below.

Our Voluntary Redemption

We have the right to redeem any debenture at any time prior to its stated maturity upon 30 days written notice to the holder of the debenture. The holder of the debenture being redeemed will be paid a redemption price equal to the outstanding principal amount thereof plus accrued and 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 debentures we will redeem if we choose to do so. We are not required to redeem debentures on a pro rata basis.

Repurchase Election Upon Death, Bankruptcy or Total Permanent Disability

Notes may be repurchased prior to maturity, in whole and not in part, at the election of a holder who is a natural person (including debentures held in an individual retirement account), by giving us written notice within 45 days following the 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 within 45 days following his or her death. Subject to the limitations described below, we will repurchase the debentures on the 15th day of the month next following the month in which we establish to our satisfaction the holder's death, bankruptcy or total permanent disability. In the event that the tenth day of the month next following the month in which we so establish such facts is not a business day, we will repurchase the debentures on the next business day. The repurchase price, in the event of such a death, bankruptcy or total permanent disability, will be the principal amount of the debentures, plus interest accrued and not previously paid up to and through the last day of the calendar month preceding the repurchase date.

If spouses are joint registered holders of a debenture, the right to elect to have us repurchase will apply when either registered holder dies, files bankruptcy or suffers a total permanent disability. If the debenture is held jointly by two or more persons who are not legally married, none of these persons will have the right to request that we repurchase the debentures unless all joint holders have either died, filed bankruptcy or suffered a total permanent disability. If the debenture is held by a trust, partnership, corporation or other similar entity, the right to request repurchase upon death or total permanent disability does not apply.

Repurchase at Request of Holder

We have no obligation to repurchase any debentures other than upon maturity, or upon the death, bankruptcy or total permanent disability of a natural person holder. Nevertheless, we at our sole discretion may agree from time to time, at the written request of a holder, to repurchase a debenture, subject, however, to a repurchasing fee of 6.0% of the principal amount of such debenture. This repurchasing fee will be subtracted from the amount paid to you.

Transfers

The debentures are not negotiable debt instruments and, subject to certain exceptions, will be issued only in book-entry form. The purchase confirmation issued upon our acceptance of a subscription is not a certificated security or negotiable instrument, and no rights of record ownership can be transferred without our prior written consent. Ownership of debentures may be transferred on the debenture register only as follows:

- The holder must deliver us written notice requesting a transfer signed by the holder(s) or such holder's duly authorized representative on a form to be supplied by us.
- We must provide our written consent to the proposed transfer.
- We may require a legal opinion from counsel satisfactory to us that the proposed transfer will not violate any applicable federal or state securities laws.
- We may require a signature guarantee in connection with such transfer.

Upon transfer of a debenture, we will provide the new holder of the debenture with a purchase confirmation that will evidence the transfer of the account on our records. We may charge a reasonable service charge in connection with the transfer of any debenture.

Quarterly Statements

We will provide holders of the debentures with quarterly statements, which will indicate, among other things, the account balance at the end of the quarter, interest credited, redemptions or repurchases made, if any, and the interest rate paid during the quarter. These statements will be sent electronically on or prior to the 32nd 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 the address of record on or prior to the 32nd day after the end of each calendar quarter. In such a case, we may charge such holders a reasonable fee to cover our expenses incurred in mailing the statements.

Ranking

The renewable secured debentures will constitute the senior secured debt of GWG Holdings. The payment of principal and interest on the debentures will be:

- pari passu with the approximately $60.6 million in principal amount of subsidiary secured notes previously issued by our subsidiary GWG Life (see the caption "—Collateral Security" below);
- structurally junior to the present and future obligations owed by our subsidiary DLP Funding II under the revolving credit facility with Autobahn/DZ Bank (including the approximately $48.2 million presently outstanding under such facility); and
- structurally junior to the present and future claims of creditors of our subsidiaries, other than GWG Life, including trade creditors.

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

Guarantee by GWG Life Subsidiary

The payment of principal and interest on the debentures 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 pledge of ownership interests in GWG Holdings, Inc. by our principal stockholders, and (iii) an intercreditor agreement between the trustee and Lord Securities Corporation (collateral trustee for our subsidiary secured notes), makes the debentures pari passu with respect to payment and the collateral securing the subsidiary secured notes previously issued by GWG Life. There was approximately $60.6 million in principal amount of subsidiary secured notes outstanding as of June 30, 2011.

Collateral Security

The debentures 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 indenture trustee for the benefit of the debenture holders. Prior to this offering, the assets of GWG Holdings consist primarily of (i) any cash proceeds received from its subsidiaries as distributions derived from life insurance policy assets of subsidiaries, (ii) all other cash and investments held in various accounts, (iii) the equity ownership interests in subsidiaries of GWG Holdings, including the equity ownership interest in GWG Life, together with (iv) all proceeds from the foregoing. This collateral 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 debentures. This guarantee will be supported by GWG Life's grant of a security interest in all of its assets. Prior to this offering, the assets of GWG Life consist primarily of (i) certain life insurance policy assets, (ii) any cash proceeds received from life insurance policy assets owned by GWG Life or received from its direct subsidiary DLP Funding II as distributions derived from life insurance policies owned by that subsidiary, (iii) all other cash and investments held by GWG Life in its various accounts, (iv) GWG Life's equity ownership interest in its direct subsidiary DLP Funding II, together with (v) all proceeds from the foregoing. The collateral security granted by GWG Life pursuant to its guarantee of our obligations under the debentures 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 86.1% of the outstanding shares of our common stock, have pledged all of the shares they beneficially own in GWG Holdings to further secure our obligations under the debentures. This collateral security granted by 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 for our obligations under the debentures. To the extent that we subsequently establish a one or more wholly owned subsidiaries of GWG Holdings or GWG Life, the debentures 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 Collateral and GWG Holdings Equity Collateral is effected through a "Pledge and Security Agreement" that is an exhibit to the indenture. The grant of collateral security comprising the GWG Life Assets Collateral and GWG Holdings Equity Collateral is designed to afford the holders of debentures with rights to the same payment and collateral as that granted to holders of our subsidiary secured notes on a pari passu basis. To effect this arrangement, the trustee under the indenture, Bank of Utah, National Association (to whom the security grant is made under the Pledge and Security Agreement), will enter into an "Intercreditor Agreement" with GWG Holdings, GWG Life, and Wells Fargo Bank, N.A., the collateral trustee for our subsidiary secured notes. This Intercreditor Agreement is an exhibit to the indenture.

Nearly all of our life insurance policy assets (94% of our policies, representing approximately 96% of the face value of policy benefits as of June 30, 2011) are held in our subsidiary GWG DLP Funding II, LLC, which we refer to throughout this prospectus as "DLP Funding II." The debentures will not be directly secured by any security interest in the assets of DLP Funding II. Instead, the debentures will be secured by a pledge of the equity ownership interests in DLP Funding II owned by GWG Life by virtue of the guarantee provisions in the indenture and the Pledge and Security Agreement referenced above. An equity ownership interest is, by its very nature, subordinate to the interests of creditors. Therefore, although investors in the debentures will have a security interest in the 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 entity, 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 Funding II, including trade creditors.

Subordination; Other Indebtedness

Our obligations under the debentures will be subordinate to all our senior debt. For this purpose, "our senior debt" presently includes all indebtedness of our subsidiaries with respect to which the debentures are not pari passu with respect to payment and collateral (i.e., other than our subsidiary secured notes). In this regard, our subsidiary DLP Funding II has, as of June 30, 2011, approximately $48.2 million of debt outstanding under our revolving credit facility. With respect to pari passu indebtedness, as of June 30, 2011 our subsidiary GWG Life has approximately $60.6 million of debt outstanding under our subsidiary secured notes.

The maximum amount of debt, including the debentures, we may issue pursuant to the indenture is an amount such that our debt coverage ratio does not exceed 90%. The indenture defines the debt coverage ratio as a percentage calculated by the ratio of (A) obligations owing by us and our subsidiaries on all outstanding debt for borrowed money (including the debentures), over (B) the net present asset value of all life insurance policy 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 average cost of capital for all our indebtedness for the prior month.

The indenture provides that for the first four years after our initial sale of debentures, our subordination ratio may not exceed 50%. The indenture defines the subordination ratio as a percentage calculated as a ratio of (A) the principal amount owing by us or any of our subsidiaries that is either senior in rank to the debentures or secured by the life insurance policy assets owned by us or our subsidiaries, over (B) the net present asset value of all life insurance policy 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-average cost of capital for all our indebtedness for the prior month.

We are required to notify the indenture trustee in the event that we violate one of these restrictive covenants. An "event of default" will exist under the indenture if a violation persists for a period of 30 consecutive calendar days after our initial notice to the trustee. See "Risk Factors" page 15.

The debentures are guaranteed by GWG Life but otherwise are not guaranteed by any of our subsidiaries, affiliates or control persons. The indenture does not prevent holders of debt issued by our subsidiaries from disposing of, or exercising any other rights with respect to, any or all of the 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 subsidiary that 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 assets to us 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 right of debenture 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 lender 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 revolving 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 facility lender 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 repurchase at maturity, on default, or otherwise), on the debentures and any other indebtedness, and neither the holders of the debentures nor the trustee will have the right, directly or indirectly, to sue to enforce the indenture or the debentures, if a default or event of default under any senior credit facility has occurred and is continuing, or if any default or event of default 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 ending on the earlier of (i) the indenture trustee's receipt of a valid waiver of default from the holder of a credit facility; or (ii) the indenture trustee's receipt of a written notice from the holder of a credit 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 receipt of the notice of default without the occurrence of the cure, waiver, termination, or extension of all blockage periods described above, the trustee may thereafter sue on and enforce the indenture and our obligations thereunder and under the debentures as long as any funds paid as a result of any such suit or enforcement action shall be paid toward the senior credit facility until it is indefeasibly paid in full before being applied to the debentures.

Both the indenture and the Subscription Agreements contain provisions whereby each investor in the debentures 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 debenture holders to assert their rights to payment of principal or interest under the indenture or debentures is ultimately determined to conflict with provisions of the Trust Indenture Act of 1939 (most notably sections 316(b) 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 (notwithstanding such provision contained in the indenture) be authorized to institute a lawsuit for the enforcement of any payment of principal or interest after their respective due dates.

No Sinking Fund

The debentures are not associated with any sinking fund. A sinking fund is generally any account to which contributions will be made, from which payments of principal or interest owed on the debentures will be made. See “Risk Factors” page 19.

Restrictive Covenants

The indenture contains certain limited 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 (other than a 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 debentures 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 advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of the 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, lease, 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 and financing transaction, and (b) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition and of our remaining assets to the holders of our capital stock, unless, prior to making any liquidating distribution pursuant to such plan, we make provision for the satisfaction of our obligations under the renewable unsecured subordinated notes;
- our debt coverage ratio may not exceed 90%; and
- for the first four years after our initial sale of debentures, our subordination ratio may not exceed 50%.

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 (including the debentures), over (B) the net present asset value of all life insurance policy assets we own, 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 face value of policy benefit assets we own, discounted at a rate equal to the weighted average cost of capital for all our indebtedness for the prior month. The indenture defines the subordination ratio as a percentage calculated as a ratio of (1) the principal amount owing by us or any of our subsidiaries that is either senior in rank to the debentures or secured by the life insurance policy assets owned by us or our subsidiaries, over (2) the principal amount of outstanding debentures and subsidiary secured notes.

Importantly, we are not restricted from entering into qualified sale and financing transactions or incurring additional indebtedness, including additional senior debt. See “Risk Factors” page 15.

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 all of our 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 of our responsibilities and liabilities under the indenture, including the payment of all amounts due on the notes and performance of the covenants in the indenture; and
- immediately after the transaction, and after giving effect to the transaction, no event of default shall exist under the indenture.

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 indenture, the 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, the successor 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 under the indenture and under the debentures. Nevertheless, no such transaction will by itself eliminate or modify the collateral that we have provided as security for our 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 debenture 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 to the indenture trustee and such failure is not cured within 60 days
- our debt coverage ratio exceeds 90% for a period of 30 consecutive calendar days
- the subordination ratio exceeds 50% for a period of 30 consecutive calendar days during the four-year period after the commencement of the offering of the debentures
- 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 subsidiary secured notes remain outstanding, an event of default under the borrowing agreements relating to the subsidiary secured notes (as the same may from time to time be amended) will constitute an event of default under the indenture. In this regard, a default under the subsidiary secured note borrowing agreements includes a default under our revolving credit facility. As explained in other parts of this prospectus, our revolving credit facility is currently provided by Autobahn Funding Company, LLC, as lender, and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, as agent, pursuant to a Credit and Security Agreement dated July 15, 2008. DLP Funding II and another special purpose (but presently inactive) subsidiary entity are borrowers under the line of credit, and GWG Holdings is a party to the facility as performance guarantor.

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 purchased and held in our portfolio. As of June 30, 2011, approximately $48 million was outstanding under the line of credit. Proceeds of the line of credit may be used to purchase policies and loans. The credit facility matures in July 2013. Advances under the line of credit bear interest based either at the commercial paper rates available to the lender at the time of funding or at LIBOR plus an applicable margin.

The line of credit is secured by a pledge of substantially all of each borrower’s assets and is subject to a performance guaranty by GWG Holdings. In 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 the line of credit, together with accrued and unpaid interest and fees, exceeds 50% of the borrower’s net eligible receivables balance (as defined in the loan agreement), excess collections 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 positive consolidated net income measured annually and, at all times, a tangible net worth in excess of $5,000,000 (calculated on a prescribed non-GAAP basis).

Finally, the line of credit is subject to certain customary events of default (e.g., payment defaults, covenant defaults, cross-defaults, material adverse change, changes in control and changes in management) and certain events of default specifically relating to our business, including but not limited to (i) portfolio defaults in excess of 10% on an annualized basis, (ii) failure to obtain an unqualified opinion on our annual consolidated financial statements, (iii) failure to maintain certain hedge transactions or replace hedge counterparties under any certain hedging transactions required under the credit agreement, (iv) any governmental authority directs that 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 performance 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 (vii) any 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 waived. The indenture trustee may then provide notice to the debenture holders or withhold the notice if the indenture trustee determines in good faith that withholding the notice is in your best interest, unless the default is a failure to pay principal or interest on any debenture.

If an event of default occurs, the indenture trustee or the holders of at least 25% in principal amount of the outstanding debentures, may by written notice to us declare the unpaid principal and all accrued but unpaid interest on the debentures to be immediately due and payable. Notwithstanding the foregoing, the indenture limits the ability of the debenture holders to enforce certain rights under the indenture in certain circumstances. These limitations are required subordination provisions under our revolving credit facility and are summarized above under “—Subordination; Other Indebtedness.”

Amendment, Supplement and Waiver

Except as provided in this prospectus or the indenture, the terms of the indenture or the debentures then outstanding may be amended, supplemented or waived with the consent of the holders of at least a majority in principal amount of the debentures then outstanding (which consent will be presumed if a holder does not object within 30 days of a request for consent), and any existing default or compliance with any provision of the indenture or the debentures may be waived with the affirmative consent of the holders of a majority in principal amount of the then outstanding debentures.

Notwithstanding the foregoing, an amendment or waiver will not be effective with respect to the debentures held by a holder who him, her or itself has not consented if such amendment or waiver has any of the following consequences:

- reduces the principal of or changes the fixed maturity of any debenture or alters the repurchase or redemption provisions or the price at which we shall offer to repurchase or redeem the debenture (other than as permitted under the indenture and described in the following paragraph);
- reduces the rate of or changes the time for payment of interest, including default interest, on any debenture;
- waives a default or event of default in the payment of principal or interest on the debentures, except for a rescission or withdrawal of acceleration of the debentures made by the holders of at least a majority in aggregate principal amount of the then-outstanding debentures and a waiver of the payment default that resulted from such acceleration;
- makes any debenture payable in money other than that stated in this prospectus;
- makes any change in the provisions of the indenture relating to waivers of past defaults or the rights of holders of debentures to receive payments of principal of or interest on the debentures; or
- makes any change to the subordination provisions of the indenture that has a material adverse effect on holders of debentures.

Notwithstanding the foregoing, the following kinds of amendments or supplements to the indenture may be effected by us and the trustee without any consent of any holder of the debentures:

- to cure any ambiguity, defect or inconsistency
- to provide for assumption of our obligations to holders of the debentures in the case of a merger, consolidation or sale of all or substantially all of our assets
- to provide for additional uncertificated or certificated debentures
- to make any change that does not materially and adversely affect the legal rights under the indenture of any holder of debentures, including but not limited to an increase in the aggregate dollar amount of debentures which may be outstanding under the indenture
- to modify or eliminate our policy regarding repurchases elected by a holder of debentures prior to maturity, including our obligation to repurchase debentures upon the death, bankruptcy or total permanent disability of any holder of the debentures, but only so long as such modifications do not materially and adversely affect any then-outstanding debentures; or
- 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 to comply with other applicable federal or state laws or regulations.

Rights of Debenture Holders

As a debenture holder, you have limited rights to vote on our actions. In general, you will have the right to vote on whether or not to approve some amendments to the indenture. For a description of these rights, see "—Amendment, Supplement and Waiver" above. You will also have the right to direct some actions that the trustee takes if there is an event of default with respect to the debentures. For a description of these rights, see above under the caption "—Events of Default." For a complete description of your rights as a debenture holder, we encourage you to read a copy of the indenture, which is filed as an exhibit 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 debenture holders will have the right to direct the time, method and place of conducting any proceeding for some of the remedies available, except as otherwise provided in the indenture. The trustee may require reasonable indemnity, satisfactory to the trustee, from debenture holders before acting at their direction. You will not have any right to pursue any remedy with respect to the indenture or the debentures unless you satisfy the conditions contained in the indenture.

The Indenture Trustee

General

Bank of Utah, National Association, has agreed to be the trustee under the indenture. The indenture contains certain limitations on the rights of the trustee, should it become one of our 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 trustee will be permitted to engage in other transactions with us.

Subject to certain exceptions, the holders of a majority in principal amount of the then-outstanding debentures will have the right to direct the time, method and 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, the trustee 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, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of debentures, unless the holder shall have 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 debentures for certain failures in its duties, including the insolvency of the trustee or the trustee's ineligibility to serve as trustee under the Trust Indenture Act of 1939, we may remove the trustee. However, no resignation or removal of the trustee may become effective until a successor trustee has accepted the appointment as provided in 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 includes a summary of all cash, life insurance policy investments serving as collateral, as well as our total outstanding indebtedness including outstanding principal balances, interest credited and paid, transfers made, any redemption or repurchase and interest rate paid; (ii) copies of our audited annual financials, no earlier than when the same become a matter of public record; and (iii) any additional information reasonably requested by the trustee.

No Personal Liability of Our Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of ours or any servicing agent, will have any liability for any of our obligations under the debentures, the indenture or for any claim based on, in respect to, or by reason of, these obligations or their creation. Each holder of debentures waives and releases these persons from any liability, including any liability arising under applicable securities laws. The waiver and release are part of the consideration for issuance of the debentures. We have been advised that the waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Certain Charges

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

Variations in Terms and Conditions

We may from time to time to vary the terms and conditions of the debentures offered by this prospectus, including but not limited to minimum initial principal investment amount requirements, maximum aggregate principal amount limits, interest rates, minimum denominations, service and other fees and charges, and redemption provisions. Terms and conditions may be varied by state, locality, principal amount, type of investor (for example, new or current investor) or as otherwise permitted under the indenture governing the securities offered by this prospectus. No change in terms, however, will apply to any debentures already issued and outstanding at the 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 debentures and the delivery of an officer's certificate to the trustee stating that we do not intend to issue additional debentures under the indenture or, with certain limitations, upon deposit with the trustee of funds sufficient for the payment in full of all of the outstanding debentures.

Reports

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

PLAN OF DISTRIBUTION

We are offering up to $250,000,000 in principal amount of debentures on a continuous basis. The debentures will be sold at their face value and in amounts of $25,000 or more in principal. There is no minimum amount of debentures that must be sold before we use the proceeds. The proceeds of new sales of debentures 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 $250,000,000 in debentures being offered, the debentures that we sell will be issued, and the proceeds of those debenture sales will be invested as described in this prospectus.

The debentures will be offered and sold on a best efforts basis by Arque Capital, Ltd. (our "dealer manager") and any participating broker-dealers it engages for this purpose (together the "selling group"). Arque Capital will be an underwriter of the debentures for purposes of the Securities Act of 1933. We may also directly offer and sell debentures apart from the selling group. We and the selling group will offer the debentures to the public on the terms set forth in this prospectus and any prospectus supplements we may file from time to time. Both we and the selling group plan to market the debentures directly to the public primarily through seminar presentations, the internet, and personal contacts made by us and through the selling group. We may also sell debentures to registered investment advisors. Neither our dealer manager nor any other broker-dealer participating in our selling group will have any obligation to take or purchase any debentures. Our dealer manager and each broker-dealer member of our selling group is expected to assist in the offering as follows: (1) conducting informational meetings for subscribers and other qualified potential purchasers; (2) keeping records of all subscriptions; and (3) training and educating employees regarding the mechanics and regulatory requirements of the offering process.

Members of the selling group will receive sales commissions of up to 7.00% of the gross offering proceeds depending upon the maturity of the debenture sold. In addition, members of our selling group may receive up to 3.00% of the gross offering proceeds as additional underwriting compensation consisting of (i) an accountable and non-accountable expense allowance, (ii) a dealer manager fee (payable only to Arque Capital) for managing and coordinating the offering, and (iii) a wholesaling fee (payable only to wholesaling dealers), in each case depending upon the maturity of the debenture sold. We will not pay referral or similar fees to any accountants, attorneys or other persons in connection with the distribution of the debentures.

Our dealer manager will enter into participating dealer agreements with certain other broker-dealers which are members of FINRA, referred to as selling group members, to authorize such broker-dealers to sell our debentures. Upon sale of our debentures by such broker-dealers, the broker-dealer will receive selling commissions and additional underwriting compensation in connection with debenture sales made.

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

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

In addition to the sales commissions, fees, allowances and expenses described above, the Company expects to pay approximately $1,000,000 in offering and 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 (other than sales commissions, additional underwriting compensation, and expense allowances and reimbursement to our selling group members), including but not limited to 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, additional underwriting compensation (the components of which are described in fn. 1 to the table), and accountable due diligence expenses we may pay in connection with this offering.

Debenture Term	Sales Commission	Additional Underwriting Compensation (1)	Total
6 Month	0.50%	1.00%	1.50%
One Year	1.00%	2.00%	3.00%
Two Year	3.25%	2.55%	5.80%
Three Year	5.00%	2.70%	7.70%
Four Year	5.75%	2.75%	8.75%
Five Year	6.50%	2.80%	9.50%
Seven Year	7.00%	3.00%	10.00%

(1) As described above, additional underwriting compensation includes (i) a non-accountable allowance of 0.50% of gross offering proceeds for a debenture with a term of six months and 1.00% for all other maturities and an accountable expense of up to 0.50%; (ii) a dealer manager fee of 0.50% gross offering proceeds for a debenture with a term of six months and 1.00% for all other maturities; and (iii) a wholesaling fee ranging from 0.25% to 0.90% gross offering proceeds depending on the term of the debenture sold.

The line items reflected in the table below are our current estimates of average sales commissions, additional underwriting compensation, and accountable due diligence expenses and issuer offering expenses that we will pay. Specifically, we estimate that the average sales commission will be 5.00% and the average additional underwriting compensation will be 2.70% (the components of which are described in fn. 1 below). Actual costs may differ from the percentages and amounts shown in the table below, subject, however, to the limitations noted above.

Debentures Sold	Sales Commission	Additional Underwriting Compensation (1)	Total
$ 75,000,000	$ 3,750,000	$ 2,025,000	7.70%
125,000,000	6,250,000	3,375,000	7.70%
250,000,000	12,500,000	6,750,000	7.70%

(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 that an average accountable and non-accountable allowance expense of 1.00% of gross offering proceeds, dealer manager fees of 1.00% of gross offering proceeds, and wholesale commissions of 0.70% of gross offering proceeds will be 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 broker-dealers and who contact participating broker-dealers and their registered representatives to make presentations concerning us and this offering and to encourage them to sell our debentures. The wholesalers receive base salaries and bonuses as compensation for their efforts. Our dealer manager hosts training and education meetings for broker-dealers and their representatives. The other

costs of the training and education meetings will be borne by us. Our estimated costs associated with these training and education meetings are included in our estimates of our organization and offering expenses.

In accordance with FINRA rules, in no event will our total underwriting compensation to FINRA members, including but not limited to sales commissions, the dealer manager fee and accountable and non-accountable expense reimbursements to our dealer manager and selling member broker-dealers, exceed 8.00% of 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 Act and liabilities arising from breaches of our representations and warranties contained in the participating dealer agreement. If we are unable to provide this 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 debentures contained in the Managing Broker-Dealer Agreement. Any amendment to the Managing Broker-Dealer Agreement will be filed as an exhibit to an amendment to the registration statement of which this prospectus is a part.

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 and disposition of the debentures 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 considerations relating to the purchase, ownership and disposition of the debentures. We have based this summary current provisions of the Code of 1986, as amended (the "Code"), applicable U.S. Treasury Regulations promulgated thereunder, judicial opinions, and published rulings of the Internal Revenue Service (the "IRS"), all as in effect on the date of this Private Placement prospectus. However, these laws and other guidance are subject to differing interpretations or change, possibly with retroactive effect. In addition, we have not sought, and will not seek, a ruling from the U.S. Internal Revenue Service ("IRS") or an opinion of counsel with respect to any tax consequences of purchasing, owning or disposing of debentures. Thus, the IRS could challenge one or more of the tax consequences or matters described in this prospectus; and there can be no assurance that any position taken by the IRS would not be sustained.

This discussion is limited to purchasers of debentures who acquire the debentures from us in this offering and hold the debentures as capital assets for federal income tax purposes. This discussion does not address all possible tax consequences that may be applicable to you in light of your specific circumstances. For instance, this discussion does not address the alternative minimum tax provisions of the Code, or special rules applicable to some categories of investors such as financial institutions, insurance companies, tax-exempt organizations, dealers in securities, real estate investment trusts, regulated investment companies, or persons who hold debentures as part of a hedge, conversion or constructive sale transaction, straddle or other risk reduction transaction that may be subject to special 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 gift tax laws.

If you are considering the purchase of a debenture, you should consult your own tax advisors as to the particular tax consequences to you of acquiring, holding or otherwise disposing of the debentures, 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 debenture 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 other entity 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 States persons 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 a United States trust.

For the purposes of this discussion, a "non-U.S. holder" means any holder of debentures other than a U.S. holder. Any debenture purchaser who is not a U.S. 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 with applicable requirements of the United States taxing authority.

Characterization of the Debentures

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

If the debentures were treated as equity interests, there could be adverse effects on some holders. For example, payments on the debentures could (1) if paid to non-U.S. holders, be subject to federal income tax withholding; (2) constitute unrelated business taxable income to some tax-exempt entities, including pension funds and some retirement accounts (if the relationship were characterized as a partnership for tax purposes); and (3) cause the timing and amount of income that accrues to holders of debentures 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 situation in the event the debentures are re-characterized as equity interests; and as to the likelihood that the debentures could be so re-characterized. The remainder of this discussion assumes that the debentures 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 income tax 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 cash 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 debentures will constitute portfolio income, and not passive activity income, for the purposes of the passive loss limitations of the Code. Accordingly, income arising from payments on the debentures will not be subject to reduction by losses from passive activities of a holder.

Income attributable to interest payments on the debentures may be offset by investment expense deductions, subject to the limitation that individual investors may only deduct miscellaneous itemized deductions, including investment expenses other than interest, to the extent these deductions exceed 2% of the investor's adjusted gross income.

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

Disposition of Debentures

In general, a U.S. holder will recognize gain or loss upon the sale, exchange or other taxable disposition of a debenture measured by the difference between (1) 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 to accrued interest on the debentures; and (2) your adjusted tax basis in the debenture. A U.S. holder's adjusted tax basis in a debenture generally will be equal to the price the U.S. holder paid for the debenture. Any of this gain or loss generally will be long-term capital gain or loss if, at the time of any such taxable disposition, the debenture was a capital asset in the hands of the holder and was held for more than one year. Under current law, net long-term capital gain recognized by individual U.S. holders in tax years beginning before January 1, 2013, is eligible for a reduced rate of taxation. The deductibility of capital losses is subject to annual limitations.

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

Additional Tax on Net Investment Income

For taxable years beginning after December 31, 2012, if you are a U.S. holder other than a corporation, you generally will be subject to a 3.8% additional tax (the "Medicare tax") on the lesser of (1) your "net investment income" for the taxable 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 include any income or gain recognized by you with respect to our debentures, unless such income or gain is derived in the ordinary course of the conduct of your trade or business (other than a trade or business that consists of certain passive or trading activities).

Considerations for Tax-Exempt Holders of Debentures

Tax-exempt entities, including charitable corporations, pension plans, profit sharing or stock bonus plans, individual retirement accounts and some other employee 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 business 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 unrelated business taxable income are also subject to the alternative minimum tax for items of tax preference which enter into the computation of unrelated business taxable income.

In general, interest income does not constitute unrelated business taxable income. However, under the debt-financed property rules, if tax-exempt holders of debentures finance the acquisition or holding of debentures with debt, interest on the debentures will be taxable as unrelated business taxable income. The debentures will be treated as debt-financed property if the debt was incurred to acquire the debentures or was incurred after the acquisition of the debentures, so 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 was 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 debentures by non-U.S. holders. 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 considered to be 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 situation.

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 will not be 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 combined voting 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 ownership; and (c) the beneficial owner of the debenture complies with the certification requirements, including delivery of a statement, signed by the holder under penalties 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 income tax 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 debenture is held through a securities clearing organization or other specified financial institutions (an "Intermediary"), the Intermediary may provide the relevant signed statement and, unless the Intermediary is a "qualified" intermediary as defined under the Code, the signed statement provided by the Intermediary must be accompanied by a copy of a valid Form W-8BEN provided by the non-U.S. beneficial holder of the debenture.

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%, subject to reduction under an applicable income tax treaty. Payments of interest on a debenture to a non-U.S. holder generally will not be subject to U.S. federal income tax, 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 States. To claim 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 the payment of stated interest; and may be required to obtain a U.S. taxpayer identification number and provide documentary evidence issued by foreign governmental authorities to 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 tax to your particular situation.

Disposition of the Debentures 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 federal income tax, and generally no tax will be withheld with respect to gains realized on the disposition of a debenture, unless (a) the gain is effectively connected with 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 or more days 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 debentures, including proceeds from the disposition of the debentures, are 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 to United States federal income taxation on a net basis with respect to the holder's ownership of the debentures, or are individuals that have by operation of law become 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. holders of debentures, 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 be subject to 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 31% on payments of principal, premium, and interest on, and the proceeds of the disposition of, the debentures. In general, backup withholding will be imposed only if the U.S. holder (1) fails to furnish its taxpayer identification number

("TIN"), 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 payments of 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 the IRS that 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. holders generally will be subject to information reporting. You should consult your tax advisors regarding your qualification for exemption from backup withholding and the procedure for obtaining an exemption, if applicable.

Backup withholding generally will not apply to payments made to a non-U.S. holder of a debenture who provides the certification that it is a non-U.S. holder, and the payor does not have actual knowledge that a certificate is false, or otherwise establishes an exemption from backup withholding. Payments by United States office of a broker of the proceeds of a disposition of the debentures generally will be subject to backup withholding at a rate of 31% unless the non-U.S. holder certifies 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 nominee or other foreign agent of the beneficial owner, or if a foreign office of a foreign "broker" pays the proceeds of the sale of a debenture to the seller, backup withholding and information reporting will not apply; provided that the nominee, custodian, agent or broker is not a "United States related person," or a person which derives more than 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 States person or a United States related person of the proceeds of the sale of debentures will not be subject to backup withholding, but will be subject to information reporting 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 and 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 debenture will be allowed as a credit against the holder's United States federal income tax liability and may entitle the holder to a refund; provided that the required information is furnished to the IRS.

STATE, LOCAL AND FOREIGN TAXES

We make no representations regarding the tax consequences of the purchase, ownership or disposition of the debentures under the tax laws of any state, locality 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 benefit plans 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 persons with respect to those plans or arrangements. Some employee benefit plans, like governmental plans and church plans (if no election has been made under Section 410(d) of 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 debentures without regard to the ERISA considerations described below, subject to the Code and other applicable federal and state laws affecting tax-exempt organizations generally. Any plan fiduciary that proposes to cause a plan to acquire any of the debentures should consult with its counsel with respect to the potential consequences under ERISA and the Code of the plan's acquisition and ownership of the debentures. Investments by plans are also subject to ERISA's and the Code's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that a plan's investments be made in accordance with the 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 engaging in select transactions involving a plan and its assets unless a statutory, regulatory or administrative exemption applies to the transaction. Section 4975 of the Code imposes excise taxes, or in some cases a civil penalty may be assessed under Section 502(i) of ERISA, on parties in interest that engage in non-exempt "prohibited transactions." Section 502(i) of ERISA requires the Secretary of the U.S. Department of Labor ("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 of ERISA, or 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 provisions of the 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," so that any person who exercises control over the assets would be subject to ERISA's fiduciary standards. Generally, under the plan asset regulation, when a plan invests 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 plain asset regulation 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 company registered 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 regulation the term "equity interest" is defined as any interest in an entity other than an instrument that is treated as indebtedness under "applicable 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 "applicable local law" for this purpose, Labor has stated that these determinations should be made under the state law governing interpretation of the instrument in question. In the preamble to the plan asset regulation, Labor declined to provide a precise definition of what features are equity features or the circumstances under which the features would be considered "substantial," noting that the question of whether 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 account whether the equity features are such that a plan's investment would be a practical vehicle for the indirect provision of investment management services. We believe that the debentures will be classified as indebtedness without substantial equity features for ERISA purposes. Each investor who purchases a debenture will be required to represent and warrant, in the subscription agreement for the investment, whether or not the assets being invested constitute "plan assets" for purposes of ERISA.

If the debentures were deemed to be equity interests for this purpose and no statutory, regulatory, or administrative exception applies, we could be considered to hold plan assets by reason of a plan's investment in the debentures. These plan assets would include an undivided interest in all of our 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 of Title I of 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 respect to transactions involving any of our assets. The ERISA fiduciary standards could affect the way we conduct the business, which would have consequences for all 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 debentures. See, for example, Prohibited Transaction Class Exemption ("PTE") 96-23, which exempts some transactions effected on behalf of a plan or by an "in-house asset manager;" PTE 95-60, which exempts some transactions between insurance company general accounts and parties in interest; PTE 91-38, which exempts some transactions between bank collective investment funds and parties in interest; PTE 90-1, which exempts some transactions between insurance company pooled separate accounts and parties in 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 no assurance that any of these exemptions will apply with respect to any plan's investment in the debentures, or that the exemption, if it did apply, would apply to all prohibited transactions that may occur in connection with the investment.

Any plan fiduciary considering whether to purchase debentures on behalf of a plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code. Before purchasing any debentures, a fiduciary of a plan should make its own determination as to (1) whether GWG Life, as borrower on the debentures, is a "party in interest" under ERISA or a "disqualified person" under 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 transaction exemptions. In addition, purchasers that are insurance companies should consult their own ERISA counsel with respect to their fiduciary responsibilities associated with their purchase and ownership of the debentures, including any responsibility under the Supreme Court case *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*.

LEGAL MATTERS

Certain legal matters in connection with the debentures will be passed upon for us by Maslon Edelman Borman & Brand, LLP, of Minneapolis, Minnesota.

EXPERTS

The consolidated financial statements of GWG Holdings, Inc. and its subsidiaries as of and for the years ending December 31, 2009 and 2010, included in this prospectus and in the related registration statement, have been audited by Mayer Hoffman McCann P.C., an independent registered public accounting firm. As indicated in their report with respect thereto, these consolidated financial statements are included in this prospectus in reliance upon the authority of such firm as experts in auditing and accounting.

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 debentures to be offered and sold pursuant to the prospectus which is a part of that registration statement. This prospectus does not contain all the information contained in the registration statement. For further information with respect to us and the debentures to be sold in this offering, we refer you to the registration statement, including the agreements, other documents 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.gwglife.com. Information on our website is not incorporated by reference in this prospectus. We maintain an office at 220 South Sixth Street, Suite 1200, Minneapolis, MN 55402 where all records concerning the debentures are to be retained. Debenture holders and their representatives can request information regarding the debentures 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 copies of our 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 available on 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 information we 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 information 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members and Board of Directors of
GWG Holdings, LLC and Subsidiaries:

We have audited the accompanying consolidated balance sheets of GWG Holdings, LLC and Subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over 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 the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GWG Holdings, LLC and Subsidiaries as of December 31, 2010 and 2009 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
June 14, 2011

GWG HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2010	December 31, 2009	June 30, 2011 (unaudited)
ASSETS			
Cash and cash equivalents	$ 1,758,230	$ 1,180,850	$ 349,170
Restricted cash	5,219,009	5,751,115	3,571,451
Bridge loans, net	—	3,226,274	—
Due from related parties	2,415	—	38,435
Investment in life settlements	82,717,562	12,908,172	108,479,885
Deferred financing costs	562,834	795,730	446,385
Other assets	790,708	228,473	1,306,694
TOTAL ASSETS	$ 91,050,758	$ 24,090,614	$ 114,192,020
LIABILITIES & EQUITY			
LIABILITIES			
Revolving credit facility	$ 37,085,452	$ 4,987,425	$ 48,175,000
Series I Secured notes payable	51,798,992	13,570,983	58,854,268
Accounts payable	710,547	761,859	85,634
Due to related parties	—	2,301,055	202,967
Accrued expenses			
Interest	975,817	147,089	1,235,820
Other	318,603	597,127	285,703
Deferred tax liability, net	—	—	3,779,000
TOTAL LIABILITIES	90,889,411	22,365,538	112,618,392
REDEEMABLE MEMBER'S INTEREST	(509,126)	(470,436)	—
EQUITY			
Members' capital	2,976,541	3,806,061	—
Common stock (par value $0.001: shares authorized 210,000,000; shares issued 9,000,000) (see note 1)			9,000
Additional paid-in capital			6,862,484
Retained earnings			(2,991,788)
Notes receivable from related parties	(2,306,068)	(1,761,134)	(2,306,068)
Total equity attributable to controlling interest	670,473	2,044,927	1,573,628
Noncontrolling interest	—	150,585	—
TOTAL EQUITY	670,473	2,195,512	1,573,628
TOTAL LIABILITIES & EQUITY	$ 91,050,758	$ 24,090,614	$ 114,192,020

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

GWG HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended		Six Months Ended	
	December 31, 2010	December 31, 2009	June 30, 2011 (unaudited)	June 30, 2010 (unaudited)
REVENUE				
Contract servicing fees	$ 142,982	$ 84,775	$ —	$ 30,300
Gain (loss) on life settlements, net	8,658,874	808,944	10,294,109	(4,689,860)
Broker fees	—	19,500	—	—
Interest on bridge loans	—	165,538	—	—
Interest and other income	97,091	268,366	31,970	27,036
TOTAL REVENUE	8,898,947	1,347,123	10,326,079	(4,632,524)
EXPENSES				
Employee compensation and benefits	2,230,106	1,910,801	942,020	1,195,056
Legal and professional fees	1,109,013	1,108,989	263,852	605,639
Interest expense	3,683,733	593,101	2,414,672	1,394,007
Recovery of losses on related-party notes receivable (net)	(20,425)	(151,520)	—	—
Amortization of deferred financing and issuance costs	743,635	232,896	896,540	116,448
Other expenses	1,383,280	2,486,269	615,214	626,698
TOTAL EXPENSES	9,129,342	6,180,536	5,132,298	3,937,848
INCOME (LOSS) BEFORE TAXES	(230,395)	(4,833,413)	5,193,781	(8,570,372)
INCOME TAX EXPENSE	—	—	3,781,500	—
NET INCOME (LOSS)	(230,395)	(4,833,413)	1,412,281	(8,570,372)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,277,682	2,059,200	—	1,277,682
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	1,047,287	(2,774,213)	1,412,281	(7,292,690)
NET (INCOME) LOSS ATTRIBUTABLE TO REDEEMABLE INTERESTS	(46,671)	499,524	—	451,678
NET INCOME (LOSS) AVAILABLE TO NONREDEEMABLE INTERESTS	$1,000,616	$(2,274,689)	$ 1,412,281	$(6,841,012)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO CONTROLLING INTERESTS	$ 0.12	$ (0.70)	$ 0.16	$ (0.81)
BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	9,000,000	3,979,570	9,000,000	9,000,000
PROFORMA INFORMATION AS IF THE COMPANY HAD BEEN A CORPORATION FOR ALL PERIODS (unaudited) (see note 12)				
INCOME (LOSS) BEFORE TAXES	$ (230,395)	$(4,833,413)	$ 5,193,781	$(8,570,372)
INCOME TAX EXPENSE (BENEFIT)	(53,000)	(1,718,000)	2,013,000	(3,104,000)
NET INCOME (LOSS)	(177,395)	(3,115,413)	3,180,781	(5,466,372)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(814,934)	(1,327,273)	—	(814,934)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	637,539	(1,788,140)	3,180,781	(4,651,438)
PROFORMA BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO CONTROLLING INTERESTS (see note 1)	$ 0.07	$ (0.45)	$ 0.35	$ (0.52)
PROFORMA BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING (see note 1)	9,000,000	3,979,570	9,000,000	9,000,000

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

GWG HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Members' Capital		Common Shares	Common Stock (par)	Additional Paid in Capital	Retained Earnings	Notes Receivable From Related Parties	Total Equity Attributable to Controlling Interest	Noncontrolling Interest	Total Equity
	Units	Dollars								
Balance, January 1, 2009	**344**	**$ 660,523**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (1,408,299)**	**$ (747,776)**	**$ 6,235,813**	**$ 5,488,037**
Net loss	—	(2,774,213)	—	—	—	—	—	(2,774,213)	(2,059,200)	(4,833,413)
Net loss allocated to the redeemable member units	—	499,524	—	—	—	—	—	499,524	—	499,524
Capital contributions	1,800	4,796,587	—	—	—	—	—	4,796,587	850,636	5,647,223
Capital distribution (declared) forgiven	—	623,640	—	—	—	—	—	623,640	(4,876,664)	(4,253,024)
Advances to related parties	—	—	—	—	—	—	(352,835)	(352,835)	—	(352,835)
Balance, December 31, 2009	**2,144**	**3,806,061**	**—**	**—**	**—**	**—**	**(1,761,134)**	**2,044,927**	**150,585**	**2,195,512**
Net income (loss)	—	1,047,287	—	—	—	—	—	1,047,287	(1,277,682)	(230,395)
Net income allocated to the redeemable member units	—	(46,671)	—	—	—	—	—	(46,671)	—	(46,671)
Capital contributions	—	—	—	—	—	—	—	—	680,388	680,388
Redemption of noncontrolling interest in GWG Life Settlements, LLC	—	(1,830,136)	—	—	—	—	—	(1,830,136)	1,915,497	85,361
Sale of membership interest in Opportunity Bridge Funding, LLC	—	—	—	—	—	—	—	—	(1,468,788)	(1,468,788)
Advances to related parties	—	—	—	—	—	—	(544,934)	(544,934)	—	(544,934)
Balance, December 31, 2010	**2,144**	**2,976,541**	**—**	**—**	**—**	**—**	**(2,306,068)**	**670,473**	**—**	**670,473**
Net income through June 10 (unaudited)	—	4,404,069	—	—	—	—	—	4,404,069	—	4,404,069
Net income allocated to the redeemable member units	—	(143,948)	—	—	—	—	—	(143,948)	—	(143,948)
Restructuring of redeemable member's interest (unaudited)	100	(365,178)	—	—	—	—	—	(365,178)	—	(365,178)
Conversion from LLC to corporation (unaudited) (see note 1)	(2,244)	$(6,871,484)	9,000,000	9,000	6,862,484	—	—	—	—	—
Net income June 11 through June 30 (unaudited)	—	—	—	—	—	(2,991,788)	—	(2,991,788)	—	(2,991,788)
Balance, June 30, 2011 (unaudited) (see note 1)	**—**	**$ —**	**9,000,000**	**$ 9,000**	**$6,862,484**	**$(2,991,788)**	**$ (2,306,068)**	**$ 1,573,628**	**$ —**	**$ 1,573,628**

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

GWG HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended		Six Months Ended	
	December 31, 2010	December 31, 2009	June 30, 2011 (unaudited)	June 30, 2010 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$ (230,395)	$ (4,833,413)	$ 1,412,281	$ (8,570,372)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:				
(Gain) loss on life settlements	(16,985,394)	(1,283,444)	(16,638,593)	2,183,679
Recovery of losses on notes receivable from related parties (net)	(20,425)	(151,520)	—	—
Capitalized interest on notes receivable from related parties	(82,435)	(65,335)	—	(18,658)
Amortization of deferred financing and issuance costs	746,635	232,896	116,448	116,448
Deferred income taxes	—	—	3,779,000	—
(Increase) decrease in operating assets:				
Due from related parties	(2,415)	—	(36,020)	(131,095)
Other assets	(178,465)	155,300	(515,985)	4,006
Increase (decrease) in operating liabilities:				
Due to related party	(610,888)	503,397	202,967	70,081
Accounts payable and accrued expenses	602,866	1,157,453	(397,810)	13,906
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(16,760,916)	(4,284,666)	(12,077,712)	(6,332,005)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease in bridge loans	—	(869,275)	—	—
Investment in life settlements	(53,223,996)	(11,624,728)	(9,123,730)	(38,200,491)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(53,223,996)	(12,494,003)	(9,123,730)	(38,200,491)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from revolving credit facility	32,098,027	4,987,425	11,089,548	15,373,978
Proceeds from issuance of Series I Secured notes payable	43,494,690	13,972,508	11,342,855	32,100,900
Payments for redemption of Series I Secured notes payable	(5,780,420)	(401,525)	(4,287,579)	(1,276,147)
Proceeds (payments) from restricted cash	532,106	(5,751,115)	1,647,558	(2,937,186)
Issuance of member capital	—	4,796,587	—	—
Distributions to preferred member	—	(764,620)	—	—
Advances on notes to related parties	(462,499)	(287,500)	—	(200,000)
Issuance of non-controlling interest member capital	680,388	850,636	—	680,388
Redemption of non-controlling interest member capital	—	(4,767,025)	—	—
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	70,562,292	12,635,371	19,792,382	43,741,933
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	577,380	(4,143,298)	(1,409,060)	(790,563)
CASH AND CASH EQUIVALENTS				
BEGINNING OF YEAR	1,180,850	5,324,148	1,758,230	1,180,850
END OF YEAR	$ 1,758,230	$ 1,180,850	$ 349,170	$ 390,287

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

GWG HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS-CONTINUED

	Year Ended		Six Months Ended	
	December 31, 2010	December 31, 2009	June 30, 2011 (unaudited)	June 30, 2010 (unaudited)
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Interest paid	$ 2,904,000	$ 745,000	$ 2,155,000	$ 940,000
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Redemption of non-controlling interest	$ 1,916,000	$ —	$ —	$ 1,916,000
Distributions payable—forgiven (including redeemable member's interest)	$ —	$ 653,000	$ —	$ —
Interest income receivable added to balance of notes receivable from related parties	$ 82,000	$ 65,000	$ —	$ 19,000
Sale of membership interest in Opportunity Bridge Funding, LLC to Insurance Strategies Fund, LLC:				
Prepaid expenses	$ 16,000	$ —	$ —	$ 16,000
Bridge loans receivable	$ 3,226,000	$ —	$ —	$ 3,226,000
Accounts payable	$ (84,000)	$ —	$ —	$ (84,000)
Due to related parties	$ (1,690,000)	$ —	$ —	$ (1,690,000)
Noncontrolling interest	$ (1,469,000)	$ —	$ —	$ (1,469,000)
Conversion of member's equity to common stock and additional paid in capital	$ —	$ —	$ 6,871,000	$ —

The Accompanying Notes are an Integral Part of these Consolidated Financial Statements

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of business—GWG Holdings, Inc. (Holdings) (previously GWG Holdings, LLC) and Subsidiaries, located in Minneapolis, Minnesota, facilitates the purchase of life insurance policies for its own investment portfolio through its wholly owned subsidiary, GWG Life Settlements, LLC (GWG Life), and its subsidiaries, GWG DLP Funding, LLC (DLP) and its wholly owned subsidiary, GWG DLP Master Trust (the Trust) prior to its sale on November 1, 2010 as described in note 4; and GWG DLP Funding II, LLC (DLP II) and its wholly owned subsidiary, GWG DLP Master Trust II (the Trust II). The Company converted from a limited liability company into a corporation effective June 10, 2011 and as a result of this change all member units were converted into common stock. Holdings finances the acquisition of life insurance policies, premiums and policy loan repayments through its wholly owned subsidiary, United Lending, LLC (United Lending). Holdings also financed policy premiums and policy loan repayments through its wholly owned subsidiary Opportunity Bridge Funding, LLC (Opportunity Bridge Funding) prior to its sale on January 1, 2010 as described in note 10. Holdings earns fees for brokering policy transactions between market participants through its wholly owned subsidiary, GWG Broker Services, LLC (Broker Services). GWG Member, LLC a wholly owned subsidiary formed November 2010 to facilitate the acquisition of policies has not commenced operations as of June 30, 2011. The entities were legally organized in Delaware and are collectively referred herein to as GWG, or the Company.

Principles of consolidation—The accompanying consolidated financial statements include the accounts of Holdings and its subsidiaries. The Company operates in a single segment. All significant intercompany balances have been eliminated in consolidation.

Insurance Strategies Fund, LLC (ISF), a related party with common ownership to the Company, held a non-controlling interest in both GWG Life and Opportunity Bridge Funding at December 31, 2009. During 2010 GWG Life acquired the non-controlling interest as a result of DLPI's sale of its insurance policy portfolio and assumption of the related debt by the purchaser. Additionally, GWG Holdings sold its controlling interest in Opportunity Bridge Funding to ISF (see note 10 for further information on the transactions). The operations of each subsidiary has been consolidated for its period of ownership and ISF's non-controlling interest is included in equity.

GWG Life, through December 31, 2008, sold 100 percent of the investments in life insurance policies acquired to a wholly owned subsidiary, DLP and the related Trust. DLP was considered a variable interest entity as defined by Financial Accounting Standards Board (FASB) ASC Topic 810-10. Despite a 100 percent equity interest, GWG Life was not the primary beneficiary of DLP, and therefore did not consolidate DLP, rather accounted for its investment in DLP under the equity method with a carrying value of zero at December 31, 2009 and June 30, 2010 (unaudited). Effective November 1, 2010 DLP sold its portfolio of insurance policies to Life Assets Trust S.A. resulting in a triggering event in which GWG Life was determined to be the primary beneficiary. As of and since the transaction date GWG Life has consolidated DLP. DLP did not have any operations or net assets as of or from November 1, 2010 (immediately subsequent to the transaction) to June 30, 2011. See note 4 regarding the transaction.

Unaudited interim financial information—The accompanying unaudited consolidated financial statements as of June 30, 2011 and for the six months ended June 30, 2011 and 2010 have been prepared in accordance with the U.S. generally accepted accounting principles, ("GAAP") for interim financial information and pursuant to the instructions to Form S-1 and Article 8 of Regulation S-X of the Securities and Exchange Commission ("SEC") and on the same basis as the annual audited financial statements. The unaudited balance sheet as of June 30, 2011, and statements of operations and cash flow for the six months ended on June 30, 2011 and 2010, are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. The results for the six months ended

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

June 30, 2011 are not necessarily indicative of results to be expected for the year ending December 31, 2011 or for any other interim period or for any other future year.

Use of estimates—The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the 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 other sources. The actual results experienced by the Company may differ materially and adversely from the company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. The most significant estimate with regard to these consolidated financial statements relates to the determination of the assumptions used in estimating the fair value of life insurance policies.

Operating agreement—Prior to the conversion to a corporation in 2011, the Amended and Restated Operating Agreement (Operating Agreement) dated September 29, 2009, specified the members' obligations and rights relating to contributions, income, gains, losses, deductions, credits and distributions. The Company had issued 2,044 Class A units and 200 Class B units to members. The Operating Agreement provided for the allocation of income, losses and distribution to unit holders on a prorata basis for all Class A and Class B members.

One Class B member held a put right to cause the Company to purchase the member's 100 units at fair market value. This put option was exercisable five years from the date of the Operating Agreement (March 19, 2013) or at any time at which voting control over the remaining unit holders is relinquished. The Operating Agreement also gave the Company the right to purchase, at fair market value, the 100 units of the Class B member aforementioned. This call right became exercisable on February 10, 2011. The redemption value of the Class B units subject to the put and call provisions have been excluded from member's equity in accordance with the guidance in Accounting Series Release 268 "*Presentation in Financial Statements of Redeemable Preferred Stocks*" through March 31, 2011.

The Company's Operating Agreement, with the consent of its unit holders, was amended effective March 31, 2011 to eliminate the put and call option held by the Class B unit holder and the Company, respectively.

Effective June 10, 2011 the Company filed a certificate of conversion from a limited liability company into a corporation, registered in the state of Delaware. With this registration, the Company is authorized to issue 210,000,000 shares of common stock, par value $.001, and 40,000,000 shares of preferred stock, par value $.001. In connection with the conversion, the outstanding member units were converted to 4,500,000 shares of common stock (prior to giving effect to the August 9, 2011 two-for-one forward stock split discussed in the paragraph immediately below).

On August 9, 2011 the Company filed a certificate of amendment of certificate of incorporation to effect a two-for-one forward stock split of its common stock. Unless otherwise noted, all share figures contained in this prospectus are post-split share figures determined after giving effect to the forward stock split.

Cash and cash equivalents—The Company considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents with highly rated financial institutions. From time to time, the Company's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Company periodically evaluates the risk of exceeding insured levels and may 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 other concentrations of credit risk.

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Bridge loans—Bridge loans represent loans to insurance policy holders to cover the carrying cost of their policy until they can sell the policy as a life settlement. Management had the intent and ability to hold these loans for the foreseeable future or until maturity or payoff. Bridge loans were reported at their outstanding principal balances, net of the allowance for loan losses. The allowance was calculated on one bridge loan as 10% of the loan amount. Estimated loan losses were not recovered upon the sale of Opportunity Bridge Funding. Interest income was recognized on the loans outstanding when earned using the simple interest method. The Company made its last bridge loan in 2009 and does not intend to make any additional bridge loans due to the sale of its subsidiary Opportunity Bridge Funding as discussed in note.

Allowance for bridge loan losses—The allowance for loan losses is established as losses are estimated to have occurred through a provision for bridge loan losses charged to income. Specific loans are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance for loan losses. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Management had established an allowance for loan losses of $120,000 at December 31, 2009. No bridge loans were held by the Company at December 31, 2010 or June 30, 2010 (unaudited).

Life settlements—ASC 325-30, *Investments in Insurance Contracts* allows an investor the election to account for its investments in life settlements using either the investment method or the fair value method. The election shall be made on an instrument-by-instrument basis and is irrevocable. Under the investment method, an investor shall recognize the initial investment at the purchase price plus all initial direct costs. Continuing costs (policy premiums and direct external costs, if any) to 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 subsequent 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 current period income net of premiums paid. The Company uses the fair value method to account for all life settlements.

The Company recognizes the difference between the death benefits and the carrying value of the policy when the Company determines that settlement and ultimate collection is realizable and reasonably assured. Revenue from a transaction must meet both criteria in order to be recognized. 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

Deposits and initial direct costs advanced on policies to be purchased are recorded as other assets until policy ownership has been transferred to the Company

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 over the term of the revolving credit facility. The Series I Secured note obligations, as described in note 9, are reported net of issuance costs, sales commissions and other direct expenses, which are amortized using the interest method over the term of the borrowings.

Related party income from life insurance policies—Through the date of the sale of DLP's policy portfolio, GWG Life received origination and servicing fees from DLP as consideration for providing life insurance-related services. These fees were recognized as income in the period the services were performed.

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income taxes—The Company was a pass through entity for federal income tax purposes through June 10, 2011. No income tax provision has been included through that date in these consolidated financial statements as income or loss of the Company was required to be reported by the respective members on their individual income tax returns.

As a result of the Company's change in legal structure from a limited liability company (filing tax returns as a pass through entity) to a corporation effective June 10, 2011, the Company will file and pay taxes based on its reported income.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary difference and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company applies the accounting guidance on accounting for uncertainty in income taxes. The Company reviews and assesses its tax positions taken or expected to be taken in tax returns, including its previous status as a tax-exempt entity. Based on this assessment the Company determines whether it is more likely than not that the position would be sustained upon examination by tax authorities. The Company's assessment has not identified any significant positions that it believes would not be sustained under examination.

The Company files tax returns in the United States (U.S.) federal jurisdiction and in various state jurisdictions. Uncertain tax positions include those related to tax years that remain subject to examination. U.S. tax returns for fiscal years ended December 31, 2007 through 2010, remain subject to examination by federal tax authorities. Tax returns for state and local jurisdictions for fiscal years ended December 31, 2007 through 2010, remain subject to examination by state and local tax authorities.

Earnings (loss) per share—The Company converted from a limited liability company into a corporation effective June 10, 2011 and as a result of this change all member units were converted into common stock. The earnings (loss) attributable to controlling interests per ownership interest has been restated to reflect the equivalent common stock per share amounts as of the earliest period reported. Per share earnings (loss) attributable to controlling interests is calculated using the weighted average number of shares outstanding during the period. Basic and fully diluted per share earnings (loss) attributable to controlling interests are the same, as the Company has not issued any dilutive shares, membership units or other unit equivalents.

Subsequent events—Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial 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 balance sheet date and before the financial statements are available to be issued. The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the consolidated financial statements are filed for potential recognition or disclosure.

Recently adopted pronouncements—In December 2009, the FASB issued ASU No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities", which was effective for the Company beginning January 1, 2010. This ASU amends Subtopic 810-10, for

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

consolidations of variable interest entities to require revised evaluation of whether entities represent variable interest entities, determining the primary beneficiary, ongoing assessments of control over such entities, and additional disclosures for variable interests. The adoption of this pronouncement did not have an impact on the Company's consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-02, "Accounting and Reporting for Decreases in Ownership of a subsidiary"—a Scope Clarification (Topic 810), which clarifies the scope of Subtopic 810-10 and expands the disclosure requirements related to the accounting and reporting by an entity that experiences a decrease in ownership in a subsidiary or exchanges a group of assets (business) for an equity interest in another entity. The guidance became effective for the reporting period beginning January 1, 2010. The adoption of this new guidance has been applied to the equity transactions involving the Company's subsidiaries in the consolidated financial statements.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" ("ASC 2010-06"), which amends the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires additional disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. The guidance also clarifies certain existing disclosure requirements. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). This pronouncement became effective for the Company with the reporting period beginning January 1, 2011.

The FASB has issued Accounting Standards Update (ASU) No. 2010-15. *Financial Services—Insurance (Topic 944): How Investments Held through Separate Accounts Affect an Insurer's Analysis of Those Investments.* This ASU codifies the consensus reached in EITF Issue No. 09-B, "Consideration of an Insurer's Accounting for Majority-Owned Investments When the Ownership Is through a Separate Account." The amendments clarify that an insurance entity generally should not consider any separate account interests held for the benefit of policy holders in an investment to be the insurer's interests and should not combine those interests with its general account interest in the same investment when assessing the investment for consolidation. The general guidance does not apply in instances where the separate account interests are held for the benefit of a related party policy holder as defined in the Variable Interest Entities Subsection of Codification Topic 810, *Consolidation*, Subtopic 810-10, as those Subsections require the consideration of related parties. ASU 2010-15 was effective on January 1, 2011. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not 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 purchases and premiums of insurance policies and to pay interest and other charges under its revolving credit facility. DZ Bank AG as agent for Autobahn Funding Company, LLC, the lender for the revolving credit facility as described in note 8, authorizes the disbursements from these accounts. The Company also maintains a separate cash account for the deposit of Series I Secured note proceeds as described in note 9. An account control agreement is in place with the Series I Trustee, Lord Securities Corporation, who must authorize disbursements from this account for uses identified in note 9. At

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Restrictions on cash (continued)

December 31, 2010, December 31 2009 and June 30, 2011 (unaudited) there was a balance of $5,219,000, $5,751,000 and $3,571,000 respectively, maintained in these restricted cash accounts.

(3) Investment in life insurance policies

The life insurance policies (level 3 financial instruments) are valued based on inputs that are unobservable and significant to the overall fair value measurement. Changes in the fair value of these instruments are recorded in gain or loss on life insurance policies in our consolidated statements of operations (net of the cash premiums paid on the policies). The fair value is determined on a discounted cash flow basis that incorporates current life expectancy assumptions. Life expectancy reports have been obtained from widely accepted life expectancy providers. The discount rate incorporates current information about market interest rates, the credit exposure to the insurance company that issued the life insurance policy and our estimate of the risk of premium an investor in the policy would require. As a result of management's analysis, discount rates of 13.36%, 14.24% and 13.38% were applied to the portfolio as of December 31, 2010, December 31, 2009 and June 30, 2011 (unaudited), respectively.

Summaries of policy maturities, accounted for under the fair value method, based on remaining life expectancy is as follows:

As of December 31, 2010

Years Ending December 31,	Number of Contracts	Estimated Fair Value	Face Value
2011	—	$ —	$ —
2012	—	—	—
2013	—	—	—
2014	2	1,419,000	3,000,000
2015	5	4,146,000	9,329,000
2016	8	9,194,000	27,600,000
Thereafter	125	67,959,000	339,514,000
Totals	140	$ 82,718,000	$379,443,000

As of June 30, 2011 (unaudited)

Years Ending December 31,	Number of Contracts	Estimated Fair Value	Face Value
2011	—	$ —	$ —
2012	—	—	—
2013	—	—	—
2014	1	511,000	1,000,000
2015	6	5,363,000	11,329,000
2016	10	11,617,000	34,835,000
Thereafter	149	90,989,000	405,314,000
Totals	166	$ 108,480,000	$452,478,000

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Investment in life insurance policies (continued)

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

Years Ending December 31,	As of December 31, 2010	As of June 30, 2011 (unaudited)
2011	$ 12,303,000	$ 7,186,000
2012	12,519,000	14,485,000
2013	12,938,000	15,407,000
2014	13,837,000	16,477,000
2015	14,695,000	17,628,000
	$ 66,292,000	$71,183,000

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

From January 1, 2010 through November 1, 2010 and the year ended December 31, 2009 the Company purchased life insurance policies from its affiliate DLP at DLP's amortized cost of the specific contracts for $20,521,000 and $5,108,000, respectively. The amortized costs of these contracts were in excess of their fair value and as a result the Company recorded losses on the purchases of $2,530,000 and $586,000 during 2010 and 2009 respectively.

(4) Investment in unconsolidated company

DLP was considered a variable interest entity as defined by FASB ASC Topic 810-10. GWG Life was not the primary beneficiary and therefore did not consolidate DLP. Effective November 1, 2010 an agreement was reached where Life Assets Trust S.A. purchased DLP's portfolio of life insurance policies for the $257,470,000 due on DLP's credit facility. This transaction with Life Assets Trust S.A. included the transfer and assumption of all of DLP's assets and liabilities as of the date of the transaction to Life Assets Trust S.A. DLP's gain on the sale of the portfolio of policies was recognized by the primary beneficiary, its lender, WestLB AG. Subsequent to the transaction, WestLB AG was no longer the primary beneficiary of DLP. As a result DLP is consolidated as a subsidiary of GWG Life as of the transaction date, as GWG Life holds all equity interest and there are no other variable interests. GWG Life's investment in DLP had a carrying value of $0 at December 31, 2009 and as of the date of the transaction. DLP did not have any operations or net assets as of or from November 1, 2010 (immediately subsequent to the transaction) to June 30, 2011. See note 1 "Principles of consolidation," and note 3 "Investment in life policies" for additional information regarding DLP.

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Investment in unconsolidated company (continued)

A summary of the assets and liabilities of DLP on November 1, 2010 (as transferred and assumed) and December 31, 2009, and revenues, expenses and net income (loss) for the period January 1, 2010 to November 1, 2010 and the year ended December 31, 2009 are as follows:

	November 1, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	$ 100,594	$ 128,618
Investment in life settlements	257,245,651	168,315,569
Deferred financing costs	119,050	238,100
TOTAL ASSETS	$ 257,465,295	$ 168,682,287
LIABILITIES		
Revolving credit facility	$ 257,148,907	$ 247,243,433
Due to member	—	680,607
Accrued interest payable and other accrued expenses	316,388	294,378
TOTAL LIABILITIES	257,465,295	248,218,418
MEMBERS' DEFICIT	—	(79,536,131)
TOTAL LIABILITIES & MEMBERS' DEFICIT	$ 257,465,295	$ 168,682,287

	January 1 to November 1, 2010	Year Ended December 31, 2009
REVENUE		
Gain on life settlements	$ 84,903,535	$ 10,124,889
Interest and other income	8	946
TOTAL REVENUE	84,903,543	10,125,835
EXPENSES		
Interest expense	5,799,008	4,236,817
Origination and servicing fees paid to Company's member	37,825	84,775
Amortization of deferred financing costs	119,050	142,860
Legal and professional fees	71,421	128,820
Other expenses	290	18,850
TOTAL EXPENSES	6,027,594	4,612,122
NET INCOME	$ 78,875,949	$ 5,513,713

(5) Fair value definition and hierarchy

ASC Topic 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment and the state of the marketplace including the existence and transparency of transactions between market participants. Assets and liabilities with readily available active quoted prices or for which fair value can be measured from actively quoted prices in an orderly market generally will have a higher

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Fair value definition and hierarchy (continued)

degree of market price observability and a lesser degree of judgment used in measuring fair value. ASC Topic 820 establishes a three-level valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the 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., the "exit 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. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are 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 judgment.
- 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 directly or 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, whether the investment is established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for assets and liabilities categorized in Level 3.

Life insurance policies represent the only financial instrument recorded at fair value on a recurring basis. The following tables reconcile the beginning and ending fair value of the Company's Level 3 investments in life insurance policies for the years ended December 31, 2010 and 2009 and six months ended June 30, 2011 (unaudited):

	Level 3
Balance at January 1, 2009	$ —
Purchases	11,625,000
Maturities	—
Net change in unrealized gain	1,283,000
Balance at December 31, 2009	12,908,000
Purchases	53,224,000
Maturities	(242,000)
Net change in unrealized gain	16,828,000
Balance at December 31, 2010	$ 82,718,000
Purchases (unaudited)	9,124,000
Maturities (unaudited)	—
Net change in unrealized gain (unaudited)	16,638,000
Balance at June 30, 2011 (unaudited)	$ 108,480,000

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Fair value definition and hierarchy (continued)

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 discounted cash flow basis that incorporates current life expectancy assumptions. Life expectancy reports have been obtained from independent, third-party widely accepted life expectancy providers. The discount rate incorporates current information about market interest rates, the credit exposure to the insurance company that issued the life insurance policy and management's estimate of the risk of premium an investor in the portfolio of policies would require.

The fair value of life insurance policies is estimated using present value calculations based on the data specific to each individual life insurance policy. The following summarizes data utilized in estimating the fair value of the portfolio of life insurance policies:

	December 31,		June 30,	
	2010	2009	2011	2010
			(unaudited)	
Average age of insured	80.33	81.12	80.5	80.15
Average life expectancy, months	102	103	97	109
Average maturity value	2,710,310	2,855,044	2,725,774	2,501,623
Discount rate	13.36%	14.24%	13.38%	14.11%

Mortality rates: 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 fair value measurements used in estimating the present value calculation are derived from valuation techniques generally used in the industry that include inputs for the asset that are not based on observable market data. The extent to which the fair value could reasonable vary in the near term has been quantified by evaluating the effect of changes in significant underlying assumptions used to estimate the fair value amount. If the life expectancies were increased or decreased by 4 months and the discount factors were increased or decreased by 1% while all other variables are held constant, the carrying value of the investment in life insurance policies would increase or (decrease) by the unaudited amounts summarized below:

	Change in life expectancy	
	plus 4 months	minus 4 months
Investment in life policies		
December 31, 2010	$(7,047,000)	$ 7,278,000
June 30, 2011 (unaudited)	$(8,902,000)	$ 9,179,000

	Change in discount rate	
	plus 1%	minus 1%
Investment in life policies		
December 31, 2010	$(5,283,000)	$ 5,785,000
June 30, 2011 (unaudited)	$(6,324,000)	$ 6,900,000

Carrying value of receivables, prepaid expenses, accounts payable and accrued expenses approximate fair value due to their short term maturities. Carrying amounts of the Company's Series I Secured notes payable and revolving credit facility approximate fair value as the interest rates on these instruments were issued primarily based on current market rates of interest.

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(6) Notes receivable from related parties

Notes receivable from related parties consist of various unsecured notes receivable totaling $2,306,000, $1,761,000 and $2,306,000 at December 31, 2010, December 31, 2009 and June 30, 2011 (unaudited), respectively. These notes are due from shareholders of the Company, with interest rates ranging from 4.2% to 5%, payable annually and maturing between July 31, 2011, and October 17, 2011. Interest income from related parties totaled $82,000, $65,000, $0 and $19,000 during the year ended December 31, 2010 and 2009 and the six months ended June 30, 2011 (unaudited) and June 30, 2010 (unaudited), respectively. As a part of the Company's compensation plan effective January 1, 2011, interest income due from related parties for the six months ended June 30, 2011 was considered non-cash compensation to members and included in employee compensation and benefits in the statement of operations for the corresponding time period.

On July 27, 2011 the Company made distributions to the shareholders in the amount of their respective note receivable balances. They immediately repaid their note balances and the related accrued interest in full.

As of December 31, 2010, December 31, 2009 and June 30, 2011 (unaudited), the Company had receivables totaling $5,000,000 due from an affiliate, Opportunity Finance, LLC, that were fully reserved in 2008. Opportunity Finance, LLC ceased operations in 2008. Interest of $299,000 was accrued during 2008 and was reserved for later in 2008 when the entity ceased its operations. In 2009, the Company received payment of $299,000 that was reported as a recovery of losses on related-party notes.

As of December 31, 2010, December 31, 2009 and June 30, 2011 (unaudited), the Company had receivables totaling $0, $680,000, and $0, respectively, due from an unconsolidated subsidiary, DLP, as discussed in note 4, "Investment in unconsolidated company." Due to DLP's continued losses and limited cash flow, $532,000 of these receivables were reserved for as of December 31, 2008, and an additional reserve of $148,000 was provided for in 2009. During 2010, the Company received $20,000 as payment on these receivables, which payment is reported as a recovery of losses on related-party notes. The remaining fully reserved balance of $660,000 was written off upon the sale of DLP's assets and liabilities to Life Assets Trust S.A. as discussed in note 4.

(7) Due to related parties

The Company had various amounts due to related companies, as follows:

	December 31, 2010	December 31, 2009	June 30, 2011 (unaudited)
Due to Insurance Strategies Fund (see note 10), unsecured, bearing interest at 8.0%	$ —	$2,300,000	$ 203,000
Due to Opportunity Finance, LLC, unsecured, and noninterest-bearing	—	1,000	—
	$ —	$2,301,000	$ 203,000

(8) Revolving credit facility

On July 15, 2008, DLP II and United Lending entered into a revolving credit facility pursuant to a Credit and Security Agreement (Agreement) with Autobahn Funding Company LLC (Autobahn), providing the Company with a maximum borrowing amount of $100,000,000. Autobahn is a commercial paper conduit that issues commercial paper to investors in order to provide funding to DLP II and United Lending. DZ Bank AG acts as the agent for Autobahn. The Agreement expires on July 15, 2013. The amount outstanding under this facility as of December 31, 2010, December 31, 2009 and June 30, 2011 (unaudited) was $37,085,000, $4,987,000 and $48,175,000 respectively.

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(8) Revolving credit facility (continued)

The Agreement requires DLP II or United Lending to pay, on a monthly basis, interest at the commercial paper rate plus an applicable margin, as defined in the Agreement. The effective rate was 2.14% and 2.03% at December 31, 2010 and June 30, 2011 (unaudited), respectively. The Agreement also requires payment of an unused line fee on the amount unused under the revolving credit facility. The note is secured by a security agreement covering substantially all of DLP II and United Lending assets. The Company anticipates making all required principal and interest payments under the Agreement.

The Agreement has certain financial and nonfinancial covenants. The Company is in compliance with these covenants at December 31, 2010 and June 30, 2011. In addition, advances under the Agreement are subject to a borrowing base formula, which limits the availability of advances. Total funds available for borrowing under the borrowing base formula criteria at December 31, 2010 and June 30, 2011 (unaudited) were $11,063,000, and $11,460,000 respectively.

Holdings is not obligated to guarantee loan or interest payments on the revolving credit facility with Autobahn. Holdings is obligated under a performance guaranty in connection with the revolving credit facility to provide servicing obligations for policies held by GWG DLP Master Trust II.

(9) Series I Secured notes payable

Series I Secured notes payable have been issued in conjunction with the GWG Series I Secured notes private placement memorandums dated August 25, 2009 (last revised November 15, 2010). Series I Secured notes have maturity dates ranging from six months to seven years with fixed interest rates varying from 7.0% to 9.55% depending on the term of the note. Interest is payable monthly, quarterly, annually or at maturity depending on the terms of the note. At December 31, 2010, December 31, 2009 and June 30, 2011 (unaudited) the weighted average interest rates of Series I Secured notes was 7.90%, 7.62% and 8.01%, respectively. The notes are secured by assets of GWG Life. The amount outstanding under these Series I Secured notes was $53,293,000, $13,600,000 and $60,621,000 at December 31, 2010, December 31, 2009 and June 30, 2011 (unaudited), respectively.

Since inception, the Company has raised approximately $60.6 million (net of redemptions) through the issuance of Series I Secured notes. The Company plans to acquire and maintain life insurance policies with Series I Secured note proceeds plus borrowings from the Autobahn revolving credit facility. Management estimates that these contract acquisitions should generate sufficient origination and servicing fees in 2011, to result in positive cash flow from operations of approximately $900,000. On June 14, 2011, the Company closed the offering.

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

The use of proceeds from the issuances of Series I Secured notes is limited to the following:

1. Payment of commissions of Series I Secured note sales
2. Purchase life insurance policies
3. Pay premiums of life insurance policies
4. Pay principal and interest to Senior Liquidity Provider (DZ Bank)
5. Pay portfolio or 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 Secured notes

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) Series I Secured notes payable (continued)

9. Make distributions to equity holders for tax liability related to portfolio
10. Purchase interest rate caps, swaps, or hedging instruments
11. Pay GWG Series I Trustee fees
12. Pay offering expenses

Future maturities of Series I Secured notes payable at December 31, 2010 and June 30, 2011 (unaudited) are as follows:

As of December 31, 2010 Years Ending December 31,	
2011	$ 26,012,000
2012	12,157,000
2013	3,486,000
2014	892,000
2015	5,181,000
Thereafter	5,565,000
Totals	$ 53,293,000

As of June 30, 2011 Years Ending December 31,	(unaudited)
2011	16,981,000
2012	19,698,000
2013	8,811,000
2014	1,790,000
2015	5,005,000
2016	2,002,000
Thereafter	6,334,000
	60,621,000

(10) Noncontrolling interest

Opportunity Bridge Funding—The Company's subsidiary, Opportunity Bridge Funding, issued a preferred membership interest to a related party, Insurance Strategies Fund, LLC. Under the terms of a preferred membership investment certificate and the amended Operating Agreement, the preferred membership investment entitled the preferred membership investors to all of the economic benefits of Opportunity Bridge Funding, LLC during which time the preferred membership was invested. The preferred membership interest in Opportunity Bridge Funding has been reflected as noncontrolling interest in the accompanying consolidated financial statements through December 31, 2009. Effective January 1, 2010, the preferred member of Opportunity Bridge Funding, Insurance Strategies Fund, LLC (a related party controlled by members of the Company) purchased Holding's membership interest in Opportunity Bridge Funding for $1. Opportunity Bridge Funding was no longer consolidated as of that date. No gain or loss was recognized as a result of the transaction. Net assets and noncontrolling interest of $1,469,000 were deconsolidated.

GWG Life—On September 3, 2009 the Company amended and restated its operating agreement authorizing the issuance of non-voting preferred Series I Units (Series I Units) redeemable at the Company's option for an amount equal to the tax basis of the Series I Units at the date of redemption. The Series I Units were entitled to receive all the remaining economic benefits, including cash flow, proceeds and distributions of or from current assets owned or hereafter acquired, directly or indirectly by the Company, including those of DLP and DLPII after amounts to be paid to senior lenders and Series I Secured note holders. Effective

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Noncontrolling interest (continued)

September 3, 2009 a related party, Insurance Strategies Fund, LLC (ISF), was issued one Series I Unit and contributed $851,000 of capital to the Company. During the period September 4, 2009 through February 28, 2010, ISF made an additional capital contribution of $680,000 resulting in total capital contributions of $1,531,000. During this same period, tax losses of $1,560,000 allocated to ISF's interest in GWG Life reduced its tax basis to a negative amount. In accordance with ASC 810-10-45-18, intra-entity income or loss was eliminated, and was not affected by the controlling interest. In accordance with ASC 810-10-45-19, revenues, expenses, gains, losses, net income or loss, and other comprehensive income was reported on a consolidated basis. In accordance with ASC 810-10-45-20, net income or loss and comprehensive income or loss was attributed to the parent and the non-controlling interest based on the terms of the substantive profit and loss sharing agreement contained in the GWG Life Amended and Restated Operating Agreement dated as of September 30, 2009. In accordance with ASC 810-10-45-21 the non-controlling interest was attributed its share of losses even when that allocation resulted in a deficit non-controlling interest balance. As a result of these allocations, the non-controlling interest had a member's capital balance of $(1,915,000).

In accordance with the provisions of the GWG Life Amended and Restated Operating Agreement dated as of September 30, 2009, the Company purchased ISF's interest in GWG Life Series I units on March 1, 2010 for an amount equal to its tax basis. As the remaining member in GWG Life, Holdings recorded a transfer of ISF's $(1,915,000) GAAP basis non-controlling interest in GWG Life to member's capital and non-redeemable member's interest.

(11) Income taxes

The Company was a pass through entity for federal income tax purposes through June 10, 2011. No income tax provision has been included in these consolidated financial statements through June 10, 2011 as the related income or loss of the Company is required to be reported by the respective members on their income tax returns.

The Company, as provided by Delaware state regulations, has changed its legal structure from a limited liability company to a corporation effective June 10, 2011. Subsequent to the conversion, the Company will report its income or loss on its own tax return and be responsible for any related taxes.

Deferred tax assets and liabilities and the related tax expense will be recorded effective the date of the Company's change in tax status thereby reflecting the income tax effect of temporary differences between the tax basis and the financial reporting basis of assets and liabilities. The Company's tax provision for the period ended June 30, 2011 includes both the income tax expense related to the entity's conversion and operations for the period June 11 to June 30, 2011.

Significant differences between the recorded amounts of assets and liabilities for financial reporting purposes and such amounts reported under tax laws and regulations are as follows:

	December 31,		June 30,	
	2010	2009	2011	2010
			(unaudited)	
Tax basis greater (less) than financial reporting basis				
Life insurance policies	$ (6,315,000)	$ (504,000)	$ (13,348,000)	$ (14,514,000)
Related party receivables	$ 4,787,000	$ 4,869,000	$ 4,787,000	$ 4,787,000

The Company's net deferred tax liability and deferred tax expense was $3,464,000 on the date of the change in tax status. This net deferred liability consisted of a gross deferred asset of $1,977,000 and a deferred liability of $5,441,000.

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(11) Income taxes (continued)

The provision for income taxes consists of the following:

	Years Ended December 31,		Six months Ended June 30,	
	2010	2009	2011	2010
Current income taxes				
Federal income taxes	$ —	$ —	$ —	$ —
State and local income taxes	—	—	2,500	—
Utilization of net operating loss	—	—	—	—
Total current income tax expense	—	—	2,500	—
Deferred income taxes	—	—		
Temporary differences	—	—	3,779,000	—
Total deferred income tax expense	—	—	3,779,000	—
Total income tax expense (credit)	$ —	$ —	$ 3,781,500	$ —

(12) Proforma information

The following summarizes the proforma effect on the Company's net income (loss) attributable to controlling interests to reflect a tax expense (benefit) as if it had been a taxable corporate entity for all periods reported.

	Year Ended		Six Months Ended	
	December 31, 2010	December 31, 2009	June 30, 2011	June 30, 2010
	(unaudited)		(unaudited)	
INCOME (LOSS) BEFORE TAXES	$ (230,395)	$(4,833,413)	$5,193,781	$(8,570,372)
INCOME TAX EXPENSE (BENEFIT)	(53,000)	(1,718,000)	2,013,000	(3,104,000)
NET INCOME (LOSS)	(177,395)	(3,115,413)	3,180,781	(5,466,372)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(814,934)	(1,327,273)	—	(814,934)
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	637,539	(1,788,140)	3,180,781	(4,651,438)
NET (INCOME) LOSS ATTRIBUTABLE TO REDEEMABLE INTERESTS	(30,015)	321,972	—	288,090
NET INCOME (LOSS) AVAILABLE TO NONREDEEMABLE INTERESTS	$ 607,524	$(1,466,168)	$3,180,781	$(4,363,348)

Proforma per share earnings (loss) attributable to controlling interests as reported on the statement of operations is calculated using the weighted average number of shares outstanding during the period including redeemable interests, after giving effect to the August 9, 2011 two-for-one forward stock split (see note 1).

(13) Commitments

The Company conducts its operations in facilities sublet from a related party. The non-cancelable lease agreement provides for monthly rental payments over the lease term. Rent expensed under this arrangement was $168,000, $149,000, $73,000 and $49,000 during the years ended December 31, 2010 and 2009 and the six months ended June 30, 2011 (unaudited) and June 30, 2010 (unaudited), respectively. This agreement expires in April 2012. Future minimum lease payments which must be made under this agreement are $75,000 in 2011 and $50,000 in 2012.

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Contingencies

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

Contingency matter—An affiliate of the Company is subject to litigation, clawback claims by the bankruptcy trustee for third party matters in which our affiliates received payments that may have been deemed preference payments. If the affiliate subject to litigation is unsuccessful in defending against these claims, the affiliate is an owner of the Company's equity, and thus that equity ownership may be sold or transferred to other parties to satisfy such claims.

In addition, the Company invested $1,000,000 in the affiliate, and was repaid in full plus interest of $177,000. This investment amount may also be subject to clawback claims by the bankruptcy court. These matters may also distract management and reduce the time and attention that they are able to devote to the Company's operations.

(15) Guarantees of secured debentures

Holdings will file with the Securities and Exchange Commission to offer for sale $250,000,000 of secured debentures. The secured debentures are secured by the assets of Holdings and a pledge of all the common stock by the largest shareholders. Obligations under the debentures will also be guaranteed by Holding's subsidiary GWG Life. This guarantee will involve the grant of a security interest in all the assets of GWG Life. GWG Life is a wholly owned subsidiary of Holdings and the payment of principal and interest on the secured debentures is fully and unconditionally guaranteed by GWG Life. The majority of the life insurance policies are held by DLP II. The policies held by DLP II will not be collateral for the debenture obligations.

The consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that separate financial statements and related disclosures would be material to investors. There are currently no significant 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. DLP II is a borrower under a credit agreement with Autobahn, with DZ Bank AG as agent, as described in note 8. The significant majority of insurance policies owned by the Company are subject to a collateral arrangement with DZ Bank AG described in note 2. Under this arrangement, collection and escrow accounts are used to fund purchases and premiums of the insurance policies and to pay interest and other charges under its revolving credit facility. DZ Bank AG and Autobahn must authorize all disbursements from these accounts, including any distributions to GWG Life. Distributions are limited to an amount that would result in the borrowers realizing an annualized rate of return on the equity funded amount for such assets of not more than 18%, as determined by DZ Bank AG. After such amount is reached, the credit agreement requires that excess funds be used to fund repayments or a reserve account in certain amount, before any additional distributions may be made.

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Guarantees of secured debentures (continued)

The following represents consolidating financial information as of December 31, 2010 and 2009 and June 30, 2011 (unaudited) and 2010 (unaudited), with respect to the financial position as of December 31, 2010 and 2009 and June 30, 2011 (unaudited), and results of operations and cash flows of Holdings and its subsidiaries for the years ended December 31, 2010 and 2009 and the six months ended June 30, 2011 (unaudited) and 2010 (unaudited). The parent column presents the financial information of Holdings, the primary obligor of the secured debentures. The guarantor subsidiary column presents the financial information of GWG Life, the guarantor subsidiary of the secured debentures, presenting its investment in DLP II under the equity method The non-guarantor subsidiaries column presents the financial information of all non-guarantor subsidiaries including DLP II.

Consolidating Balance Sheets

December 31, 2010	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
ASSETS					
Cash and cash equivalents	$ —	$ 189,842	$ 1,568,388	$ —	$ 1,758,230
Restricted cash	—	4,585,069	633,940	—	5,219,009
Due from related parties	—	30,353,176	—	(30,350,761)	2,415
Investment in life settlements	—	3,454,861	79,262,701	—	82,717,562
Deferred financing costs	—	—	562,834	—	562,834
Other assets	—	79,213	711,495	—	790,708
Investment in subsidiaries	(1,576,667)	14,340,677	—	(12,764,010)	—
TOTAL ASSETS	$ (1,576,667)	$ 53,002,838	$ 82,739,358	$ (43,114,771)	$ 91,050,758
LIABILITIES & EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$ —	$ —	$ 37,085,452	$ —	$ 37,085,452
Series I Secured notes payable	—	51,798,992	—	—	51,798,992
Accounts payable	—	85,547	625,000	—	710,547
Due to related parties	30,000	—	30,320,761	(30,350,761)	—
Accrued expenses					
Interest	—	924,848	50,969	—	975,817
Other	—	283,521	35,082	—	318,603
TOTAL LIABILITIES	30,000	53,092,908	68,117,264	(30,350,761)	90,889,411
REDEEMABLE MEMBER'S INTEREST	(509,126)	—	—	—	(509,126)
EQUITY (DEFICIT)					
Members' capital	(1,097,541)	2,215,998	14,622,094	(12,764,010)	2,976,541
Notes receivable from related parties	—	(2,306,068)	—	—	(2,306,068)
TOTAL EQUITY (DEFICIT)	(1,097,541)	(90,070)	14,622,094	(12,764,010)	670,473
TOTAL LIABILITIES & EQUITY (DEFICIT)	$ (1,576,667)	$ 53,002,838	$ 82,739,358	$ (43,114,771)	$ 91,050,758

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Guarantees of secured debentures (continued)

Consolidating Balance Sheets (continued)

December 31, 2009	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
ASSETS					
Cash and cash equivalents	$ —	$ 199,168	$ 981,682	$ —	$ 1,180,850
Restricted cash	—	5,751,115	—	—	5,751,115
Bridge loans, net	—	—	3,226,274	—	3,226,274
Due from related parties	4,965,754	6,937,356	—	(11,903,110)	—
Investment in life settlements	—	1,592,834	11,315,338	—	12,908,172
Deferred financing costs	—	—	795,730	—	795,730
Other assets	29,976	172,956	25,541	—	228,473
Investment in subsidiaries	(2,365,220)	134,267	—	2,230,953	—
TOTAL ASSETS	$ 2,630,510	$14,787,696	$16,344,565	$ (9,672,157)	$24,090,614
LIABILITIES & EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$ —	$ —	$ 4,987,425	$ —	$ 4,987,425
Series I Secured notes payable	—	13,570,983	—	—	13,570,983
Accounts payable	—	83,729	678,130	—	761,859
Due to related parties	613,087	2,862,279	10,728,799	(11,903,110)	2,301,055
Accrued expenses					
Interest	—	114,500	32,589	—	147,089
Other	—	588,327	8,800	—	597,127
TOTAL LIABILITIES	613,087	17,219,818	16,435,743	(11,903,110)	22,365,538
REDEEMABLE MEMBER'S INTEREST	(470,436)	—	—	—	(470,436)
EQUITY (DEFICIT)					
Members' capital	2,487,859	647,215	(1,559,966)	2,230,953	3,806,061
Notes receivable from related parties	—	(1,761,134)	—	—	(1,761,134)
Noncontrolling interest	—	(1,318,203)	1,468,788	—	150,585
TOTAL EQUITY (DEFICIT)	2,487,859	(2,432,122)	(91,178)	2,230,953	2,195,512
TOTAL LIABILITIES & EQUITY (DEFICIT)	$ 2,630,510	$14,787,696	$16,344,565	$ (9,672,157)	$24,090,614

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Guarantees of secured debentures (continued)

Consolidating Balance Sheets (continued)

June 30, 2011 (unaudited)	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
ASSETS					
Cash and cash equivalents	$ 66,831	$ 282,339	$ —	$ —	$ 349,170
Restricted cash	—	1,975,844	1,595,607	—	3,571,451
Due from related parties	81,000	37,436,793	—	(37,479,358)	38,435
Investment in life settlements	—	3,642,884	104,837,001	—	108,479,885
Deferred financing costs	—	—	446,385	—	446,385
Other assets	—	209,959	1,096,735	—	1,306,694
Deferred tax asset, net	46,800	1,062,100	—	(1,108,900)	—
Investment in subsidiaries	3,941,021	17,190,543	—	(21,131,564)	—
TOTAL ASSETS	$ 4,135,652	$ 61,800,462	$ 107,975,728	$ (59,719,822)	$ 114,192,020
LIABILITIES & MEMBERS' EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$ —	$ —	$ 48,175,000	$ —	$ 48,175,000
Series I Secured notes payable	—	58,854,268	—	—	58,854,268
Accounts payable	50,489	35,145	—	—	85,634
Due to related parties	202,967	81,000	37,398,358	(37,479,358)	202,967
Accrued expenses					
Interest	—	1,147,252	88,568	—	1,235,820
Other	2,500	271,037	12,166	—	285,703
Deferred tax liability, net	—	—	4,887,900	(1,108,900)	3,779,000
TOTAL LIABILITIES	255,956	60,388,702	90,561,992	(38,588,258)	112,618,392
MEMBERS' EQUITY (DEFICIT)					
Members' capital	—	3,717,828	17,413,736	(21,131,564)	—
Common stock (par value $0.001; shares authorized 210,000,000; shares issued 9,000,000 (see note 1)	9,000	—	—	—	9,000
Additional paid-in capital	6,862,484	—	—	—	6,862,484
Retained earnings	(2,991,788)	—	—	—	(2,991,788)
Notes receivable from related parties	—	(2,306,068)	—	—	(2,306,068)
TOTAL MEMBERS' EQUITY (DEFICIT)	3,879,696	1,411,760	17,413,736	(21,131,564)	1,573,628
TOTAL LIABILITIES EQUITY (DEFICIT)	$ 4,135,652	$ 61,800,462	$ 107,975,728	$ (59,719,822)	$ 114,192,020

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Guarantees of secured debentures (continued)

Consolidating Statements of Operations

For the year ended December 31, 2010	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$ —	$6,153,650	$ —	$(6,010,668)	$ 142,982
Gain on life settlements	—	1,003,257	7,655,617	—	8,658,874
Interest and other income	1,268	94,468	1,355	—	97,091
TOTAL REVENUE	1,268	7,251,375	7,656,972	(6,010,668)	8,898,947
EXPENSES					
Origination and servicing fees	—	200,100	5,810,568	(6,010,668)	—
Employee compensation and benefits	9,800	2,220,306	—	—	2,230,106
Legal and professional fees	30,000	957,847	121,166	—	1,109,013
Interest expense	57,166	2,969,067	657,500	—	3,683,733
Recovery of losses on related-party notes	—	(20,425)	—	—	(20,425)
Amortization of deferred financing and issuance costs	—	510,739	232,896	—	743,635
Other expenses	14,758	1,305,521	63,001	—	1,383,280
TOTAL EXPENSES	111,724	8,143,155	6,885,131	(6,010,668)	9,129,342
INCOME (LOSS) BEFORE EQUITY IN LOSS OF SUBSIDIARIES	(110,456)	(891,780)	771,841	—	(230,395)
EQUITY IN LOSS OF SUBSIDIARY	(2,916,340)	896,734	—	2,019,606	—
NET INCOME (LOSS)	(3,026,796)	4,954	771,841	2,019,606	(230,395)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	1,277,682	—	—	1,277,682
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	(3,026,796)	1,282,636	771,841	2,019,606	1,047,287
NET (INCOME) LOSS ATTRIBUTABLE TO REDEEMABLE MEMBER'S INTEREST	134,692	(57,077)	(34,347)	(89,939)	(46,671)
NET INCOME (LOSS) AVAILABLE TO NONREDEEMABLE MEMBER'S INTERESTS	$(2,892,104)	$1,225,559	$ 737,494	$ 1,929,667	$1,000,616

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Guarantees of secured debentures (continued)

Consolidating Statements of Operations (continued)

For the year ended December 31, 2009	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$ —	$ 1,133,562	$ —	$(1,048,787)	$ 84,775
Gain on life settlements	—	(131,296)	940,240		808,944
Broker fees	—	—	19,500	—	19,500
Interest on bridge loans	—	—	165,538	—	165,538
Interest and other income	26	265,592	2,748	—	268,366
TOTAL REVENUE	26	1,267,858	1,128,026	(1,048,787)	1,347,123
EXPENSES					
Origination and servicing fees	—	—	1,048,787	(1,048,787)	—
Employee compensation and benefits	32,252	1,732,004	146,545	—	1,910,801
Legal and professional fees	49,200	1,033,795	25,994	—	1,108,989
Interest expense	280,275	266,033	46,793	—	593,101
Recovery of losses on related-party notes	—	(151,520)	—	—	(151,520)
Amortization of deferred financing and issuance costs	—	—	232,896	—	232,896
Other expenses	34,058	1,968,672	483,539	—	2,486,269
TOTAL EXPENSES	395,785	4,848,984	1,984,554	(1,048,787)	6,180,536
INCOME (LOSS) BEFORE EQUITY IN LOSS OF SUBSIDIARIES	(395,759)	(3,581,126)	(856,528)	—	(4,833,413)
EQUITY IN LOSS OF SUBSIDIARY	(4,437,654)	(625,892)	—	5,063,546	—
NET INCOME (LOSS)	(4,833,413)	(4,207,018)	(856,528)	5,063,546	(4,833,413)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	2,168,839	(109,639)	—	2,059,200
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	(4,833,413)	(2,038,179)	(966,167)	5,063,546	(2,774,213)
NET (INCOME) LOSS ATTRIBUTABLE TO REDEEMABLE MEMBER'S INTEREST	870,014	366,872	173,910	(911,272)	499,524
NET INCOME (LOSS) AVAILABLE TO NONREDEEMABLE MEMBER'S INTERESTS	$(3,963,399)	(1,671,307)	$ (792,257)	$ 4,152,274	$(2,274,689)

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Guarantees of secured debentures (continued)

Consolidating Statements of Operations (continued)

For the six months ended June 30, 2011 (unaudited)	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$ —	$ 1,999,925	$ —	$ (1,999,925)	$ —
Gain (loss) on life settlements	—	(45,327)	10,339,436	—	10,294,109
Interest and other income	—	28,384	3,586	—	31,970
TOTAL REVENUE	—	1,982,982	10,343,022	(1,999,925)	10,326,079
EXPENSES					
Origination and servicing fees	—	6,000	1,993,925	(1,999,925)	—
Employee compensation and benefits	—	942,020	—	—	942,020
Legal and professional fees	31,210	229,642	3,000	—	263,852
Interest expense	—	1,890,065	524,607	—	2,414,672
Amortization of deferred financing and issuance costs	—	780,092	116,448	—	896,540
Other expenses	94,412	495,302	25,500	—	615,214
TOTAL EXPENSES	125,622	4,343,121	2,663,480	(1,999,925)	5,132,298
INCOME (LOSS) BEFORE EQUITY IN LOSS OF SUBSIDIARIES	(125,622)	(2,360,139)	7,679,542	—	5,193,781
EQUITY IN INCOME (LOSS) OF SUBSIDIARY	5,319,403	7,737,767	—	(13,057,170)	—
NET INCOME (LOSS) BEFORE TAXES	5,193,781	5,377,628	7,679,542	(13,057,170)	5,193,781
INCOME TAX EXPENSE (CREDIT)	(46,800)	(1,062,100)	4,890,400	—	3,781,500
NET INCOME (LOSS)	5,240,581	6,439,728	2,789,142	(13,057,170)	1,412,281
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	—	—
NET (INCOME) LOSS ATTRIBUTABLE TO CONTROLLING INTEREST	5,240,581	6,439,728	2,789,142	(13,057,170)	1,412,281
NET (INCOME) LOSS ATTRIBUTABLE TO REDEEMABLE INTERESTS	—	—	—	—	—
NET INCOME (LOSS) ATTRIBUTABLE TO NONREDEMABLE INTERESTS	$5,240,581	6,439,728	2,789,142	(13,057,170)	1,412,281

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Guarantees of secured debentures (continued)

Consolidating Statements of Operations (continued)

For the six months ended June 30, 2010 (unaudited)	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$ —	$ 2,968,862	$ —	$ (2,938,562)	$ 30,300
Gain (loss) on life settlements	—	(919,975)	(3,769,885)	—	(4,689,860)
Interest and other income	1,267	24,537	1,232	—	27,036
TOTAL REVENUE	1,267	2,073,424	(3,768,653)	(2,938,562)	(4,632,524)
EXPENSES					
Origination and servicing fees	—	16,300	2,922,262	(2,938,562)	—
Employee compensation and benefits	—	1,195,056	—	—	1,195,056
Legal and professional fees	—	605,639	—	—	605,639
Interest expense	60,765	1,068,273	264,969		1,394,007
Amortization of deferred financing and issuance costs	—	—	116,448	—	116,448
Other expenses	11,565	586,721	28,412	—	626,698
TOTAL EXPENSES	72,330	3,471,989	3,332,091	(2,938,562)	3,937,848
INCOME (LOSS) BEFORE EQUITY IN LOSS OF SUBSIDIARIES	(71,063)	(1,398,565)	(7,100,744)	—	(8,570,372)
EQUITY IN LOSS OF SUBSIDIARY	(8,499,309)	(7,040,244)	—	15,539,553	—
NET INCOME (LOSS)	(8,570,372)	(8,438,809)	(7,100,744)	15,539,553	(8,570,372)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	1,277,682	—	—	1,277,682
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	(8,570,372)	(7,161,127)	(7,100,744)	15,539,553	(7,292,690)
NET (INCOME) LOSS ATTRIBUTABLE TO REDEEMABLE MEMBER'S INTEREST	530,812	443,529	439,790	(962,453)	451,678
NET INCOME (LOSS) AVAILABLE TO NONREDEMABLE MEMBER'S INTERESTS	$ (8,039,560)	$ (6,717,598)	$ (6,660,954)	$ 14,577,100	$ (6,841,012)

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Guarantees of secured debentures (continued)

Consolidating Statements of Cash Flows

For the year ended December 31, 2010	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES	$	$	$	$	$
Net income (loss)	(230,395)	142,055	834,842	(976,897)	(230,395)
Adjustments to reconcile net loss to net cash flows from operating activities:					
(Gain) loss on life settlements	—	(1,003,257)	(15,982,137)	—	(16,985,394)
Recovery of losses on notes receivable from related parties	—	(20,425)	—	—	(20,425)
Capitalized interest on balance of notes receivable from related parties	—	(82,435)	—	—	(82,435)
Amortization of deferred financing and issuance costs	—	513,739	232,896	—	746,635
(Increase) decrease in operating assets:					
Due from related parties	(2,415)	—	—	—	(2,415)
Other assets	842,464	(37,166,317)	35,168,491	976,897	(178,465)
Increase (decrease) in operating liabilities:					
Due to related party	(610,888)	—	—	—	(610,888)
Accounts payable and accrued expenses	1,234	1,819	599,813	—	602,866
NET CASH FLOWS USED IN OPERATING ACTIVITIES	—	(37,614,821)	20,853,905	—	(16,760,916)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements	—	(858,770)	(52,365,226)	—	(53,223,996)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	—	(858,770)	(52,365,226)	—	(53,223,996)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility	—	—	32,098,027	—	32,098,027
Proceeds from issuance of Series I Secured notes payable	—	43,494,690	—	—	43,494,690
Payments for redemption of Series I Secured notes payable	—	(5,780,420)	—	—	(5,780,420)
Proceeds (payments) from restricted cash	—	532,106	—	—	532,106
Advances on notes to related parties	—	(462,499)	—	—	(462,499)
Issuance of non-controlling interest member capital	—	680,388	—	—	680,388
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	—	38,464,265	32,098,027	—	70,562,292
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	—	(9,326)	586,706	—	577,380
CASH AND CASH EQUIVALENTS					
BEGINNING OF YEAR	—	199,168	981,682	—	1,180,850
END OF YEAR	$ —	$ 189,842	$ 1,568,388	$ —	$ 1,758,230

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Guarantees of secured debentures (continued)

Consolidating Statements of Cash Flows (continued)

For the year ended December 31, 2009	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$(4,833,413)	$ (4,207,018)	$ (968,621)	$ 5,175,639	$ (4,833,413)
Adjustments to reconcile net loss to net cash flows from operating activities:					
(Gain) loss on life settlements	—	(343,204)	(940,240)	—	(1,283,444)
Recovery of losses on notes receivable from related parties	—	(151,520)	—	—	(151,520)
Capitalized interest on balance of notes receivable from related parties	—	(65,335)	—	—	(65,335)
Amortization of deferred financing and issuance costs	—	—	232,896	—	232,896
(Increase) decrease in operating assets:					
Other assets	(254,072)	2,216,267	3,368,744	(5,175,639)	155,300
Increase (decrease) in operating liabilities:					
Due to related party	290,898	212,499	—	—	503,397
Accounts payable and accrued expenses	—	643,143	514,310	—	1,157,453
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(4,796,587)	(1,695,168)	2,207,089	—	(4,284,666)
CASH FLOWS FROM INVESTING ACTIVITIES					
Net increase (decrease) in bridge loans	—	—	(869,275)	—	(869,275)
Investment in life settlements	—	(1,249,630)	(10,375,098)	—	(11,624,728)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	—	(1,249,630)	(11,244,373)	—	(12,494,003)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility	—	—	4,987,425	—	4,987,425
Proceeds from issuance of Series I Secured notes payable	—	13,972,508	—	—	13,972,508
Payments for redemption of Series I Secured notes payable	—	(401,525)	—	—	(401,525)
Proceeds (payments) from restricted cash	—	(5,751,115)	—	—	(5,751,115)
Issuance of member capital	4,796,587	—	—	—	4,796,587
Distributions to preferred member	—	(764,620)	—	—	(764,620)
Advances on notes to related parties	—	(287,500)	—	—	(287,500)
Issuance of non-controlling interest member capital	—	850,636	—	—	850,636
Redemption of non-controlling interest member capital	—	(4,767,025)	—	—	(4,767,025)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	4,796,587	2,851,359	4,987,425	—	12,635,371
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	—	(93,439)	(4,049,859)	—	(4,143,298)
CASH AND CASH EQUIVALENTS					
BEGINNING OF YEAR	—	292,607	5,031,541	—	5,324,148
END OF YEAR	$ —	$ 199,168	$ 981,682	$ —	$ 1,180,850

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Guarantees of secured debentures (continued)

Consolidating Statements of Cash Flows (continued)

For the six months ended June 30, 2011 (unaudited)	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ 5,240,581	$ 6,439,728	$ 2,789,142	$(13,057,170)	$ 1,412,281
Adjustments to reconcile net loss to net cash flows from operating activities:					
(Gain) loss on life settlements	—	(171,873)	(16,466,720)	—	(16,638,593)
Amortization of deferred and issuance financing costs	—	—	116,448	—	116,448
Deferred income taxes	(49,300)	(1,062,100)	4,890,400	—	3,779,000
(Increase) decrease in operating assets:					
Due from related parties	(81,000)	(193,920)	—	238,900	(36,020)
Other assets	(5,269,405)	(14,808,207)	(385,239)	19,946,866	(515,985)
Increase (decrease) in operating liabilities:					
Due to related parties	172,967	81,000	7,077,596	(7,128,596)	202,967
Accounts payable and accrued expenses	52,988	159,519	(610,317)	—	(397,810)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	66,831	(9,555,853)	(2,588,690)	—	(12,077,712)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements	—	(16,150)	(9,107,580)	—	(9,123,730)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	—	(16,150)	(9,107,580)	—	(9,123,730)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility	—	—	11,089,548	—	11,089,548
Proceeds from issuance of Series I Secured notes payable	—	11,342,855	—	—	11,342,855
Payments for redemption of Series I Secured notes payable	—	(4,287,579)	—	—	(4,287,579)
Proceeds (payments) from restricted cash	—	2,609,224	(961,666)	—	1,647,558
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	—	9,664,500	10,127,882	—	19,792,382
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,831	92,497	(1,568,388)	—	(1,409,060)
CASH AND CASH EQUIVALENTS					
BEGINNING OF PERIOD	—	189,842	1,568,388	—	1,758,230
END OF PERIOD	$ 66,831	$ 282,339	$ —	$ —	$ 349,170

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Guarantees of secured debentures (continued)

Consolidating Statements of Cash Flows (continued)

For the six months ended June 30, 2010 (unaudited)	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$(8,570,372)	$ (8,438,809)	$ (7,100,744)	$ 15,539,553	$ (8,570,372)
Adjustments to reconcile net loss to net cash flows from operating activities:					
(Gain) loss on life settlements	—	797,875	1,385,804	—	2,183,679
Capitalized interest on balance of notes receivable from related parties	—	(18,658)		—	(18,658)
Amortization of deferred financing and issuance costs	—	—	116,448		116,448
(Increase) decrease in operating assets:					
Due from related parties	3,742,406	(5,716,608)	(1,116)	1,844,223	(131,095)
Other assets	4,015,771	(20,716,739)	2,355,491	14,349,483	4,006
Increase (decrease) in operating liabilities:					
Due to related party	753,288	(2,862,279)	27,626,847	(25,447,775)	70,081
Accounts payable and accrued expenses	58,907	639,430	(684,431)	—	13,906
NET CASH FLOWS USED IN OPERATING ACTIVITIES	—	(36,315,788)	23,698,299	6,285,484	(6,332,005)
CASH FLOWS FROM INVESTING ACTIVITIES					
Net increase (decrease) in bridge loans					
Investment in life settlements	—	(2,772,076)	(35,428,415)		(38,200,491)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	—	(2,772,076)	(35,428,415)	—	(38,200,491)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility	—	—	15,373,978	—	15,373,978
Proceeds from operating loans					
Proceeds from issuance of Series I Secured notes payable	—	32,100,900	—	—	32,100,900
Payments for redemption of Series I Secured notes payable		(1,276,147)			(1,276,147)
Distributions to preferred member					
Proceeds (payments) from restricted cash	—	7,973,842	(4,625,544)	(6,285,484)	(2,937,186)
Advances on notes to related parties	—	(200,000)		—	(200,000)
Issuance of non-controlling interest member capital		680,388			680,388
Redemption of non-controlling interest member capital					
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	—	39,278,983	10,748,434	(6,285,484)	43,741,933
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	—	191,119	(981,682)	—	(790,563)
CASH AND CASH EQUIVALENTS					
BEGINNING OF PERIOD	—	199,168	981,682	—	1,180,850
END OF PERIOD	$ —	$ 390,287	$ —	$ —	$ 390,287

GWG HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(16) Concentration

GWG restricts its purchases of life insurance policies to policies written by life insurance companies receiving top ratings by independent rating agencies. As a result there may be certain concentrations of contracts with life insurance companies. The following summarizes the face value of insurance contracts with specific life insurance companies exceeding 10% of the total face value held by the Company.

Life insurance company	December 31, 2010 %	December 31, 2009 %	June 30, 2011 (unaudited) %
Company A	17.93	—	17.91
Company B	15.61	—	15.86
Company C	10.27	12.29	11.42
Company D	—	14.31	—
Company E	—	13.09	—

The following summarizes the face value of insurance contracts held in specific states exceeding 10% of the total face value held by the Company:

State of residence	December 31, 2010 %	December 31, 2009 %	June 30, 2011 (unaudited) %
California	30.00	30.69	31.93
New York	12.86	11.88	12.05
Florida	10.00	11.22	9.64

(17) Subsequent event (unaudited)

On July 11, 2011 the Company entered into a Purchase and Sale Agreement with Athena Securities Group LTD (“Athena Securities”), whereby the Company sold 494,500 shares of its stock to Athena Securities. As part of this transaction the Company purchased 5,940 shares of Athena Structured Funds PLC (“Athena Funds”) from Athena Securities. After this agreement was executed, the Company owned 9.9% of Athena Funds, and Athena Securities owned 9.9% of GWG Holdings. The resulting structure will enable GWG Holdings to raise capital from global markets outside the USA for the exclusive purpose of purchasing and financing life insurance policies acquired in the secondary market in the United States.

On July 27, 2011 the Company made distributions to the shareholders in the amount of their respective loan advance balances. They immediately repaid their loans.

On August 9, 2011 the Company filed a certificate of amendment to its certificate of incorporation to affect a two-for-one forward stock split of its common stock.

On September 1, 2011, the Company issued 326,622.69 shares of Series A Convertible Preferred Stock for aggregate gross cash proceeds of $2,449,670 (i.e., $7.50 per preferred share), and issued related three-year warrants to purchase up to 24,497 shares of common stock at the exercise price of $6.25 per share. The Company offered and sold the preferred stock solely to accredited investors, and paid aggregate placement commissions, fees and non-accountable expenses of $244,967 in connection with the sale of preferred stock.

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 connection with the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee, the amounts set forth 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	$ 29,025
Accounting fees and expenses	$ 50,000
Legal fees and expenses	$150,000
Blue sky fees and expenses	$ 80,000
Printing expenses	$ 75,000
Trustee fees and expenses	$100,000
Miscellaneous	$ 15,000

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 and agents against liabilities that they may incur in such capacities. A summary of the circumstances in which such indemnification provided for is contained herein, 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' fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred in a proceeding (including any civil, criminal, administrative or investigative 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 in the 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 criminal action, such person had no reasonable cause to believe the actions were unlawful. Unless ordered by a court, indemnification generally may be awarded only after a determination of independent members of the Board of Directors or a committee thereof, by independent legal counsel or by vote of the stockholders that the 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 of any proceeding to which he was a party, he is entitled to receive indemnification against expenses, including attorneys' fees, actually and reasonably incurred in connection 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 is permitted only with respect to expenses, including attorneys' fees actually and reasonably incurred in connection with the defense. In such actions, the 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 us unless and 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 adjudication of 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 Chancery or such other court shall deem proper. Indemnification is otherwise prohibited in connection with a proceeding brought on behalf of GWG Holdings, Inc. in 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 adjudged 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 advance of 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 determined 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 our certificate of incorporation, corporate bylaws, resolutions of our stockholders or disinterested directors, or otherwise. These indemnification provisions continue for a 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 such persons.

The statutory provision cited above also grants the power to GWG Holdings, Inc. to purchase and maintain insurance policies that protect any director, officer, 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 for 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 Delaware General Corporation Law. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling GWG Holdings, Inc. pursuant to the foregoing provisions, we understand that in the opinion of the SEC such indemnification is against public policy as expressed in that Act and is therefore unenforceable.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

From August 2009 through June 14, 2011, GWG Life Settlements, LLC, our wholly owned subsidiary, offered and sold approximately $60.6 million (net of redemptions) in principal amount of subsidiary secured notes (referred to as “Series I Secured notes” in the notes to our consolidated financial statements, and marketed under the name “LifeNotes”). These offers and sales were made in reliance on Section 4(2) of the Securities Act of 1933, and Rule 506 thereunder, on the basis that only accredited investors were offered and sold the debt securities involved.

On September 1, 2011, the Company issued 326,622.69 shares of Series A Convertible Preferred Stock for aggregate gross cash proceeds of $2,449,670 (i.e., $7.50 per preferred share), and issued related three-year warrants to purchase up to 24,497 shares of common stock at the exercise price of $6.25 per share. The Company paid aggregate placement commissions, fees and non-accountable expenses of $244,967 in connection with the sale of preferred stock. The Company offered and sold the preferred stock solely to accredited investors and, as a result, offered and sold these securities in reliance on the exemption available under Rule 506 and Sections 4(2) and 4(5) of the Securities Act of 1933.

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ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits. The exhibits listed below are filed as a part of this registration statement.

Exhibit No.	Description
3.1	Articles of Incorporation**
3.2	Bylaws**
3.3	Certificate of Amendment of Certificate of Incorporation **
3.4	Certificate of Designation of Series A Convertible Preferred Stock **
4.1	Indenture with Bank of Utah, National Association, dated October 19, 2011 (filed herewith)
4.2	Form of Debenture **
4.3	Form of Subscription Agreement (for use with debentures) **
4.4	Pledge and Security Agreement by and among GWG Holdings, Inc., GWG Life Settlements, LLC, Jon R. Sabes, Steven F. Sabes, and Bank of Utah, National Association, dated October 19, 2011 (filed herewith)
4.5	Intercreditor Agreement by and among Bank of Utah, National Association, and Lord Securities Corporation, dated October 19, 2011 (filed herewith)
5.1	Opinion of Maslon Edelman Borman & Brand, LLP (with regard to legality of securities offered) (filed herewith)
10.1	Credit and Security Agreement with DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender), dated July 15, 2008 **
10.2	Consent and Amendment No. 1 to Credit and Security Agreement with DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender), dated December 14, 2010 **
10.3	Consent and Amendment No. 2 to Credit and Security Agreement with DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender), dated June 10, 2011 **
10.4	Performance Guaranty dated July 15, 2008, delivered in favor of DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender) **
10.5	Amended and Restated Note Issuance and Security Agreement dated November 15, 2010, with Lord Securities Corporation (as trustee), GWG LifeNotes Trust (as secured party), and noteholders **
10.6	Pledge Agreement dated November 15, 2010, among Jon R. Sabes, Steven F. Sabes, Opportunity Finance, LLC, SFS Trust 1976, SFS Trust 1992 Esther, SFS Trust 1982, Mokeson, LLC (collectively as pledgors), and Lord Securities Corporation (as trustee and pledgee) **
10.7	Reaffirmation of Guaranty dated June 10, 2011 in favor of with DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender) **
10.8	Managing Broker-Dealer Agreement with Arque Capital as amended October 14, 2011 (filed herewith)
10.9	Amended and Restated Investment Agreement with Insurance Strategies Fund, LLC, dated as of September 3, 2009 **
10.10	Addendum No. 1 to Sub-Sublease Agreement effective as of July 14, 2008 by Opportunity Finance, LLC and GWG Life, LLC**
10.11	Employment Agreement with Jon R. Sabes, dated June 14, 2011 **
10.12	Employment Agreement with Steven F. Sabes, dated June 14, 2011 **
10.13	Employment Agreement with Paul A. Siegert, dated June 14, 2011 **
10.14	Purchase and Sale Agreement with Athena Securities Group Ltd. and Athena Structured Funds PLC, dated July 11, 2011 **
10.15	Shareholders' Agreement with respect to Athena Structured Funds PLC, dated July 11, 2011 **
21	List of Subsidiaries**
23.1	Consent of Mayer Hoffman McCann P.C. (filed herewith)
23.2	Consent of Maslon Edelman Borman & Brand, LLP (included in exhibit 5.1)
25	Statement of Eligibility of Trustee **

* to be filed by amendment
** previously filed

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 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;

(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. 5 to registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Minneapolis, State of Minnesota, on October 19, 2011.

GWG HOLDINGS, INC.

By: /s/ Jon R. Sabes
Chief Executive Officer
Dated: October 19, 2011

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 5 to registration statement has been signed by the following persons in the capacities and on the dates indicated below.

Signature	Title	Date
/s/ Jon R. Sabes Jon R. Sabes	Director, Chief Executive Officer	October 19, 2011
*/s/ Paul A. Siegert Paul A. Siegert	President, Chairman of the Board	October 19, 2011
*/s/ Jon Gangelhoff Jon Gangelhoff	Chief Financial Officer (principal financial and accounting officer)	October 19, 2011
*/s/ Steven F. Sabes Steven F. Sabes	Director, Chief Operating Officer and Secretary	October 19, 2011
*/s/ Laurence Zipkin Laurence Zipkin	Director	October 19, 2011
*/s/ Bryan Tyrell Bryan Tyrell	Director	October 19, 2011
*/s/ Kenneth Michael Fink Kenneth Michael Fink	Director	October 19, 2011

*By: /s/ Jon R. Sabes
Jon R. Sabes
Attorney-in-Fact
October 19, 2011

Exhibit 4.1

INDENTURE

Dated as of October 19, 2011,

by and among

GWG Holdings, Inc., as obligor

GWG Life Settlements, LLC, as guarantor

and

Bank of Utah, as trustee

$250,000,000

Secured Debentures

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EXHIBITS:

A – Form of Debenture

B – Subscription Agreement

C – Form of Guarantee Notation

D – Form of Pledge and Security Agreement

E – Form of Intercreditor Agreement

CROSS-REFERENCE TABLE

*Trust Indenture Act Section	Indenture Section
<S>	<C>
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N/A
(a)(4)	N/A
(a)(5)	N/A
(b)	7.8; 7.10
(c)	N/A
311(a)	7.11
(b)	7.11
(c)	N/A
312(a)	2.5
(b)	13.3
(c)	13.3
313(a)	7.6
(b)(1)	N/A
(b)(2)	13.3; 7.6
(c)	7.6; 11.2
(d)	7.6
314(a)	4.3
(b)	12.2
(c)(1)	N/A
(c)(2)	N/A

(c)(3)	N/A
(d)	12.3; 12.4; 12.5
(e)	N/A
(f)	N/A
315(a)	N/A
(b)	N/A
(c)	N/A
(d)	N/A
(e)	N/A
316(a) (last sentence)	N/A
(a)(1)(A)	N/A
(a)(1)(B)	N/A
(a)(2)	N/A
(b)	N/A
(c)	N/A
317(a)(1)	N/A
(a)(2)	N/A
(b)	N/A
318(a)	13.1

N/A means not applicable

* This Cross Reference Table is not part of the Indenture

THIS INDENTURE is hereby entered into as of _____, 2011, by and among GWG Holdings, Inc., a Delaware corporation (the "Company"), as obligor, GWG Life Settlements, LLC, a Delaware limited liability company (the "Guarantor"), as guarantor, and Bank of Utah, a Utah corporation, as trustee (the "Trustee"). The Company, the Guarantor and the Trustee hereby agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the renewable secured debt securities of the Company issued pursuant to the Company's registration statement on Form S-1, as amended from time to time including through post-effective amendments (the "Registration Statement"):

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 DEFINITIONS

"Account" means the record of beneficial ownership of a Security maintained by the Registrar.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"After-Acquired Property" shall mean all assets and property, including, to the extent permitted by law, assets and property acquired by the Company or any Subsidiary or Affiliate, including the Guarantor, after the date of this Indenture.

"Agent" means any Registrar, Paying Agent, co-registrar, Servicing Agent or any Person appointed and retained by the Company to perform certain of the duties or obligations, or exercise certain of the rights and discretions, of the Company hereunder pursuant to Section 2.15.

"Bankruptcy" shall mean, for any Person, the (i) commencement of a voluntary bankruptcy case by that Person; (ii) consent to the entry of an order for relief against such Person in an involuntary bankruptcy case; (iii) consent to the appointment of a custodian of it or for all or substantially all of its property.

"Bankruptcy Law" has the meaning set forth in Section 6.1.

"Board of Directors" means the Board of Directors of the Company or any authorized committee of the Board of Directors.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Minnesota, the State of Utah, or at a place of payment are authorized or obligated by law, regulation or executive order to remain closed. If a payment date falls on any date other than a Business Day, payment may be made on the next succeeding Business Day and no interest shall accrue for the intervening period.

"Calculation Date" means the 15th day of each calendar month (or if such day is not a Business Day, the next succeeding Business Day).

"Capital Stock" means any class of capital stock of the Company, including without limitation its common stock and any class of limited or preferred stock, or any series on any class of common, limited or preferred stock, existing from time to time during the term of this Indenture.

"Collateral" shall mean (i) all the assets of the Company, including without limitation all of its ownership interests in Subsidiaries; (ii) all the assets of the Guarantor pledged under the Pledge and Security Agreement, including without limitation all of the Guarantor's ownership interests in its Subsidiaries; (iii) all Pledged Affiliate Stock; and (iv) any and all other items and property defined as "Collateral" in any Collateral Document.

"Collateral Documents" means the Pledge and Security Agreement, Intercreditor Agreement and the other agreements, documents or instruments, including any financing statements and amendments or supplements thereto creating, perfecting or evidencing any Liens securing the Securities, and any other Obligation under this Indenture or the Collateral Documents.

"Company" means GWG Holdings, Inc., a Delaware corporation, unless and until replaced by a successor in accordance with Article 5 hereof, in which case "Company" shall mean such successor.

"Company Majority Stockholders" shall mean Jon R. Sabes and Steven F. Sabes.

"Corporate Trust Office" means the office of the Trustee at which the corporate trust business of the Trustee shall, at any particular time, be principally administered, which office is, at the date as of which this Indenture is originally dated, located at Bank of Utah, 200 E. South Temple, Suite 210, Salt Lake City, UT 84111, Attention: GWG Holdings, Inc. Administrator.

"Debt Coverage Ratio" has the meaning set forth in Section 4.7(a).

"Default" means any event that is or with the passage of time or the giving of notice, or both, would be, an Event of Default.

"Eligible Life Insurance Policy" means any life insurance policy meeting all of the following criteria as of the date purchased by the Company directly or indirectly through a direct or indirect Subsidiary:

(a) such life insurance policy offers "permanent" life insurance benefits (i.e., either whole life, non-variable universal life or universal life);

(b) the contestability period for such life insurance policy shall have expired;

(c) the Policy Benefit does not exceed $25,000,000;

(d) the life insurance policy does not have a provision limiting the future realization of Policy Benefit upon and due to the death of any Insured other than for non-payment of premiums;

(e) the Life Expectancy of the Insured under the life insurance policy, as of the relevant acquisition date, does not exceed 216 months;

(f) the Insured under the life insurance policy is not less than 65 years old;

(g) all restrictions or obligations imposed by applicable laws have been complied with in relation to the origination and acquisition of the life insurance policy;

(h) the life insurance policy is in full force and effect;

(i) the life insurance policy is not regulated by any state which prohibits the purchase or the transfer of ownership of such life insurance policy;

(j) the life insurance policy provides for a level Policy Benefit through the entire Life Expectancy of the Insured under the life insurance policy;

(k) the life insurance policy is not purchased in a jurisdiction where the transfer of such life insurance policy is subject to the payment of sales or other taxes except where such sales or other taxes have been paid;

(l) the Life Expectancy Report does not conclude that the Insured under the life insurance policy is HIV positive or has been diagnosed as having AIDS; and

(m) such life insurance policy meets such other criteria as the Company may determine from time to time.

"Event of Default" has the meaning set forth in Section 6.1.

"Exchange Act" means the Securities Exchange Act of 1934.

"Fiscal Quarter" means the approximately three-month period ending each March 31, June 30, September 31, and December 31.

"Fiscal Year" means a year ending December 31.

"GAAP" means, as of any date, United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession, which are in effect from time to time.

"Guarantee" means the guarantee of the Guarantor as described in Article 11.

"Guarantee Notation" is evidence of the Guarantee to be used as described in Section 11.3, and attached hereto as ***Exhibit C***.

"Guarantor" means GWG Life Settlements, LLC, a Delaware limited liability company, unless and until replaced by a successor in accordance with Article 5, in which case "Guarantor" shall mean such successor.

"Guarantor Secured Notes" means that certain class of secured promissory notes privately offered and sold from time to time by the Guarantor prior to the date of this Indenture.

"Holder" means a Person in whose name a Security is registered.

"Holder Redemption Event" has the meaning set forth in Section 3.2(a).

"Indebtedness" means, with respect to any Person and without duplication, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or representing the balance deferred and unpaid of the purchase price of any property (including capital lease obligations) or the expenditure for any services or representing any hedging obligations, including without limitation, any such balance that constitutes an accrued expense or an account or trade payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and hedging obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, and also includes, to the extent not otherwise included, (a) the guarantee of items that would be included within this definition, and (b) liability for items that would arise by operation of a Person's status as a general partner of a partnership.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Insurance Company" means, with respect to any Life Insurance Policy, the insurance company that is obligated by the terms of such Life Insurance Policy to pay the related Policy Benefit upon the death of the related Insured (or the successor to such obligation).

"Insured" means a natural person who is named as the insured on a Life Insurance Policy.

"Intercreditor Agreement" means that certain Intercreditor Agreement of even date herewith by and among the Trustee and Lord Securities Corporation (as trustee under that certain Second Amended and Restated Note Issuance Agreement dated as of November 15, 2010, by and among the Guarantor, Lord Securities Corporation and the GWG LifeNotes Trust, with respect to the Guarantor Secured Notes), as such agreement may be amended, modified or supplemented from time to time in accordance with its terms and with this Indenture, which agreement comprises one of the Collateral Documents. The form of Intercreditor Agreement is attached hereto as ***Exhibit E***.

"Interest Accrual Period" means, as to each Security, the period from the later of the Issue Date of such Security or the last Payment Date upon which an interest payment was made, until and including the day before the following Payment Date (or the Maturity Date, if earlier), during which period interest accrues with respect to any Payment Date.

"Issue Date" means, with respect to any Security, the date on which such Security is deemed registered on the books and records of the Registrar, which shall be (i) the date the Company accepts funds for the purchase of the Security if such funds are received prior to 12:01 p.m. (Central Time) on a Business Day, or if such funds are not so received, on the next Business Day, or (ii) the date that the Security is renewed as of the Maturity Date pursuant to Section 2.1(h).

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code, or equivalent statutes, of any jurisdiction).

"Life Expectancy" means with respect to any Life Insurance Policy (other than a Small Life Insurance Policy), the average of two Life Expectancy Reports of the related Insured, stated in months, provided by two separate Qualified Consulting Physicians to achieve 50th percentile cumulative mortalities for such Insured, or, if not so provided, by applying the provided life expectancy in months to the most recent VBT Select Table to calculate a 50th percentile cumulative mortality schedule for such

Insured, in any case as of the Life Expectancy Report Date and subsequently adjusted in the passage of time. For policies with more than one Insured that pay upon the death of the second Insured ("Joint Policies"), the "Life Expectancy" with respect to any such Joint Policies (other than a Small Life Insurance Policy), means the joint Life Expectancy Reports of the related Insureds in months to achieve a 50th percentile cumulative mortality for such Insureds provided for the two joint life expectancies by the Qualified Consulting Physicians and, if not provided, by applying the provided life expectancy in months to the most recent VBT Select Table to calculate a 50th percentile cumulative mortality for such Insureds, in any case as of the Life Expectancy Report Date and subsequently adjusted in the passage of time. Life Expectancy for a Small Life Insurance Policy shall be stated in months as determined by applying the most recent VBT Select Table to calculate a 50th percentile cumulative mortality schedule for such Insured, as of the Life Expectancy Report Date and subsequently adjusted in the passage of time; provided that a Life Expectancy Report may be used for a Small Life Insurance Policy, if available.

"Life Expectancy Report" means an assessment by a Qualified Consulting Physician, contained in a written statement dated within 180 days prior to the date of the purchase by the Company or any of its direct or indirect Subsidiaries of a Life Insurance Policy, of the life expectancy of one or more Insureds under such Life Insurance Policy.

"Life Expectancy Report Date" means, with respect to any Life Expectancy Report, the certificate date contained in the Life Expectancy Report or the date otherwise calculated in the case of a Small life Insurance Policy.

"Life Insurance Policy" means any Eligible Life Insurance Policy owned the Company, the Guarantor or any of their direct or indirect Subsidiaries or Affiliates.

"Master Trust" means (i) GWG DLP Master Trust II, a Delaware statutory trust and (ii) any future master trust that may be created, or wholly or partially owned, by the Guarantor and its Subsidiaries.

"Maturity Date" means, with respect to any Security, the date on which the principal of such Security becomes due and payable as therein provided.

"Maturity Record Date" means, with respect to any Security, as of the close of business on the first Business Day that is at least 31 days prior to the Maturity Date or Redemption Date applicable to such Security.

"Net Present Asset Value of Life Insurance Policies" means an amount equal to the net present value of the expected cash flows to be derived from Life Insurance Policies owned by the Company (including its direct and indirect Subsidiaries and Affiliates), as determined by applying the Pricing Model and a discount rate equal to the Weighted Average Cost of Capital of the Company (including its direct and indirect Subsidiaries and Affiliates) for the calendar month immediately preceding the Calculation Date.

"Net Proceeds" shall mean the aggregate cash proceeds and cash equivalents received by the Company or the Guarantor in respect of any merger, sale of all or substantially all of the assets of the Company or Guarantor, as applicable, net of the direct costs relating to such merger or sale, including without limitation legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the merger or asset sale, in each case taking into account, without duplication, (1) any available tax credits or deductions and any tax-sharing arrangements, and amounts required to be applied to the repayment of Indebtedness secured by a Permitted Lien on the asset or assets that were the subject of such merger or asset sale and any reserve for adjustment in respect of the

sale price of such asset or assets established in accordance with GAAP, (2) any reserve or payment with respect to liabilities associated with such asset or assets and retained by the Company or the Guarantor after such sale or other disposition thereof, including without limitation severance costs pension and other post-employment benefit liabilities and any indemnification obligations associated with such transaction, and (3) any cash escrows in connection with the purchase price adjustments, reserves or indemnities (until released).

"Notice of Maturity" means a notice from the Company to a Holder, as further described in Section 2.1(f), that the Holder's Securities will be maturing on the related Maturity Date, which notice shall be sent by the Company at least 30 days prior to such Maturity Date.

"Obligations" means any principal, interest (including Post-Petition Interest), penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer" means the Chairman of the Board or principal executive officer of the Company, the President or principal operating officer of the Company, the Chief Financial Officer or principal financial officer of the Company, the Treasurer, Controller or principal accounting officer of the Company, Secretary or any Executive or Senior Vice President of the Company.

"Officers' Certificate" means a certificate signed by two Officers, at least one of whom must be the principal executive officer, principal operating officer, principal financial officer or principal accounting officer of the Company; provided, however, that if the opinion of an accountant is required pursuant to TIA §314(c)(3), the certificate must be signed by an Officer who is an accountant.

"Opinion of Counsel" means an opinion from legal counsel reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

"Pari Passu Debt" means any Indebtedness of the Company that is payable, or that has secured collateral, on a pari passu basis with the Securities, including without limitation all Guarantor Secured Notes.

"Paying Agent" has the meaning set forth in Section 2.3.

"Payment Account" means a bank account designated by the Holder to receive payments of interest or principal due on such Holder's Securities, as may be amended by the Holder by written notice to the Registrar from time to time.

"Payment Blockage Period" has the meaning set forth in Section 10.3.

"Payment Date" means (i) with respect to any Security for which monthly interest payments are required to be made, the 15th day of the following calendar month, (ii) with respect to any Security for which interest payments are required to be made annually, the 15th day of the calendar month next following the month in which the anniversary of the Issue Date of such Security occurs, and (iii) with respect to each Security, the date specified in Section 2.1(f) for the payment upon maturity of all principal of and accrued but unpaid interest on such Security, and any Repurchase Date or Redemption Date of such Security, if applicable; provided, that if any such day in the preceding clauses (i) through (iii) is not a Business Day, then the Payment Date shall be the Business Day immediately following such day.

"Permitted Liens" means Liens on assets of the Company or any of its direct or indirect Subsidiaries or Affiliates, including the Guarantor, securing Indebtedness and other Obligations under (i) the Guarantor Secured Notes, (ii) any Qualified Sales and Financing Transaction (whether now existing or arising or acquired in the future), which Liens may be Senior Debt having higher priority to the Liens securing Obligations under the Securities issued under this Indenture, and (iii) any Senior Debt.

"Payment Notice" has the meaning set forth in Section 10.3.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Pledge and Security Agreement" means that certain Pledge and Security Agreement of even date herewith by and among the Company, the Guarantor, the Company Majority Stockholders and the Trustee, as such agreement may be amended, modified or supplemented from time to time in accordance with its terms and with this Indenture, which agreement comprises one of the Collateral Documents. The form of Pledge and Security Agreement is attached hereto as ***Exhibit D***.

"Pledged Affiliate Stock" means the common stock of the Company beneficially owned (as such term is defined under Section 13d of the Exchange Act), as of the date of this Indenture, by the Company Majority Stockholders, the number of shares of which is identified with particularity in the Pledge and Security Agreement.

"Policy Benefit" means, with respect to a Life Insurance Policy, the amount to be paid by the writing Insurance Company upon the mortality of the Insured.

"Post-Petition Interest" means interest accruing after the commencement of any Bankruptcy or insolvency case or proceeding with respect to the Company or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, at the rate applicable to the related Indebtedness, whether or not such interest is an allowable claim in any such proceeding.

"Pricing Model" means the latest version of the Life Insurance Policy pricing model owned by Modeling Actuarial Pricing Systems, Inc. and licensed by Company (or a substantially similar model commonly supported by the actuarial profession), which model shall calculate expected cash flows from a portfolio of Life Insurance Policies utilizing the probabilistic methodology, the Life Expectancy of Insureds, and the VBT Select Table.

"Property" has the meaning set forth in Section 10.15(b).

"Prospectus" means the prospectus included in the Registration Statement at the time it was declared effective by the SEC, as supplemented by any related prospectus supplement (including interest rate supplements) filed with the SEC pursuant to Rule 424(b) under the Securities Act. References herein to the Prospectus shall be deemed to refer to and include any documents incorporated therein by reference.

"Qualified Consulting Physician" means any of: (a) 21st Services; (b) Fasano & Associates; (c) AVS Underwriting; (d) EMSI; (e) ISC Services; or (e) any other independent third-party consulting physician or group of consulting physicians commonly recognized within the industry as providing reputable Life Expectancy estimates that are approved by the Company.

"Qualified Sales and Financing Transaction" means any transaction or series of transactions (including without limitation the performance and liquidation or termination of such transactions) that may be entered into, sponsored, conducted or coordinated by or with the involvement of the Company

and pursuant to which the Company, or its Subsidiaries or Affiliates, may (a) issue Senior Debt by selling, conveying, financing, pledging or otherwise transferring Collateral to (i) a Special Purpose Entity (in the case of a transfer by the Company or any of its Affiliates) or (ii) any other Person (in the case of a transfer by the Company or a Special Purpose Entity), or may (b) grant a security interest in or pledge any Life Insurance Policies, any securities backed by or any interests in Life Insurance Policies (whether now existing or arising or acquired in the future), and any assets related thereto, which are customarily sold, transferred or pledged as security in connection with asset securitization, secured financing or similar transaction involving receivables, including the ability to finance and sell the residual interests retained from all such transactions, or securities backed by or representing interests in such residual interests.

"Redemption Date" has the meaning set forth in Section 2.1(i).

"Redemption Notice" means a written notice from the Company to the Holders (as further described in Section 2.1(i)) stating that the Company is redeeming all or a specified portion of Securities pursuant to Section 3.1, with a copy to the Registrar and the Trustee.

"Redemption Price" means, with respect to any Security to be redeemed, the principal amount of such Security plus the interest accrued but unpaid during the Interest Accrual Period up to but not including the Redemption Date for such Security.

"Registrar" has the meaning set forth in Section 2.3.

"Registration Statement" has the meaning set forth in the Introduction.

"Regular Record Date" means, with respect to each Payment Date, as of 11:59 p.m. of the date 15 days prior to such Payment Date.

"Repayment Date" shall have the meaning set forth in Section 3.2(c).

"Repayment Election" means a written notice from a Holder to the Company, as further described in Section 2.1(f), stating that repayment of the Holder's Securities is required in connection with the maturity of such Securities.

"Repurchase Penalty" shall have the meaning set forth in Section 3.2(b).

"Repurchase Price" means, with respect to any Security to be repurchased, the principal amount of such Security plus the interest accrued but unpaid during the Interest Accrual Period up to but not including the Repurchase Date for such Security, minus the Repurchase Penalty, if any.

"Repurchase Request" means a written notice from a Holder to the Company, as further described in Section 2.1(j), stating that such Holder is making an irrevocable request for the Company to repurchase such Holder's Securities pursuant to Section 3.2.

"Responsible Officer" when used with respect to the Trustee, means any officer in its Corporate Trust Office, or any other assistant officer of the Trustee in its Corporate Trust Office customarily performing functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933.

"Security" or "Securities" means, the Company's renewable secured debentures issued under this Indenture and offered and sold pursuant to the Registration Statement.

"Securities Register" has the meaning set forth in Section 2.3.

"Senior Debt" means any Indebtedness, other than the Securities and Pari Passu Debt (whether outstanding on the date hereof or thereafter created), incurred by the Company (including its direct or indirect Subsidiaries or Affiliates) that is senior in rank to Securities as to the right to receive payments from the Company, or senior as to the right to receive payments on or from any Collateral, whether such Indebtedness is or is not specifically designated by the Company as being "Senior Debt" in its defining instruments. In this regard, Senior Debt shall include, without limitation, any and all Indebtedness and Obligations owed by the Company or its direct or indirect Subsidiaries to Autobahn Funding Company LLC (or its affiliates, including without limitation DZ Bank AG Deutsche Zentral-Genossenschaftsbank and any future senior lender) as of the date of this Indenture and, unless specifically designated to the contrary in its defining instruments, thereafter existing, including all replacements and renewals thereof, and extensions thereto.

"Senior Debt Default" has the meaning set forth in Section 10.3(a).

"Senior Debt Payout Date" means the date on which (i) all Senior Debt and related Obligations shall be paid in full, in cash, and (ii) the related transaction documents to which such Senior Debt relates shall terminate in accordance with their terms.

"Servicing Agent" means an Agent designated by the Company, if any, as agent for service of notices and demands to and from the Holders, and other communications to and from the Holders, in connection with the Securities.

"Small Life Insurance Policy" means a Life Insurance Policy having a Policy Benefit equal to or less than $250,000.

"SPV Collateral" means all assets and property in which either the SPV Entity or Master Trust has acquired, or purports to have acquired, an interest (including without limitation all assets and property which the Company or the Guarantor has transferred, or purports to have transferred, to any such Person) pursuant to the "Transaction Documents" (as defined in that certain Second Amended and Restated Note Issuance and Security Agreement dated as of November 15, 2010, by and among the Guarantor, the holders of Guarantor Secured Notes, Lord Securities Corporation (as trustee), and GWG LifeNotes Trust).

"SPV Entity" means (i) GWG DLP Funding II, LLC, a Delaware limited liability company and wholly owned Subsidiary of the Guarantor; and (ii) any other Subsidiary entity of the Guarantor whose limited purpose is to purchase and/or own Life Insurance Policies.

"Subordination Ratio" has the meaning set forth in Section 4.7(b).

"Subscription Agreement" means a Subscription Agreement entered into by a Person and the Company, under which such Person commits to purchase Securities, and which is in substantially the form attached hereto as ***Exhibit B***.

"Subsidiary" or "Subsidiaries" means, with respect to any Person, any corporation or other entity in which such Person directly owns securities or other ownership interests, regardless of whether such ownership constitutes a controlling or non-controlling interest. Specific references to indirect Subsidiaries means, with respect to any Person, any corporation or other entity in which such Person indirectly owns, through one or more other corporations or entities, securities or other ownership interests, regardless of whether such ownership constitutes a controlling or non-controlling interest. In the case of any Subsidiary that is not wholly owned, calculations with respect to any financial covenants shall be made in proportion to the Company's interest, direct and indirect, in such Subsidiary.

"TIA" means the Trust Indenture Act of 1939, as in effect on the date on which this Indenture is qualified under the TIA.

"Total Permanent Disability" means a determination by a physician approved by the Company that the Holder of a Security who is a natural person, and who was gainfully employed on a full-time basis at the Issue Date of such Security, is unable to work on a full-time basis during the a period of 24 consecutive months. For purposes of this definition, "working on a full time basis" shall mean working at least 40 hours per week.

"Trustee" means Bank of Utah, a Utah corporation, until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"UCC" means the Uniform Commercial Code as in effect in the State of Delaware or any other applicable jurisdiction.

"U.S. Government Obligations" means direct obligations of the United States of America, or any agency or instrumentality thereof for the payment of which the full faith and credit of the United States of America is pledged.

"VBT Select Table" means the most recent actuarial tables published by The Society of Actuaries, or such other actuarial table providing mortality probabilities for Insureds deemed appropriate by the Company.

"Weighted Average Cost of Capital" means a percentage equal to the weighted-average interest rate paid by the Company and its direct and indirect Subsidiaries on outstanding Indebtedness for the month immediately preceding the Calculation Date.

"Written Confirmation" means a written confirmation of the acceptance of a subscription for, or the transfer or pledge of, a Security or Securities in the form of a transaction statement executed or issued by the Company or its duly authorized Agent and delivered to the Holder of such Security or Securities with a copy to the Registrar and the Trustee.

Section 1.2 INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT

Whenever this Indenture refers to a provision of the TIA, such provision is incorporated by reference in and made a part of this Indenture. All other terms used in this Indenture that are defined by the TIA, defined by reference in the TIA to another statute, or defined by an SEC rule under the TIA, have the meanings so assigned to them.

Section 1.3 RULES OF CONSTRUCTION

Unless the context otherwise requires: (a) a term has the meaning assigned to it; (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP; (c) references to GAAP, as of any date, shall mean GAAP in effect in the United States as of such date; (d) "or" is not exclusive; (e) words in the singular include the plural, and words in the plural shall include the singular; and (f) provisions apply to successive events and transactions.

ARTICLE 2
THE SECURITIES

Section 2.1 SECURITY TERMS; AMOUNT; ACCOUNTS; INTEREST; MATURITY

(a) The outstanding aggregate principal amount of Securities to be issued hereunder is limited to $250 million, provided, however, that the Company and the Trustee may, without the consent of any Holder, increase such aggregate principal amount of Securities that may be outstanding at any time. The Securities are secured obligations of the Company and shall be senior in right to assets of the Company, provided that such rights may be subordinate in right of payment to the Senior Debt as further described in Article 10. The Securities are an obligation and liability of the Company, and not of any other Person, including without limitation any shareholder, director, Officer, employee, Affiliate or Agent of the Company. The Securities are not certificates of deposit or similar obligations of, and are not guaranteed or insured by, any depository institution, the Federal Deposit Insurance Corporation, any other governmental or private fund, any securities insurer or any other Person, other than as set forth in Article 11.

(b) In the event issued in certificated form pursuant to Section 2.13(b): (i) the Securities, together with the Trustee's certificate of authentication, shall be in substantially the form set forth as ***Exhibit A*** to this Indenture, with any appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities; (ii) any portion of the text of any Securities may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Securities; and (iii) the Securities may be subject to notations, legends or endorsements required by law, stock exchange rule, or agreements to which the Company is subject or reasonably required by usage.

(c) Except as provided in Section 2.13(b), no Security shall be issued as, nor evidenced by, a certificated security, but rather each Security shall be issued in book entry or uncertificated form in which the record of beneficial ownership of each such Security shall be established and maintained as Accounts by the Registrar pursuant to Section 2.13. For each Security issued in book entry form in accordance with Section 2.13, the same terms and provisions as those set forth in the form of Debenture in ***Exhibit A*** shall be deemed to be incorporated into the terms and provision of such book-entry Securities.

(d) Each Security shall be in such denominations as provided by this Indenture and as may be designated from time to time by the Company, but in no event in an original denomination less than $25,000, unless authorized by the Company. Separate purchases may not be cumulated to satisfy the minimum denomination requirements. Each Security shall have a term of six months, or one, two, three, four, five, seven, or ten years as designated by the Holder at the time of purchase, subject to the Company's acceptance thereof.

(e) Each Security shall bear interest from and commencing on its Issue Date at such rate of interest as the Company shall determine from time to time; provided, however, that the interest rate of each Security will be fixed for the term of such Security upon issuance, subject to change upon any renewal of the Security at maturity. Simple interest on the Securities will accrue based on a calendar year consisting of twelve 30-day months (or 360 days) and the Holder thereof may elect to have interest paid monthly, annually, or upon maturity, which payments shall be made on the applicable Payment Date, except that (i) no interest shall be paid to a Holder until the expiration of the Holder's rescission right under Section 2.2(b), if applicable, and (ii) in the case of a Holder who elects interest to be paid upon maturity, such interest will compound annually. If a Holder does not elect an interest payment option, interest will be paid upon maturity. The Holder of a Security paying interest upon maturity by virtue of such Holder not having made an affirmative election for the payment of interest may, once during the term of the Security but only with the approval of the Company (which the Company may grant or withhold in its discretion), change the manner in which interest is paid. Any such change shall be effective upon the first Business Day following the 45th day after both (i) receipt of written notice from the Holder requesting such change and (ii) approval by the Company (evidenced in a writing delivered to such Holder).

(f) At least 30 days prior to a Maturity Date for any Security, the Company will send to each Holder of such a Security as of its Maturity Record Date a Notice of Maturity (via first class U.S. mail, facsimile or electronic transmission). The Notice of Maturity will notify the Holder of the Security's pending maturity and that the automatic renewal provision described in subsection (h) will take effect, unless:

(i) the Company states in the Notice of Maturity that it will not allow the Holder to renew the Security, in which case the Company shall pay the Holder all outstanding principal and accrued but unpaid interest with regard to the Security on the applicable Payment Date; or

(ii) the Holder sends to the Company, at least 15 days prior to the Maturity Date, a Repayment Election for the payment of all outstanding principal and accrued but unpaid interest due on the Security as of the Maturity Date.

A Notice of Maturity shall also contain the statements and disclosures described in subsection (g) below. If a Notice of Maturity permits the Holder to renew the Security, then the Company shall also include the then-current Prospectus and any then-current Prospectus Supplement together with a statement urging the Holder to review such documentation prior to any renewal. Upon receipt of a Notice of Maturity, the Holder of a maturing Security may in its discretion send to the Company a Repayment Election; provided that such Repayment Election must be sent to the Company no later than 15 days prior to the Maturity Date. If the Company receives a Repayment Election on or prior to the 15th day before the Maturity Date, the Company will pay all outstanding principal and accrued but unpaid interest on the Security (through the Maturity Date) no later than the Payment Date next following the Maturity Date; provided that if the Company shall have previously paid interest to the Holder for any period *after* the Maturity Date, then such interest shall be deducted from such payment.

(g) The Notice of Maturity also shall state that the Holder may submit a Repayment Election for the repayment of the maturing Security and use all or a portion of the proceeds thereof to purchase a new Security with a different term. To exercise this option, the Holder

shall complete a new Subscription Agreement for the new Security and send it along with the Holder's Repayment Election to the Company. The Issue Date of the new Security shall be the Maturity Date of the maturing Security. Any proceeds from the maturing Security that are not applied to the purchase of the new Security shall be sent to the Holder thereof. If a Security pays interest only on the Maturity Date, then the Notice of Maturity also shall state that the Holder may submit an "interest-only" Repayment Election in which the Holder requires the payment of the accrued and unpaid interest that such Holder has earned on the maturing Security (through the Maturity Date) and allows the principal amount of such maturing Security to renew in the manner provided in subsection (h) below.

(h) If a Holder of a maturing Security has not delivered a Repayment Election for repayment of the Security on or prior to the 15th day before the Maturity Date, and the Company did not notify the Holder of its intention to repay the Security in the Notice of Maturity, then such maturing Security shall be extended automatically for an additional term equal to the original term, and shall be deemed to be renewed by the Holder and the Company as of the Maturity Date of such maturing Security. A maturing Security will thereafter continue to renew as described herein absent a subsequent Redemption Notice by the Company, a Repurchase Request by the Holder, or an indication by the Company that it will repay and not allow the Security to be renewed in any subsequent Notice of Maturity. Interest on the renewed Security shall accrue from the Issue Date thereof, which shall be the Maturity Date of the maturing Security. Such renewed Security will be deemed to have the identical terms and provisions of the maturing Security, including provisions relating to payment, except that the interest rate payable during the term of the renewed Security shall be the interest rate which is then being offered by the Company on other Securities having the same term as of the Issue Date of such renewal. If other Securities having the same term are not then being offered on such date, then the interest rate upon renewal will be the rate specified by the Company on or before the Maturity Date of such Security, or the then-existing rate of the Security being renewed if no such rate is specified. If the maturing Security pays interest only on the Maturity Date, then, except as provided in subsection (g) above, upon renewal all accrued interest thereon shall be added to the principal amount of the renewed Security.

Notwithstanding the foregoing or anything in subsection (f) to the contrary, if a Repayment Election is given or is due at a time when the Company has determined that a post-effective amendment to the Registration Statement was required but not yet effective, then the Company will provide notice to the Holder, and the Holder will be entitled to rescind his or her Repayment Election, if made, or to make a Repayment Election if not previously made, by delivering a written rescission of the earlier Repayment Election, or written Repayment Election, as the case may be, to the Company no later than ten days after the postmark date on a notice from the Company to the Holder stating that the post-effective amendment has been declared effective. If a Repayment Election is made as described above, then outstanding principal and accrued but unpaid interest (through the Maturity Date) shall be paid on the Payment Date next following the Company's receipt of such Repayment Election; and if an earlier made Repayment Election is rescinded, the Issue Date for the renewed security shall be a date reasonably selected by the Company (but no earlier than the next Business Day after the date on which the Company shall have received any funds earlier transmitted to the Holder in connection with the rescinded Repayment Election).

(i) Pursuant to Section 3.1, each Security shall be redeemable by the Company at any time, without penalty, upon delivery by the Company of a Redemption Notice to the Holder of such Security. Such Redemption Notice shall set forth a date for the redemption of such Security (the "Redemption Date") that is at least 30 days after the date on which such Redemption Notice shall have been sent by the Company to the Holder.

(j) Pursuant to and subject to the limitations set forth in Section 3.2, each Security shall be subject to repurchase at the request of the Holder upon the delivery of a Repurchase Request to the Company. Subject to the limitations on repurchase and the Repurchase Penalties described in Section 3.2, the payment of unpaid interest and principal upon the repurchase of a Security shall be made to the Holder on a Repurchase Date that is (i) selected by the Company, but no earlier than ten days and no later than 45 days after the delivery of such Repurchase Request to the Company and the Company's acceptance of such request or, (ii) in the case of a repurchase of a Security in connection with the death, Total Permanent Disability or Bankruptcy of an applicable Holder, a Repurchase Date that is the 15th day of the month following the month in which the Company shall have received satisfactory evidence of such Holder's death, Total Permanent Disability or Bankruptcy.

(k) The terms and provisions contained in the Securities shall constitute, and are hereby expressly made, a part of this Indenture and to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, and the Holders by accepting the Securities, expressly agree to such terms and provisions and to be bound hereby and thereby. In case of any direct conflict with any other agreement (other than the Intercreditor Agreement), the provisions of this Indenture shall control.

Section 2.2 WRITTEN CONFIRMATION OR REJECTION; RESCISSION

(a) Except with respect to an automatically renewed Security pursuant to Section 2.1(h), a Security shall not be validly issued to a Person until the following have occurred: (i) such Person has remitted to the Company or a duly authorized Agent good and available funds for the full principal amount of such Security; (ii) a Written Confirmation of the acceptance of the related Subscription Agreement is sent by the Company or a duly authorized Agent to such Person; and (iii) an Account is established by the Registrar in the name of such Person as the Holder of such Security pursuant to Section 2.13. The Company or a duly authorized Agent, in their sole discretion, may reject any subscription for the purchase of Securities, in which event any funds received in relation to such subscription shall be promptly returned to the subscriber. No interest shall be paid on any funds returned from a rejected subscription.

(b) For a period of five Business Days following the mailing by the Company of notice that a Holder's purchase of a Security occurred at a time when a post-effective amendment to the Registration Statement was required but not yet effective (which notice shall be accompanied by a copy of the final Prospectus comprising a part of the post-effective amendment to the Registration Statement as declared effective), such Holder shall have the right to rescind its purchase of the Security and receive repayment of the principal by presenting a written request for such rescission to the Company. Such written request for rescission (A) if personally delivered or delivered via facsimile or electronic transmission, must be received by the Company on or prior to the fifth Business Day following the mailing of such Written Confirmation or post-effective amendment notice by the Company or (B) if mailed, must be postmarked on or before the fifth Business Day

following the mailing by the Company of such Written Confirmation or post-effective amendment notice. Repayment of the principal shall be made within ten days of the Company's receipt of such request from the Holder. No interest shall be paid on any such rescinded purchase of a Security.

Section 2.3 REGISTRAR AND PAYING AGENT

(a) The Company shall maintain (i) an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar") and (ii) an office or agency where Securities may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange, which shall include the name, address for notices and Payment Account of the Holder and the payment election information, principal amount, term and interest rate for each Security (the "Securities Register"). The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar, and the term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without prior notice to any Holder; provided that the Company shall promptly notify the Holders and the Trustee of the name and address of any Agent not a party to this Indenture. The Company itself may act as Paying Agent and/or Registrar. In the event the Company uses any Agent other than the Company or the Trustee, the Company shall enter into an appropriate agency agreement with such Agent, which agreement shall incorporate the provisions of the TIA or provide that the duties performed thereunder are subject to and governed by the provisions of this Indenture. Any such agreement shall implement or be subject to the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any such Agent. If the Company fails to maintain a Registrar or Paying Agent, or fails to give the foregoing notice, the Trustee shall act as such, and shall be entitled to appropriate compensation in accordance with Section 7.7. In no event shall the Trustee be liable for the acts or omissions of any predecessor Paying Agent or Registrar.

(b) Pursuant to Section 2.15, the Company shall serve as the initial Registrar and Paying Agent and as agent for service of notices and demands in connection with the Securities until such time as the Company gives the Trustee written notice to the contrary.

Section 2.4 PAYING AGENT TO HOLD MONEY IN TRUST

Prior to each Payment Date on any Security, the Company shall deposit with the Paying Agent sufficient funds to pay principal and interest then so becoming due and payable in cash. The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal or interest on the Securities, and will notify the Trustee promptly in writing of any default by the Company in making any such payment. While any such default continues, the Trustee shall require a Paying Agent (if other than the Company) to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company) shall have no further liability for the money delivered to the Trustee. If the Company acts as Paying Agent, then the Company shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. The Company shall notify the Trustee in writing at least five days before the Payment Date of the name and address of the Paying Agent if a Person other than the Trustee (or the Company) is named Paying Agent at any time or from time to time.

Section 2.5 LIST OF HOLDERS

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA §312(a). If the Trustee is not the Registrar, the Registrar shall furnish to the Trustee within ten days after the end of each fiscal quarter during the term of this Indenture, and at such other times as the Trustee may request in writing, a copy of the current Securities Register as of such date as the Trustee may reasonably require and the Company shall otherwise comply with TIA §312(a).

Section 2.6 TRANSFER AND EXCHANGE

(a) The Securities are not negotiable instruments and cannot be transferred without the prior written consent of the Company (which consent shall not be unreasonably withheld). Requests to the Registrar for the transfer of any Security shall be:

(i) made to the Registrar in writing on a form supplied by the Registrar;

(ii) duly executed by the Holder of the Security, as reflected on the Registrar's records as of the date of receipt of such transfer request, or such Holder's attorney duly authorized in writing;

(iii) accompanied by the written consent of the Company to the transfer (which consent may not be unreasonably withheld), unless the Company is then serving as Registrar; and

(iv) if requested by the Company or the Registrar, (A) an opinion of Holder's counsel (which counsel shall be reasonably acceptable to the requesting party) that the transfer does not violate any applicable securities laws and (B) a signature guarantee.

(b) Upon transfer of a Security, the Company, or the Registrar on behalf of the Company, will provide the new registered owner of the Security with a Written Confirmation that will evidence the transfer of the Security in the Securities Register and will establish a corresponding Account.

(c) The Company or the Registrar may assess reasonable service charges to a Holder for any registration of transfer or exchange, and the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange pursuant to Section 9.5).

(d) With respect to the relevant Regular Record Date, the Company shall treat the Person listed on each Account maintained by the Registrar as the absolute owner of the Security represented thereby for purposes of receiving payments thereon and for all other purposes whatsoever.

Section 2.7 PAYMENT OF PRINCIPAL AND INTEREST; PRINCIPAL AND INTEREST RIGHTS PRESERVED

(a) Each Security shall accrue interest at the rate specified for such Security in the Securities Register and such interest shall be payable on each Payment Date following the Issue Date for such Security, until the principal thereof becomes due and payable. Any installment of interest payable on a Security that is caused to be punctually paid or duly provided for by the Company on the applicable Payment Date shall be paid to the Holder in whose name such Security is registered in the Securities Register on the applicable Regular Record Date with respect to the Securities outstanding, by electronic deposit to such Holder's Payment Account as it appears in the Securities Register on such Regular Record Date. The payment of any interest payable in connection with the payment of any principal payable with respect to such Security upon maturity shall be payable as provided below. In the event any payments made by electronic deposit are not accepted into the Holder's Payment Account for any reason, such funds shall be held in accordance with Section 2.4 and Section 8.3. Any installment of interest not punctually paid or duly provided for shall be payable in the manner and to the Holders as specified in Section 2.10.

(b) Each of the Securities shall have stated maturities of principal as shall be indicated on such Securities or in the Written Confirmation and as set forth in the Securities Register. The principal of each Security shall be paid in full pursuant to Section 2.1(f), unless the term of such Security is renewed pursuant to Section 2.1(h) or such Security becomes due and payable at an earlier date by acceleration, redemption, repurchase or otherwise. Interest on each Security shall be due and payable on each Payment Date at the interest rate applicable to such Security for the Interest Accrual Period related to such Security and such Payment Date. Notwithstanding any of the foregoing provisions with respect to payments of principal of and interest on the Securities, if the Securities have become or been declared due and payable following an Event of Default, then payments of principal of and interest on the Securities shall be made in accordance with Article 6. If certificated securities are issued, then the principal payment made on any Security upon its maturity (or the Redemption Price or the Repurchase Price of any Security required to be redeemed or repurchased, respectively), and any accrued interest thereon, shall be payable on the applicable Payment Date therefor at the office or agency of the Company maintained by it for such purpose pursuant to Section 2.3 or at the office of any Paying Agent for such Security.

Section 2.8 OUTSTANDING SECURITIES

(a) The Securities outstanding at any time are the outstanding principal balances of all Accounts owning Securities maintained by the Registrar.

(b) If the principal amount of any Security is considered paid under Section 4.1, it ceases to be outstanding and interest on it ceases to accrue.

(c) Subject to Section 2.9, a Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

Section 2.9 TREASURY SECURITIES

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or any Affiliate of the Company shall be considered as though not outstanding except that, for purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities that a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded.

Section 2.10 DEFAULTED INTEREST

If the Company defaults in a payment of interest on any Security, it shall pay such defaulted interest and, to the extent lawful, any interest payable on the defaulted interest, to the Holder of such Security on a subsequent special Payment Date, which date shall be at the earliest practicable date, but in all events within 21 days following the scheduled Payment Date for the defaulted interest, in each case at the rate provided in the Security. The Regular Record Date for the scheduled Payment Date shall be the record date for the special Payment Date. Prior to any such special Payment Date, the Company (or the Trustee, in the name of and at the expense of the Company) shall mail to Holder(s) a notice identifying the special Payment Date and the amount of such interest to be paid.

Section 2.11 TEMPORARY NOTES

If Securities are issued in certificated form in the limited circumstances contemplated under Section 2.13(b), then, pending the preparation of definitive Securities, the Company may execute, and direct that the Trustee authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities, in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Registrar without charge to the Holder.

Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefore a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Section 2.12 EXECUTION, AUTHENTICATION AND DELIVERY

(a) Subject to subsection (b) below, the Securities shall be executed on behalf of the Company by an Officer and attested by its Secretary or Assistant Secretary. The signature of any of these officers on the Securities may be manual, facsimile or electronic (.pdf). Securities bearing the manual, facsimile or electronic signatures of individuals who were at any time the proper Officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At the time of and from time to time after the execution and delivery of this Indenture, the Company will deliver definitive or certificated forms of Securities, if any, executed by the Company to the Trustee for authentication, together with a direction from the Company for the authentication and delivery of such Securities. The Trustee in accordance with such direction from the Company shall authenticate and deliver such Securities as in this Indenture provided and not otherwise. Securities issued hereunder shall be dated as of their Issue Date.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security an authentication executed by or on behalf of the Trustee by manual signature, and such authentication upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of the Indenture.

(b) Notwithstanding the preceding subsection (a) of this Section, in connection with the issuance of each Security in book-entry form pursuant to Section 2.13, each Security shall be deemed to be executed and attested to by the Company and authenticated and delivered by the Trustee, in the same manner as provided in the preceding subsection (a), upon the delivery by the Company (or the Company's duly authorized Agent) to the Holder of such Security of a Written Confirmation, with a copy of such Written Confirmation delivered to the Trustee, and the establishment by the Registrar of an Account for such Security in the name of the Holder pursuant to Section 2.13.

Section 2.13 BOOK-ENTRY REGISTRATION

(a) The Registrar shall maintain a book-entry registration and transfer system through the establishment and maintenance of Accounts for the benefit of Holders of Securities as the sole method of recording the ownership and transfer of ownership interests in such Securities. The registered owners of the Accounts established by the Registrar in connection with the purchase or transfer of the Securities shall be deemed to be the Holders of the Securities outstanding for all purposes under this Indenture. The Company (or its duly authorized Agent) shall promptly notify the Registrar of the acceptance of a subscriber's agreement to purchase a Security by providing a copy of the accepted Subscription Agreement and the related Written Confirmation, and, upon receipt of such notices, the Registrar shall establish an Account for such Security by recording a credit to its book-entry registration and transfer system to the Account of the related Holder of such Security for the principal amount of such Security owned by such Holder and issue a Written Confirmation to the Holder, with a copy being delivered to the Trustee, on behalf of the Company. The Registrar shall make appropriate credit and debit entries within each Account to record all of the applicable actions under this Indenture that relate to the ownership of the related Security and issue Written Confirmations to the related Holders as set forth herein, with copies being delivered to the Trustee, on behalf of the Company. For example, the total amount of any principal or interest due and payable to the Holders of the Accounts maintained by the Registrar as provided in this Indenture shall be credited to such Accounts by the Registrar within the time frames provided in this Indenture, and the amount of any payments of principal and/or interest distributed to the Holders of the Accounts as provided in this Indenture shall be debited to such Accounts by the Registrar. The Trustee may review the book-entry registration and transfer system as it deems necessary to ensure the Registrar's compliance with the terms of the Indenture.

(b) Book-entry Accounts evidencing ownership of the Securities shall be exchangeable for definitive or certificated forms of Securities in denominations of $25,000 (unless waived by the Company) and any amount in excess thereof (in whole $1,000 increments) and fully registered in the names as each Holder directs *only if* (i) the Company at its option advises the Trustee and the Registrar in writing of its election to terminate the book-entry system, or (ii) after the occurrence of any Event of Default, Holders of a majority of the aggregate outstanding principal amount of the Securities (as determined based upon the latest quarterly statement provided to the Trustee pursuant to Section 2.5) advise the

Trustee in writing that the continuation of the book-entry system is no longer in the best interests of such Holders and the Trustee notifies all Holders of the Securities, of such event and the availability of certificated forms of securities to the Holders of Securities.

Section 2.14 INITIAL AND PERIODIC STATEMENTS

(a) Subject to the rejection of a Subscription Agreement pursuant to Section 2.2, the Registrar shall send Written Confirmations to initial purchasers, registered owners, registered pledgees, and former registered owners and former registered pledgees, within ten Business Days of its receipt of proper notice regarding the purchase, transfer or pledge of a Security, with copies of such Written Confirmations being delivered to the Trustee, on behalf of the Company.

(b) The Registrar shall send each Holder of a Security (and each registered pledgee) written notice (via first class U.S. mail, facsimile or electronic transmission) not later than ten Business Days after each quarter end in which such Holder had an outstanding balance in such Holder's Account, a statement indicating as of the quarter end preceding the mailing: (i) the balance of such Account; (ii) interest credited for the period; (iii) repayments, redemptions or repurchases, if any, during the period; and (iv) the interest rates paid on the Securities in such Account during the period. The Registrar shall provide additional statements as the Holders or registered pledgees of the Securities may reasonably request from time to time. The Registrar may charge such Holders or pledgees requesting such statements a fee to cover the charges incurred by the Registrar in providing such additional statements. If a Holder refuses to accept or fails to provide the Company with information or consent to receive statements hereunder, and any additional information, electronically, the Registrar may also charge Holders or pledgees a fee to cover the expense incurred in providing such statements or additional information under this Section via facsimile or U.S. mail.

Section 2.15 APPOINTMENT OF AGENTS

The Company may from time to time engage Agents to perform its obligations and exercise its rights and discretion under the terms of this Indenture. In each such case, the Company will provide the Trustee with a copy of each agreement under which any such Agent is engaged and the name, address, telephone number and capacity of the Agent appointed. If any such Agent shall resign or be terminated by the Company, the Company shall promptly notify the Trustee of such resignation or termination, along with the name, address, telephone number and capacity of any successor Agent. Notwithstanding any engagement of an Agent hereunder, the Company shall remain obligated to fulfill each of its obligations under this Indenture.

Section 2.16 CUSIP NUMBERS

The Company may obtain and use one or more CUSIP numbers for the Securities (if then generally in use), and, if so, the Trustee shall use CUSIP numbers in notices of redemption or purchase as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption or purchase, and any such redemption or purchase shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.

ARTICLE 3
REDEMPTION AND REPURCHASE

Section 3.1 REDEMPTION OF SECURITIES AT THE COMPANY'S ELECTION

(a) The Company may redeem, in whole or in part, any Security prior to its scheduled Maturity Date by providing, pursuant to Section 2.1(i), a Redemption Notice to the Holder thereof listed on the records maintained by the Registrar, which notice shall include the Redemption Date and the Redemption Price to be paid to the Holder on the Redemption Date. No interest shall accrue on a Security to be redeemed under this Section 3.1 for any period of time after the Redemption Date for such Security, provided that the Company or the Paying Agent has timely tendered the Redemption Price to the Holder.

(b) The Company shall have no mandatory redemption or sinking fund obligations with respect to any of the Securities.

(c) In its sole discretion, the Company may offer certain Holders the ability to extend the maturity of an existing Security through the redemption of such Security and the issuance of a new Security. This redemption option shall not be subject to the 30-day notice of redemption described in Section 2.1(i).

Section 3.2 REPURCHASE OF SECURITIES AT THE HOLDER'S REQUEST

(a) Subject to subsection (c) below, within 45 days of the death, Total Permanent Disability or Bankruptcy (a "Holder Redemption Event") of a Holder who is a natural person, the estate of such Holder (in the event of death) or such Holder or legal representative of such Holder (in the event of Total Permanent Disability or Bankruptcy) may require the Company to repurchase, in whole but not in part, without penalty, the Securities held by such Holder (including Securities of the Holder held in his or her individual retirement accounts), by delivering to the Company a Repurchase Request. Any such Repurchase Request shall specifically set forth the particular Holder Redemption Event giving rise to the right of the Holder to have his or her Securities repurchased by the Company. If a Security is held jointly by natural persons who are legally married, then a Repurchase Request may be made upon the occurrence of a Holder Redemption Event by the surviving Holder, or the disabled or bankrupt Holder may request that the Company repurchase such jointly held Security by delivering to the Company a Repurchase Request. In the event a Security is held together by two or more natural persons that are not legally married (or held in co-tenancy or otherwise), neither of these persons shall have the right to request that the Company repurchase such Security unless a Holder Redemption Event has occurred for all co-Holders (or co-tenants) of such Security. A Holder that is not a natural person, such as a trust, partnership, limited liability company, corporation or other similar entity or association (whether incorporated or unincorporated), does not have the right to request repurchase under this Section.

(b) Subject to subsection (c) below, a Holder may request (but not require) the Company to repurchase, in whole but not in part, the Security held by such Holder by delivering a Repurchase Request to the Company. Any such requested repurchase shall be made only at the Company's discretion and, if made, will be subject to an early Repurchase Penalty to be deducted from the payment of such Holder's Repurchase Price on the Repurchase Date. The early repurchase penalty (the "Repurchase Penalty") shall equal to six percent (6.00%) of the amount of the principal amount of the Security repurchased.

(c) Upon receipt of a Repurchase Request under subsection (a) above, or a Repurchase Request under subsection (b) above that the Company elects in its sole discretion to grant, the Company shall designate a date for the repurchase of such Security (the "Repurchase Date"), which date shall not be later than the 15th day of the month next following the month in which the Company receives facts or certifications establishing to the reasonable satisfaction of the Company the occurrence of a Holder Redemption Event or, in the case of a Repurchase Request granted pursuant to subsection (b) above, a date selected by the Company but no earlier than ten days and no later than 45 days after the delivery of the Repurchase Request and the Company's acceptance of such request. On the Repurchase Date, the Company shall pay the Repurchase Price to the Holder (or the estate of the Holder, in the case of a request following death) in accordance with Section 2.7. No interest shall accrue on a Security to be repurchased under this Section for any period of time on or after the Repurchase Date for such Security, provided that the Company or the Paying Agent has timely tendered the Repurchase Price to the Holder or the estate of the Holder, as the case may be.

(d) The Company may waive or reduce any early Repurchase Penalty in its sole discretion, and may at any time eliminate or modify its policy regarding the repurchase of Securities at the request of Holders, including requests made by Holders in connection with any Holder Redemption Event; provided that no such elimination or modification shall adversely affect the rights of Holders to the repurchase of Securities that are then outstanding.

ARTICLE 4
COVENANTS

Section 4.1 PAYMENT OF SECURITIES

(a) The Company shall duly pay the principal of and interest on each Security on the dates and in the manner provided under this Indenture. Principal and interest (to the extent such interest is paid in cash) shall be considered paid on the date due if the Paying Agent, if other than the Company, holds, at least one Business Day before that date, money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal and interest then due; provided, that principal and interest shall not be considered paid within the meaning of this Section if money is instead held by the Paying Agent for the benefit of the holders of Senior Debt pursuant to the provisions of Article 10. Such Paying Agent shall return to the Company, no later than five days following the date of payment, any money (including accrued interest, if any) that exceeds such amount of principal and interest paid on the Securities in accordance with this Section.

(b) To the extent lawful, the Company shall pay interest (including Post-Petition Interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate borne by the Securities, compounded semi-annually.

Section 4.2 MAINTENANCE OF OFFICE OR AGENCY

(a) The Company will maintain an office or agency (which may be an office of the Trustee, Registrar or co-registrar) where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

(b) The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(c) The Company hereby designates its office at 220 South Sixth Street, Suite 1200, Minneapolis, MN 55402, as one such office or agency of the Company in accordance with Section 2.3.

Section 4.3 SEC REPORTS AND REPORTS TO THE TRUSTEE

(a) The Company shall provide to the Trustee:

(i) within 45 days after filing with the SEC, paper copies or, if such documents are readily available on the SEC's website, notification of the availability of, the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) that the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act; and

(ii) so long as not contrary to the then-current recommendations of the American Institute of Certified Public Accountants, annual financial statements delivered pursuant to clause (i) above shall be accompanied by a written statement of the Company's independent public accountants to the effect that, in making the examination necessary for certification of such financial statements, nothing has come to their attention which would lead them to believe that the Company has violated the provisions of Section 4.1 of this Indenture or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

The Company shall otherwise comply with the periodic reporting requirements as set forth in TIA §314(a), and the Company shall file with the Trustee and the SEC, in accordance with the rules and regulations prescribed by the SEC, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations. Notwithstanding anything to the contrary herein, the Trustee shall have no duty to review such documents for purposes of determining compliance with any provisions of the Indenture.

(b) The Company, or such other entity as the Company shall designate as Registrar, shall provide the Trustee at intervals of not more than six months with management reports providing the Trustee with such information regarding the Accounts maintained by the Company for the benefit of the Holders of the Securities as the Trustee may reasonably request, which information shall include at least the following for the relevant time interval from the date of the immediately preceding report: (i) the outstanding balance of each Account at the end of the period; (ii) interest credited for the period; (iii) repayments, repurchases and redemptions, if any, made during the period; and (iv) the interest rate paid on each Security in such Account maintained by the Registrar during the period.

(c) Notwithstanding any provision of this Indenture to the contrary, the Company shall not have any obligation to maintain any of its securities (including the Securities hereunder), including without limitation its common stock, as securities registered under the Exchange Act or the Securities Act, or as securities listed and publicly traded on any national securities exchange.

Section 4.4 COMPLIANCE CERTIFICATE

(a) The Company shall deliver to the Trustee, within 45 days after the end of each Fiscal Quarter, commencing with the Fiscal Quarter ending after the first Issue Date of any Security hereunder, an Officers' Certificate:

(i) stating that a review of the activities of the Company during the preceding Fiscal Quarter has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of their knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto), and that to the best of their knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Securities are prohibited or, if such event has occurred, a description of such event and what action the Company is taking or proposes to take with respect thereto; and

(ii) attaching thereto calculations with respect to the Company's compliance with the financial covenants set forth in Section 4.7.

(b) The Company will, so long as any of the Securities are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

Section 4.5 STAY, EXTENSION AND USURY LAWS

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all beneficial advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.6 LIQUIDATION

The Board of Directors or the stockholders of the Company shall not adopt a plan of liquidation that provides for, contemplates or the effectuation of which is preceded by (a) the merger, sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company, otherwise than (i) substantially as an entirety (Section 5.1 of this Indenture being the Section hereof which governs any such merger, sale, lease, conveyance or other disposition substantially as an entirety), or (ii) any Qualified Sales and Financing Transaction, and (b) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition, and of the remaining assets of the Company, to the holders of capital stock of the Company, unless the Company, prior to making any liquidating distribution pursuant to such plan, makes provision for the satisfaction of the Company's Obligations hereunder and under the Securities as to the payment of principal and interest.

Section 4.7 FINANCIAL COVENANTS

The Company covenants that, so long as any of the Securities are outstanding:

(a) The aggregate principal amount of all the Company's Indebtedness from time to time outstanding hereunder shall not cause the Debt Coverage Ratio to exceed ninety percent (90%). The "Debt Coverage Ratio" is a ratio, expressed as percentage, of (A) the aggregate sum of all Indebtedness of the Company and its direct or indirect Subsidiaries (including the Securities issued in this Indenture); over (B) the sum of (i) Net Present Asset Value of all Life Insurance Policies owned by the Company and its direct or indirect Subsidiaries or Affiliates plus (ii) all cash held by the Company and its direct or indirect Subsidiaries or Affiliates.

(b) For the four-year period commencing on the first Issue Date of any Securities hereunder, the Subordination Ratio shall not exceed fifty percent (50%). The "Subordination Ratio" is a ratio, expressed as percentage, of (A) the aggregate sum of all Indebtedness of the Company and its direct or indirect Subsidiaries which is Senior Debt; over (B) the sum of (i) the Net Present Asset Value of all Life Insurance Policies owned by the Company and its direct or indirect Subsidiaries or Affiliates plus (ii) all cash held by the Company and its direct or indirect Subsidiaries or Affiliates.

Section 4.8 RESTRICTION ON DIVIDENDS

The Company covenants that, so long as any of the Securities are outstanding, it shall not declare or pay any dividends or other payments of cash or other property solely on account of the Capital Stock to its stockholders (other than any dividend payable in shares of or rights to acquire shares of Capital Stock on a pro rata basis to all stockholders), unless no Default or Event of Default then exists or would exist immediately following the declaration or payment of such dividend or other payment.

Section 4.9 FINANCING TRANSACTIONS AND ADDITIONAL INDEBTEDNESS

Notwithstanding any provision to the contrary within this Indenture, the Company shall not be prohibited, restricted or otherwise limited under this Indenture from entering into, sponsoring or conducting any Qualified Sales and Financing Transaction that provides for the issuance of Senior Debt. Except as otherwise provided herein, the Company shall not, without the approval of the Holders of a majority in principal amount of the then-outstanding Securities, incur Indebtedness subsequent to the date hereof which is senior in right to payment on or from the Collateral; provided that the Company may incur Indebtedness, including secured Indebtedness, which is Pari Passu Debt.

ARTICLE 5
SUCCESSORS

Section 5.1 WHEN THE COMPANY MAY MERGE, ETC.

(a) The Company may not consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to another Person unless:

(i) the Company is the surviving corporation or the entity, or the Person formed by or surviving any such consolidation or merger (if other than the Company), or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made, is a corporation, limited liability company or limited partnership organized or existing under the laws of the United States, any state thereof or the District of Columbia;

(ii) the Person formed by or surviving any such consolidation or merger (if other than the Company), or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made, assumes all the obligations of the Company, pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee, under the Securities and this Indenture; and

(iii) immediately after such transaction, and after giving effect to such transaction, no Default or Event of Default exists.

(b) The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officers' Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and such supplemental indenture comply with this Indenture. The Trustee shall be entitled to conclusively rely upon such Officers' Certificate and Opinion of Counsel.

Section 5.2 SUCCESSOR ENTITY SUBSTITUTED

Upon any consolidation or merger, or any sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.1, the successor Person formed by such consolidation, or the Person into or with which the Company is merged or to which such sale, lease, conveyance or other disposition is made, shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person has been named as the Company herein. Upon such succession and substitution, the Company shall be released from all of its obligations and liabilities under this Indenture and the Securities.

ARTICLE 6
DEFAULTS AND REMEDIES

Section 6.1 EVENTS OF DEFAULT

An "Event of Default" occurs if:

(a) the Company fails to pay interest on a Security when the same becomes due and payable and such failure continues for a period of 30 days, whether or not such payment is prohibited by the provisions of Article 10;

(b) the Company fails to pay the principal amount of any Security when the same becomes due and payable after maturity, on a Repurchase Date, Redemption Date or Payment Date (that relates to a Maturity Date) or otherwise, and such failure continues for a period of 30 days, whether or not prohibited by the provisions of Article 10;

(c) the Company fails to observe or perform any material covenant, condition or agreement on the part of the Company under this Indenture or the Company breaches any material representation or warranty of the Company under this Indenture (other than the covenants referenced in paragraph (d) below), and such failure or breach continues unremedied for a period of 60 days after the Company's receipt of written notice of such failure or breach;

(d) the Debt Coverage Ratio exceeds 90% for a period of 30 consecutive days, or the Subordination Ratio, during the time in which the related financial covenant applies, exceeds 50% for a period of 30 consecutive days; and in either case such circumstance continues unremedied for a period of 60 days after the Company's receipt of written notice of such failure or breach;

(e) the Company defaults in any other material financial obligation of the Company under the documents or agreements relating to the Guarantor Secured Notes, subject, however, to any applicable cure periods contained in such documents and agreements and further subject to any waivers, forbearances or consents by the holders of such Guarantor Secured Notes;

(f) the Company, pursuant to or within the meaning of any Bankruptcy Law, (i) commences a voluntary case; (ii) consents to the entry of an order for relief against it in an involuntary case; (iii) consents to the appointment of a custodian of it or for all or substantially all of its property; (iv) makes a general assignment for the benefit of its creditors; or (v) admits in writing its inability to pay debts as the same become due;

(g) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against the Company in an involuntary case; (ii) appoints a custodian of the Company or for all or substantially all of its property; (iii) orders the liquidation of the Company, and in each case the order or decree remains unstayed and in effect for 120 consecutive days; or

(h) the Company ceases conducting its business (including, for this purpose, the business conducted by or through any direct or indirect Subsidiaries) or liquidates all or substantially all of its assets (meaning, for this purpose, all or substantially all of the combined assets of the Company and its direct and indirect Subsidiaries).

The term "Bankruptcy Law" means Title 11 of the U.S. Code or any similar federal or state law for the relief of debtors. The term "custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

A Default under clauses (c) or (d) of this Section 6.1 (except for a Default with respect to Section 4.6 or Section 5.1) is not an Event of Default hereunder until the Trustee or the Holders of at least 25% in principal amount of the then-outstanding Securities provide the Company with written notice of the Default, and the Company does not cure the Default (or such Default is not waived pursuant to Section 6.4 within 60 days after receipt of the notice). A written notice under this Section must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default."

Section 6.2 ACCELERATION

If an Event of Default (other than an Event of Default specified in Section 6.1(f) or Section 6.1(g)) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the then-outstanding Securities by written notice to the Company and the Trustee, may declare the unpaid principal of and any accrued but unpaid interest on all the Securities to be due and payable. Upon such declaration, all unpaid principal of and accrued interest on all Securities shall be due and payable immediately; provided, that if any Indebtedness or Obligation is outstanding pursuant to the Senior Debt, such a declaration of acceleration shall not become effective until the earlier of (i) the day which is five Business Days after the receipt by each of the Company and the holders of Senior Debt of such written notice of acceleration or (ii) the date of acceleration of any Indebtedness under any Senior Debt. If an Event of Default specified in Section 6.1(f) or Section 6.1(g) occurs, then all unpaid principal of and accrued interest on all Securities shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

Section 6.3 OTHER REMEDIES

If an Event of Default occurs and is continuing, the Trustee may, after a declaration of acceleration under Section 6.2, pursue any available remedy to collect the payment of principal or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture as directed in writing to the Trustee by the Holders of at least 25% in principal amount of the then-outstanding Securities, subject, however, to the provisions of Article 10. The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.4 WAIVER OF PAST DEFAULTS

Holders of a majority in principal amount of the then-outstanding Securities by notice to the Trustee may, on behalf of the Holders of all Securities, waive any existing Default or Event of Default and its consequences under this Indenture, including without limitation a rescission of an acceleration pursuant to Section 6.2, except for (i) a continuing Default or Event of Default in the payment of interest on or the principal of any Security held by a non-consenting Holder, or (ii) any waiver that would conflict with any applicable judgment or decree. Upon actual receipt of any such notice of waiver by a Responsible Officer of the Trustee, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.5 CONTROL BY MAJORITY

The Holders of a majority in principal amount of the then-outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it, on the condition that indemnification for the Trustee's fees and expenses, in a form reasonably satisfactory to the Trustee, shall have been provided. Nevertheless, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Holders, or that may involve the Trustee in personal liability.

Section 6.6 LIMITATION ON SUITS

A Holder may pursue a remedy with respect to this Indenture only if:

(a) the Holder gives to the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least a majority in principal amount of the then-outstanding Securities make a written request to the Trustee to pursue the remedy;

(c) such Holder or Holders offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount of the then-outstanding Securities do not give the Trustee a direction inconsistent with the request.

Notwithstanding the foregoing, a Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

Section 6.7 RIGHTS OF HOLDERS TO RECEIVE PAYMENT

Except as set forth in this Indenture, including but not limited to Article 10, the right of any Holder of a Security to receive payment of principal and interest on the Security, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

Section 6.8 COLLECTION SUIT BY TRUSTEE

If an Event of Default specified in Section 6.1(a) or Section 6.1(b) occurs and is continuing, subject to Article 10, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and interest remaining unpaid on the Securities and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.9 TRUSTEE MAY FILE PROOFS OF CLAIM

(a) The Trustee is authorized, subject to Article 10, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor upon the Securities), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims, and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7 out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties which the Holders of the Securities may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

(b) If the Trustee does not file a proper claim or proof of debt in the form required in any such proceeding prior to 30 days before the expiration of the time to file such claims or proofs, then any holder of Senior Debt shall have the right to demand, sue for, collect and receive the payments and distributions in respect of the Securities which are required to be paid or delivered to the holders of Senior Debt as provided in Article 10 and to file and prove all claims therefor and to take all such other action in the name of the Holders or otherwise, as such holder of Senior Debt may determine to be necessary or appropriate for the enforcement of the provisions of Article 10.

Section 6.10 PRIORITIES

If the Trustee collects any money pursuant to this Article, it shall, subject to the provisions of Article 10, pay out the money in the following order:

(a) FIRST: to the Trustee, its agents and attorneys for amounts due under Section 7.7, including payment of all compensation, expenses and liabilities incurred, and all advances made, if any, by the Trustee and the costs and expenses of collection;

(b) SECOND: to holders of Senior Debt to the extent required by Article 10;

(c) THIRD: to Holders for amounts due and unpaid on the Securities and Pari Passu Debt for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities and Pari Passu Debt for principal and interest, respectively; and

(d) FOURTH: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders.

Section 6.11 UNDERTAKING FOR COSTS

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.7, or a suit by Holders of more than 10% in principal amount of the then-outstanding Securities.

ARTICLE 7
TRUSTEE

Section 7.1 DUTIES OF TRUSTEE

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) The duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon resolutions, statements, reports, documents, orders, certificates, opinions or other instruments furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any of the above that are specifically required to be furnished to the Trustee pursuant to this Indenture, the Trustee shall examine them to determine whether they substantially conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b)(i) and (b)(ii) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proven that the Trustee was grossly negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable to the Holders with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it, except as the Trustee may agree in writing with the Company or, except with respect to any money held by the Trustee over a holiday or weekend, in which event the Trustee shall remit to the Company the interest earnings on such money at a rate equal to the then current rate for money market funds invested by the Trustee; provided, that the Company has directed the Trustee to invest such money. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.2 RIGHTS OF TRUSTEE

(a) The Trustee may conclusively rely upon any document reasonably believed by it to be genuine and to have been signed or presented to it by the proper Person. The Trustee need not investigate any fact or matter stated in the document. The Trustee shall have no duty to inquire as to the performance of the Company's covenants in Article 4. In addition, the Trustee shall not be deemed to have knowledge of any Default or any Event of Default except any Default or Event of Default of which the Trustee shall have received written notification or obtained actual knowledge. Delivery of reports, information and documents to the Trustee under Sections Section 4.3(a), Section 4.3(b), and Section 4.4(a) is for informational purposes only and the Trustee's receipt of the foregoing shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of their covenants hereunder (as to which the Trustee is entitled to rely conclusively on Officers' Certificates).

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate, an Opinion of Counsel, or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel at the Company's expense and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through agents, attorneys, custodians or nominees and shall not be responsible for the misconduct or negligence or the supervision of any agents, attorneys, custodians or nominees appointed by it with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) The Trustee shall not be deemed to have notice of an Event of Default for any purpose under this Indenture unless notified of such Event of Default by the Company, the Paying Agent (if other than the Company) or a Holder of the Securities.

Section 7.3 INDIVIDUAL RIGHTS OF TRUSTEE

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Section 7.10 and Section 7.11.

Section 7.4 TRUSTEE'S DISCLAIMER

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities or any money paid to the Company or upon the Company's direction under any provision hereof, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee and it shall not be responsible for any statement or recital herein or any statement in the Securities or any other document in connection with the sale of the Securities or pursuant to this Indenture other than its certificate of authentication.

Section 7.5 NOTICE OF DEFAULTS

If a Default or Event of Default occurs and is continuing and if it is known to a Responsible Officer of the Trustee, the Trustee shall mail to Holders a notice of the Default or Event of Default within 90 days after it occurs. At least five Business Days prior to the mailing of any notice to Holders under this Section 7.5, the Trustee shall provide the Company with notice of its intent to mail such notice. Except in the case of a Default or Event of Default in payment on any Security, the Trustee may withhold the notice if and so long as the Responsible Officer of the Trustee in good faith determines that withholding the notice is in the interests of the Holders.

Section 7.6 REPORTS BY TRUSTEE TO HOLDERS

(a) Within 60 days of the end of each Fiscal Year, commencing with the fiscal year ending December 31, 2011, the Trustee shall mail to Holders (with a copy to the Company) a brief report dated as of such reporting date that complies with TIA §313(a); provided, that if no event described in TIA §313(a) has occurred within the 12 months preceding the reporting date, no report need be prepared or transmitted. The Trustee also shall comply with TIA §313(b). The Trustee shall also transmit by mail all reports as required by TIA §313(c).

(b) Commencing at the time this Indenture is qualified under the TIA, a copy of each report mailed to Holders under this Section 7.6 (at the time of its mailing to Holders) shall be filed with the SEC and each stock exchange, if any, on which the Securities are listed. The Company shall promptly notify the Trustee if and when the Securities are listed on any stock exchange.

Section 7.7 COMPENSATION AND INDEMNITY

(a) The Company shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and its performance of the duties and services required hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

(b) The Company shall indemnify the Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, except as set forth in paragraph (d) below. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder, except to the extent the Company is prejudiced thereby. The Company shall defend the claim and the Trustee shall reasonably cooperate in such defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of one such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

(c) The obligations of the Company to pay compensation under paragraph (a) above through the date of termination, and for indemnification under paragraph (b) above, shall survive the satisfaction and discharge of this Indenture.

(d) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through its own gross negligence, bad faith, willful misconduct or simple negligence in the handling and disbursement of funds.

(e) To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Holders on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on the Securities or to pay Senior Debt. Such lien shall survive the satisfaction and discharge of this Indenture.

(f) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.1(f) or Section 6.1(g) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

Section 7.8 REPLACEMENT OF TRUSTEE

(a) A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

(b) The Trustee may resign at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority of the aggregate principal amount of the then-outstanding Securities may remove the Trustee (including any successor Trustee) at any time by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(i) the Trustee fails to comply with Section 7.10;

(ii) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(iii) a custodian or public officer takes charge of the Trustee or its property;

(iv) the Trustee becomes incapable of acting as Trustee under this Indenture, or

(v) the Company so elects, provided such replacement Trustee is qualified.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee.

(d) If a successor Trustee does not take office within 30 days after notice that the Trustee has resigned or has been removed, the Company or the Trustee or the Holders of at least a majority in principal amount of the then-outstanding Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee after written request by any Holder who has been a Holder for at least six months fails to comply with Section 7.10, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to all Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the lien provided for in Section 7.7. Notwithstanding replacement of the Trustee pursuant to this Section, the Company's obligations to pay compensation under Section 7.7(a) through the date of termination, and for indemnification under Section 7.7(b) shall continue for the benefit of the retiring Trustee.

Section 7.9 SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

Section 7.10 ELIGIBILITY; DISQUALIFICATION

(a) There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America or of any state or territory thereof or of the District of Columbia authorized under such laws to exercise corporate trustee power, shall be subject to supervision or examination by federal, state, territorial or District of Columbia authority and shall have a combined capital and surplus of at least $5,000,000 as set forth in its most recent published annual report of condition.

(b) (b) This Indenture shall always have a Trustee who satisfies the requirements of TIA §310(a)(1) and (2). The Trustee shall be subject to TIA §310(b).

Section 7.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY

The Trustee shall be subject to TIA §311(a), excluding any creditor relationship listed in TIA §311(b). A Trustee who has resigned or been removed shall be subject to TIA §311(a) to the extent indicated therein.

ARTICLE 8
DISCHARGE OF INDENTURE

Section 8.1 TERMINATION OF COMPANY'S OBLIGATIONS

(a) This Indenture shall cease to be of further effect (except that the Company's obligations to pay compensation under Section 7.7(a) through the date of termination, and for indemnification under Section 7.7(b) and its obligations under Section 8.4, and the Company's, Trustee's and Paying Agent's obligations under Section 8.3 shall survive) when, without violating Article 10, all outstanding Securities have been paid in full and the Company has paid all sums payable by the Company hereunder. In addition, the Company may terminate all of its obligations under this Indenture if, without violating Article 10:

(i) the Company irrevocably deposits in trust with the Trustee or, at the option of the Trustee, with a trustee reasonably satisfactory to the Trustee and the Company under the terms of an irrevocable trust agreement in form and substance satisfactory to the Trustee, money or U.S. Government Obligations sufficient (as certified by an independent public accountant designated by the Company) to pay principal and interest on the Securities to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, provided that (A) the trustee of the irrevocable trust shall have been irrevocably instructed to pay such money or the proceeds of such U.S. Government Obligations to the Trustee and (B) the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such U.S. Government Obligations to the payment of said principal and interest with respect to the Securities;

(ii) the Company delivers to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge of this Indenture have been complied with; and

(iii) no Default or Event of Default with respect to the Securities shall have occurred and be continuing on the date of such deposit.

Then, this Indenture shall cease to be of further effect (except as provided in this paragraph), and the Trustee, on demand of the Company, shall execute proper instruments acknowledging confirmation of and discharge under this Indenture. The Company may make the deposit only if Article 10 does not prohibit such payment. However, the Company's obligations in Section 2.3 through Section 2.7, Section 4.2, Section 7.7(c), Section 7.8, Section 8.3 and Section 8.4, and the Trustee's and Paying Agent's obligations in Section 8.3, shall survive until no Securities are outstanding. Thereafter, only the Company's obligations to pay compensation under Section 7.7(a) through the date of termination, and for indemnification under Section 7.7(b), its obligations under Section 8.4 and the Company's, Trustee's and Paying Agent's obligations in Section 8.3 shall survive.

(b) After such irrevocable deposit made pursuant to this Section and satisfaction of the other conditions set forth herein, the Trustee upon written request shall acknowledge in writing the discharge of the Company's obligations under this Indenture except for those surviving obligations specified above.

(c) In order to have money available on a payment date to pay principal or interest on the Securities, U.S. Government Obligations shall be payable as to principal or interest at least one Business Day before such payment date in such amounts as will provide the necessary money. U.S. Government Obligations shall not be callable at the issuer's option.

Section 8.2 APPLICATION OF TRUST MONEY

The Trustee or a trustee satisfactory to the Trustee and the Company shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.1. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal and interest on the Securities.

Section 8.3 REPAYMENT TO COMPANY

(a) The Trustee and the Paying Agent shall promptly pay to the Company upon written request any excess money or securities held by them at any time.

(b) The Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal or interest on the Securities that remains unclaimed for two years after the date upon which such payment shall have become due; provided, that the Company shall have either caused notice of such payment to be mailed to each Holder entitled thereto no less than 30 days prior to such repayment or within such period shall have published such notice in a newspaper of widespread circulation published in Hennepin County, Minnesota. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

Section 8.4 REINSTATEMENT

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 8.2 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.1 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Section 8.2; provided, that if the Company has made any payment of interest on or principal of any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment, as long as no money is owed to the Trustee by the Company, from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE 9
AMENDMENTS

Section 9.1 WITHOUT CONSENT OF THE HOLDERS

The Company and the Trustee may amend this Indenture or the Securities without the consent of any Holder:

(a) to cure any ambiguity, defect or inconsistency;

(b) to comply with Section 5.1;

(c) to provide for the issuance of additional uncertificated Securities or certificated Securities;

(d) to make any change that does not materially and adversely affect the legal rights hereunder of any Holder, including but not limited to an increase in the aggregate dollar amount of Securities which may be outstanding under this Indenture;

(e) make any change in Section 3.2; provided, however, that no such change shall adversely affect the rights of any then-outstanding or issued Security; or

(f) to comply with any requirements of the SEC in connection with the qualification of this Indenture under the TIA.

Section 9.2 WITH CONSENT OF THE HOLDERS

(a) The Company and the Trustee may amend this Indenture or the Securities with the written consent of the Holders of at least a majority in principal amount of the then-outstanding Securities (or without any such consent as permitted under Section 9.1). The Holders of a majority in principal of the then-outstanding Securities may also waive on behalf of all Holders any existing Default or Event of Default or compliance with any provision of this Indenture or the Securities. Nevertheless, without the consent of the Holder of each Security affected, an amendment or waiver under this Section may not (with respect to any Security held by a non-consenting Holder):

(i) reduce the aggregate principal amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the rate of or change the time for payment of interest, including default interest, on any outstanding Security;

(iii) reduce the principal of or change the fixed maturity of any Security or alter the redemption provisions or the price at which the Company shall be entitled to accept an offer for repurchase of such Security pursuant to Section 3.1;

(iv) make any Security payable in money other than that stated in the Prospectus;

(v) make any change in Section 6.4 or Section 6.7;

(vi) make any change in Article 10 that materially adversely affects the rights of any Holders, or adversely affects the holders of Senior Debt; or

(vii) waive a Default or Event of Default in the payment of principal of or interest on any Security (except a rescission of acceleration of the Securities by the Holders of at least a majority in aggregate principal amount of the then-outstanding Securities, and a waiver of any payment default resulting from such acceleration).

(b) It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

(c) Any required consent of the Holders need not be affirmative. Consent of a Holder will be presumed if a Holder does not object within 30 days of a written request for consent so long as such written request specifically states in prominent type that the consent of the Holder will be presumed if no objection is made within the applicable 30-day period.

(d) After an amendment or waiver under this Section becomes effective, the Company shall mail to the Holders of each Security affected thereby a notice briefly describing the amendment or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver. Subject to Section 6.4 and Section 6.7, the Holders of a majority in principal amount of the Securities then-outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Securities.

Section 9.3 COMPLIANCE WITH TRUST INDENTURE ACT

Every amendment to this Indenture shall be set forth in a supplemental indenture that complies with the TIA as then in effect if, at the time this Indenture is so amended, this Indenture is qualified under the TIA.

Section 9.4 EFFECT OF CONSENTS

(a) Until an amendment or waiver becomes effective, a consent to it by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. An amendment or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

(b) The Company may fix a record date for determining which Holders must consent to such amendment or waivers. If the Company fixes a record date, the record date shall be fixed at (i) the later of 30 days prior to the first solicitation of such consent or the date of the most recent list of Holders furnished to the Trustee pursuant to Section 2.5 prior to such solicitation, or (ii) such other date as the Company shall designate.

Section 9.5 NOTATION ON OR EXCHANGE OF SECURITIES

The Trustee may place an appropriate notation about an amendment or waiver on any Security, if certificated, or any Account statement. Failure to make any notation or issue a new Security shall not affect the validity and effect of such amendment or waiver.

Section 9.6 TRUSTEE TO SIGN AMENDMENTS, ETC.

The Trustee shall sign any amendment or supplemental indenture authorized pursuant to this Article 9 if, in the Trustee's reasonable discretion, the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing or refusing to sign such amendment or supplemental indenture, the Trustee shall be entitled to receive, if requested, an indemnity reasonably satisfactory to it and to receive and, subject to Section 7.1, shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel (or written advice of counsel) as conclusive evidence that such amendment or supplemental indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms. The Company may not sign an amendment or supplemental indenture until approved by the Board of Directors.

ARTICLE 10
SUBORDINATION

Section 10.1 AGREEMENT TO SUBORDINATE

(a) The Company agrees, and each Holder by accepting a Security consents and agrees, that the Indebtedness evidenced by the Securities and the payment of the principal of and interest on the Securities is subordinated in right of payment, to the extent and in the manner provided in this Article, to the prior payment in full, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, of all Obligations due in respect of Senior Debt whether outstanding on the date hereof or hereafter incurred, and that the subordination herein is for the benefit of the holders of Senior Debt.

(b) For purposes of this Article 10, a payment or distribution on account of the Securities may consist of cash, property or securities, by set-off or otherwise, and a payment or distribution on account of any of the Securities shall include, without limitation, any redemption, purchase or other acquisition of the Securities.

(c) The agreement to subordinate set forth herein includes, for all purposes under this Article, the agreement of the Company, the Guarantor and the Holders of Securities that the Obligations of the Guarantor under the Guarantee, and the Obligations of the Company and the Guarantor under the Collateral Documents, are also subordinated in right of payment, to the extent and in the manner provided in this Article, to the prior payment in full, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, of all Obligations due in respect of Senior Debt whether outstanding on the date hereof or hereafter incurred, and that the subordination herein is for the benefit of the holders of Senior Debt. This agreement to subordinate set forth herein also includes, for all purposes under this Article, the application of available cash proceeds upon an Event of Default in the manner set forth in the Intercreditor Agreement.

(d) The priorities of the liens, claims, encumbrances, security interests or other interests established, altered or specified in this Indenture are applicable irrespective of the time or order of attachment or perfection (or the lack of attachment or perfection) thereof, the method of perfection, the time or order of filing of financing statements or the taking of possession, or the giving of or failure to give notice of the acquisition or expected acquisition of purchase money or other security interests or otherwise and irrespective of any other law, decision, fact, circumstance, act or occurrence that might otherwise affect the priorities established under this Indenture. For all purposes of this Indenture, the provisions of this Article that apply to the Company and its Obligations under the Securities shall similarly apply to the Obligations of the Company and the Guarantor under the Collateral Documents and the Obligations of the Guarantor under the Guarantee.

Section 10.2 LIQUIDATION; DISSOLUTION; BANKRUPTCY

(a) Upon any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon:

(i) any dissolution or winding-up or total or partial liquidation or reorganization of the Company whether voluntary or involuntary and whether or not involving insolvency or Bankruptcy;

(ii) any Bankruptcy or insolvency case or proceeding or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Company or to its assets; or

(iii) any assignment for the benefit of creditors or any other marshaling of assets of the Company;

then, (A) all Obligations due, or to become due, in respect of Senior Debt, including without limitation both pre-petition interest, post-petition interest, and any other interest, fees and other charges payable after the commencement of any such proceeding at the rate specified in the applicable Senior Debt (regardless of whether any such interest, fees and other charges are allowable claims in any Bankruptcy proceeding), shall first indefeasibly be paid in full, or provision shall have been made for such payment, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, and (B) all related transaction documents to which the Senior Debt relates shall have been terminated in accordance with their respective terms, *before* any payment is made on account of the principal of or interest on the Securities, except that Holders may receive securities that are subordinated to at least the same extent as the Securities are to (x) Senior Debt and (y) any securities issued in exchange for Senior Debt.

Upon any such dissolution, winding-up, liquidation or reorganization, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Securities or the Trustee under this Indenture would be entitled, except for the provisions hereof, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Securities or by the Trustee under this Indenture if received by them, directly to the holders of Senior Debt (in order of priority, and when of equal priority, pro rata to such holders of equal priority on the basis of the amounts of Senior Debt held by such holders) or their representative or representatives, or to the trustee or trustees under any indenture or similar instrument or agreement pursuant to which any of such Senior Debt may have been issued, as their interests may appear, for application to the payment of Senior Debt remaining unpaid until all such Senior Debt has been indefeasibly paid in full, or provisions shall have been made for such payment, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, after giving effect to any concurrent payment, distribution or provision therefor to or for the holders of Senior Debt.

(b) For purposes of this Article 10, the words "cash, property or securities" shall not be deemed to include securities of the Company or any other corporation provided for by a plan of reorganization or readjustment which are subordinated, to at least the same extent as the Securities, to the payment of all Senior Debt then outstanding or to the payment of all securities issued in exchange therefor to the holders of Senior Debt at the time outstanding. The consolidation of the Company with, or the merger of the Company with or into, another Person or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another Person upon the terms and conditions provided in Article 5 shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section if such other Person shall, as part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article 5.

(c) The provisions of paragraphs (a) and (b) above shall not prohibit, restrict or otherwise limit the Company from entering into, sponsoring or conducting any Qualified Sales and Financing Transaction.

Section 10.3 DEFAULT ON SENIOR DEBT

(a) In the event and during the continuation of:

(i) any default (or any event which, with the passage of time or the giving of notice, or both, would constitute an event of default) in the payment of principal of (or premium, if any) or interest on any Senior Debt or any amount owing from time to time under or in respect of Senior Debt, or in the event that any nonpayment event of default with respect to any Senior Debt shall have occurred and be continuing and shall have resulted in such Senior Debt becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable; or

(ii) in the event that any other nonpayment event of default (or any event which, with the passage of time or the giving of notice, or both, would constitute a nonpayment default) with respect to any Senior Debt shall have occurred and be continuing *permitting* the holders of such Senior Debt (or a trustee on behalf of the holders thereof) to declare such Senior Debt due and payable prior to the date on which it would otherwise have become due and payable (the circumstances described in clauses (i) and (ii) above being referred to as a "Senior Debt Default");

then, in any such case, the Company shall make no payment, direct or indirect, including but not limited to any payment which may be payable by reason of the payment of any other Indebtedness of the Company being subordinated to the payment of the Securities (other than securities that are subordinated to at least the same extent as the Securities are to (x) Senior Debt and (y) any securities issued in exchange for Senior Debt), unless and until (A) such default or potential event of default specified in clause (i) above shall have been cured or such event of default shall have been waived or shall have ceased to exist or such acceleration shall have been rescinded or annulled, or (B) in case of any other nonpayment event of default specified in clause (ii) above, during the period (a "Payment Blockage Period") commencing on the date the Company and the Trustee receive written notice (a "Payment Notice") of such a nonpayment event of default (which notice shall be binding on the Trustee and the Holders as to the occurrence of such an event of default)

from a holder of the Senior Debt to which such default relates, and ending on the earlier of (I) the date, if any, on which such Senior Debt to which such default relates is discharged or such default is waived by the holders of such Senior Debt or otherwise cured and (II) the date on which the Trustee receives written notice from the holder of such Senior Debt to which such default relates terminating the Payment Blockage Period. Notwithstanding the foregoing, during any Payment Blockage Period, the Company shall make payments for rescinded subscriptions under Section 2.2(b).

(b) Subject to the provisions of Section 6.9 and Section 10.8, neither the Trustee nor the Holders may take any action to assert, demand, sue for, collect, enforce or realize upon the Securities or the related Obligations or any part thereof in any period during which the Company is not permitted to make payment on account of the Securities pursuant to this Section, unless and only to the extent that the commencement of a legal action may be required to toll the running of any applicable statute of limitations. Notwithstanding the foregoing, if, after 179 days have passed since the commencement of any Payment Blockage Period, and an Event of Default exists under this Indenture, the Trustee may bring suit to enforce all Obligations under the Indenture; provided, that the provisions of Section 10.4 and Section 10.5 are complied with.

Section 10.4 WHEN DISTRIBUTION MUST BE PAID OVER

(a) If the Trustee or any Holder receives any payment with respect to the Securities, whether in cash, property or securities (other than with securities that are subordinated to at least the same extent as the Securities are to the Senior Debt), then, if there exists and during the continuation of any Senior Debt Default, such payment shall be held by the Trustee or such Holder, in trust for the benefit of, and shall be paid forthwith over and delivered to, the holders of Senior Debt (in order of their priority, and when of equal priority, pro rata to such holders of equal priority on the basis of the amounts of Senior Debt held by such holders) for application to the payment of all Obligations with respect to Senior Debt remaining unpaid to the extent necessary to pay such Obligations in full, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of Senior Debt, in accordance with the terms of such Senior Debt, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

(b) With respect to the holders of Senior Debt, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article, and no implied covenants or obligations with respect to the holders of Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt, and shall not be liable to any such holders if the Trustee shall pay over or distribute to or on behalf of Holders or the Company or any other Person money or assets to which any holders of Senior Debt shall be entitled by virtue of this Article, except if such payment is made as a result of the willful misconduct or negligence of the Trustee.

Section 10.5 LIMITATION ON ACTION AGAINST COLLATERAL

The Trustee and each Holder by accepting a Security hereunder hereby waives the right to enforce any rights respecting the grant of collateral security effected pursuant to Article 12 (including without limitation the right to foreclose, engage in strict foreclosure, or exercise any other rights under the Collateral Documents or applicable law) until the earlier of (i) the Senior Debt Payout Date or (ii) 180 days following the date of an uncured Event of Default under this Indenture (unless such Event of Default

shall have been waived in accordance with Section 6.4 prior to the expiration of the 180-day period), or an event of default under or with respect to Obligations that are junior to Securities; provided, that if prior to the expiration of such 180-day period, the holders of Senior Debt have commenced a judicial proceeding or non-judicial action to collect or enforce any rights or claims against the Company, the Guarantor or any other direct or indirect Subsidiary or Affiliate of the Company, or foreclose on any collateral securing the Senior Debt, or a case or proceeding by or against the Company, Borrower the Guarantor or any other direct or indirect Subsidiary or Affiliate of the Company is commenced under any Bankruptcy Law or any other insolvency law, then such 180-day period shall be extended until the Senior Debt Payout Date, or the dismissal of such proceedings, whichever event comes first.

Section 10.6 NOTICE BY COMPANY

The Company shall promptly notify the Trustee and the Paying Agent in writing of any facts known to the Company that would cause a payment of any Obligations with respect to the Company to violate this Article, but failure to give such notice shall not affect the subordination of the Securities to the Senior Debt as provided in this Article.

Section 10.7 SUBROGATION

After all Senior Debt is paid in full, in cash, cash equivalents or otherwise in a manner satisfactory to the holders of such Senior Debt, and until the Securities are paid in full, Holders shall be subrogated (equally and ratably with all other Indebtedness that is Pari Passu Debt) to the rights of holders of Senior Debt to receive distributions applicable to Senior Debt to the extent that distributions otherwise payable to the Holders have been applied to the payment of Senior Debt.

Section 10.8 RELATIVE RIGHTS

(a) This Article defines the relative rights of and between the Holders and holders of Senior Debt. Nothing in this Indenture shall:

(i) impair, as between the Company and the Holders, the obligations of the Company, which are absolute and unconditional, to pay principal of and interest on the Securities in accordance with their terms;

(ii) affect the relative rights of the Holders and creditors of the Company other than their rights in relation to holders of Senior Debt; or

(iii) prevent the Trustee or any Holder from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders and owners of Senior Debt to receive distributions and payments otherwise payable to the Holders as described herein.

(b) If the Company fails because of this Article to pay principal of or interest on a Security on the due date, the failure is still a Default or Event of Default.

Section 10.9 SUBORDINATION MAY NOT BE IMPAIRED BY THE COMPANY OR HOLDERS OF SENIOR DEBT

(a) No right of any present or future holder of Senior Debt to enforce the subordination of the Indebtedness evidenced by the Securities and the Obligations related thereto shall be prejudiced or impaired by any act or failure to act by any such holder of Senior Debt or by the Company, the Trustee or any Agent or by the failure of the Company to comply with this Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

(b) Without limiting the effect of the preceding paragraph, any holder of Senior Debt may at any time and from time to time without the consent of or notice to any other holder or to the Trustee, without impairing or releasing any of the rights of any holder of Senior Debt under this Indenture, upon or without any terms or conditions and in whole or in part:

(i) change the manner, place or term of payment, or change or extend the time of payment of, renew or alter any Senior Debt or any other liability of the Company to such holder, any security therefor, or any liability incurred directly or indirectly in respect thereof, and the provisions of this Article 10 shall apply to the Senior Debt as so changed, extended, renewed or altered;

(ii) notwithstanding the provisions of Section 5.1, sell, exchange, release, surrender, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, any Senior Debt or any other liability of the Company to such holder or any other liabilities incurred directly or indirectly in respect thereof or hereof or any offset thereagainst;

(iii) exercise or refrain from exercising any rights or remedies against the Company or others or otherwise act or refrain from acting or, for any reason, fail to file, record or otherwise perfect any security interest in or lien on any property of the Company or any other Person; and

(iv) settle or compromise any Senior Debt or any other liability of the Company to such holder, or any security therefor, or any liability incurred directly or indirectly in respect thereof.

(c) All rights and interests under this Indenture of any holder of Senior Debt and all agreements and obligations of the Trustee, the Holders, and the Company under Article 6 and under this Article 10 shall remain in full force and effect irrespective of (i) any lack of validity or enforceability of any agreement or instrument relating to any Senior Debt or (ii) any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Trustee, any Holder, or the Company.

(d) Any holder of Senior Debt is hereby authorized to demand specific performance of the provisions of this Article 10, whether or not the Company shall have complied with any of the provisions of this Article 10 applicable to it, at any time when the Trustee or any Holder shall have failed to comply with any of these provisions. The Trustee and the Holders irrevocably waive any defense based on the adequacy of a remedy at law that might be asserted as a bar to such remedy of specific performance.

(e) Each Holder by accepting a Security hereby agrees that the subordination provisions contained in this Indenture are for the benefit of the holders of Senior Debt and, as such, these subordination provisions shall not impose any obligations on the holders of any Senior Debt with respect to either the transaction documents to which the Senior Debt relates or to the Senior Debt itself.

Section 10.10 LIMITATIONS ON REMEDIES IN EVENT OF DEFAULT

Notwithstanding anything to the contrary herein including in this Article 10, the Company, the Trustee, and each Holder by accepting a Security, hereby agrees that they shall not take any actions to file a petition in bankruptcy against the Company, any Subsidiary or Affiliate without the prior written consent of the holders of the Senior Debt or unless one year and one day shall have elapsed after the Senior Debt have been indefeasibly paid in full, in cash, and the related transaction documents to which the holders of Senior Debt are a party have been terminated.

Section 10.11 DISTRIBUTION OR NOTICE TO REPRESENTATIVE

(a) Whenever a distribution is to be made or a notice given to holders of Senior Debt, the distribution may be made and the notice given to their representatives.

(b) Upon any payment or distribution of assets of the Company referred to in this Article 10, the Trustee and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which bankruptcy, dissolution, winding-up, liquidation or reorganization proceedings are pending or upon any certificate of any representative of any holder of Senior Debt or of the liquidating trustee or agent or other Person making any distribution, delivered to the Trustee or to the Holders, for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Debt and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10.

Section 10.12 RIGHTS OF TRUSTEE AND PAYING AGENT

(a) Notwithstanding the provisions of this Article 10 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment or distribution by the Trustee, or the taking of any action by the Trustee, and the Trustee or Paying Agent may continue to make payments on the Securities unless it shall have received at its Corporate Trust Office at least five Business Days prior to the date of such payment written notice of facts that would cause the payment of any Obligations with respect to the Securities to violate this Article, which notice, unless specified by a holder of Senior Debt as such, shall not be deemed to be a Payment Notice. The Trustee may conclusively rely on such notice. Only the Company or a holder of Senior Debt may give the notice. Nothing in this Article 10 shall apply to amounts due to, or impair the claims of, or payments to, the Trustee under or pursuant to Section 7.7.

(b) The Trustee in its individual or any other capacity may hold Senior Debt with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

Section 10.13 AUTHORIZATION TO EFFECT SUBORDINATION

Each Holder of a Security by his, her or its acceptance thereof authorizes and directs the Trustee on behalf of such Holder to take such action as may be necessary or appropriate to effectuate, as between the holders of Senior Debt and the Holders, the subordination as provided in this Article 10, and appoints the Trustee his attorney-in-fact for any and all such purposes.

Section 10.14 APPLICABILITY TO PAYING AGENT

In case at any time any Paying Agent (other than the Trustee or the Company) shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article 10 shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article 10 in addition to or in place of the Trustee.

Section 10.15 CERTAIN ACKNOWLEDGMENTS TO AND AGREEMENTS IN FAVOR OF HOLDERS OF SENIOR DEBT

(a) Until the Senior Payout Date, the Trustee and each Holder agrees as follows:

(i) It will not challenge, avoid, subordinate or contest or directly or indirectly support any other Person in challenging, avoiding, subordinating or contesting in any judicial or other proceeding, including without limitation any Bankruptcy proceeding, the priority, attachment, validity, extent, perfection or enforceability of any Lien or other adverse claim held by any holder of Senior Debt.

(ii) It will not interfere with any state law collection or foreclosure action brought by or on behalf of any holder of Senior Debt with respect to any collateral securing Obligations owed to any such holder, including without limitation any judicial or non-judicial foreclosure action.

(iii) It will not object to or oppose a sale or other disposition of any collateral securing Obligations owed to any holder of Senior Debt, free and clear of Liens or other claims of the Holders under this Indenture, under Section 363 of the U.S. Bankruptcy Code or any other applicable law if the holders of Senior Debt have consented to such sale or disposition.

(iv) It agrees to turn over to the holders of Senior Debt any "adequate protection" of its interest in any Collateral that it receives in any case or proceeding relating to any Bankruptcy to the extent necessary to make the holders of Senior Debt whole, and agrees that it will not seek to have the automatic stay lifted with respect to any Collateral, appoint a Chapter 11 trustee under Section 1104 of the U.S. Bankruptcy Code or convert or dismiss such case or proceeding under Section 1112 of the U.S. Bankruptcy Code, in each case without the prior written consent of the holders of Senior Debt.

(v) In the event any proceeds of Collateral are received by a Holder or the Trustee for application to Obligations under this Indenture other than as expressly permitted by the terms of this Indenture, such proceeds shall be received by the Holder or Trustee, as the case may be, in trust for the benefit of the holders of Senior Debt, and the Holder or the Trustee, as the case may be, shall promptly turn over such proceeds to the holders of Senior Debt (or the trustee(s) for the Senior Debt, if any) in the same form as received, with any necessary endorsement. Upon the Senior Payout Date, any remaining proceeds of the Collateral shall be delivered to the Trustee and applied to the Obligations hereunder, except as otherwise required pursuant to applicable law. In the event any proceeds of collateral securing any Senior Debt and related Obligations are received by a Holder or the Trustee, such Person will hold such proceeds in trust for the benefit of the holders of Senior Debt and shall promptly turn over such proceeds to the holders of Senior Debt for application in accordance with the terms of the transaction documents to which such Senior Debt relates.

(b) The holders of Senior Debt have permitted the incurrence of the Obligations under this Indenture in reliance on this Agreement. Accordingly, each of the Trustee and each Holder expressly waives: (i) notice of acceptance by the holders of Senior Debt of this Agreement; (ii) notice of the existence or fact of non-payment of all or any part of any Senior Debt and related Obligations; (iii) all diligence in collection or protection of or realization upon all or any part of any collateral or any other guaranty or security and any requirement that any holder of Senior Debt protect, secure, perfect or insure any Lien or any Property (as defined below) subject thereto or exhaust any right or take any action against the obligor or any other Person or any such Property; (iv) promptness, diligence, notice of acceptance and any other notice with respect to any Senior Debt and related Obligations; and (v) to the fullest extent permitted by applicable law, and except as otherwise expressly provided hereunder for the benefit of the holders of Senior Debt, all of its rights as a secured creditor (other than the right to receive notice of the sale or other disposition of the Collateral and the right to receive, in accordance with Section 9-615 of the UCC, proceeds of such sale or other disposition, if any, remaining after the application of such proceeds to pay in full, in cash, the Senior Debt and related Obligations and the occurrence of the Senior Payout Date) in connection with any dealing in the Collateral (or other collateral) by a holder of Senior Debt. For the purposes hereof, "Property" means, with respect to any Person, all property and interests in property of such Person, whether real, personal or mixed, whether now owned or existing or hereafter acquired or arising and wheresoever located.

(c) Each of the Trustee and each Holders hereby waives, to the fullest extent permitted by applicable law, any rights it may have under applicable law to assert the doctrine of marshaling or otherwise to require a holder of Senior Debt to marshal any property of the Company, the Guarantor or any other direct or indirect Subsidiary or Affiliate of the Company for the benefit of the Trustee or any Holder and any valuation, stay or appraisement laws.

(d) The Company, Guarantor, Trustee and each Holder acknowledge and agree that (i) all SPV Collateral constitutes property of the relevant SPV Entity and/or the relevant Master Trust and, in either case, is subject to the first priority perfected security interest of the applicable holder of Senior Debt (or an agent or other intermediary on behalf of such holder) pursuant to the transaction documents to which such Senior Debt relates, (ii) none of the Company, the Guarantor, the Trustee or any Holder has any lien, claim, encumbrance, security interest or other interest in any of such SPV Collateral (it being acknowledged and agreed that the Guarantor's membership interest in GWG DLP Funding II, LLC does not constitute SPV Collateral), (iii) if an asset or other item of Property hereafter becomes included in the SPV Collateral or the Company or the Guarantor (or any other Person) otherwise transfers (or purports to transfer) any asset or other item of Property to an SPV Entity or the Master Trust, then any lien, claim, encumbrance, security interest or other interest the Company, the Guarantor, the Trustee or any Holder (or such other Person) or any Holder may have in such asset or other Property shall be automatically and irrevocably released without any further action by any Person, and (iv) if for any reason the Company, the Guarantor, the Trustee or any Holder is determined to have retained or to hold any interest in any such asset or Property, then any lien, claim, encumbrance, security interest or other interest that the

Company, the Guarantor, the Trustee or any Holder, as the case may be, may have in such asset or Property shall in all respects be junior and subordinate to the security interest of the holder of Senior Debt (or its agent, as the case may be) for the benefit of itself and the other related holders of Senior Debt that are the beneficiaries of such security interest under the transaction documents to which such Senior Debt relates.

Section 10.16 OTHER SUBORDINATION MATTERS

(a) The agreements contained in this Article 10 shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Senior Debt is rescinded or must otherwise be returned by any holder of Senior Debt upon the insolvency, bankruptcy or reorganization of the Company or otherwise, all as though such payment had not been made.

(b) The Trustee shall notify all holders of Senior Debt (of whose identity the Trustee has received reasonable advance written notice) of the existence of any Default or Event of Default under Section 6.1 promptly after a Responsible Officer of the Trustee actually becomes aware thereof; provided, that at least five Business Days prior to the notification of any holder of Senior Debt under this Section, the Trustee shall provide the Company with notice of its intent to provide such notification; provided further, that no defect in the form or delivery of the Trustee's notice to the Company shall preclude the timely notice by the Trustee to the holders of Senior Debt.

(c) The holders of Senior Debt may assign any or all of their respective rights under this Article 10 to any other Person and without the consent of any other party or Person.

ARTICLE 11
GUARANTEE

Section 11.1 GUARANTEE

(a) Subject to this Article 11, the Guarantor unconditionally guarantees to each Holder of the Securities that:

(i) the principal of and interest on the Securities will be promptly paid in full when due, whether upon maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Securities, if any, if lawful, and all other obligations of the Company to the Holders or the Trustee hereunder, will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(ii) in the case of any extension of time of or for the payment or renewal of any Securities or any such other Obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether upon stated maturity, by acceleration or otherwise.

(b) Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantor will be obligated to pay the same immediately. The Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(c) The Guarantor hereby agrees that its obligations hereunder are unconditional, irrespective of the validity, regularity or enforceability of the Securities or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Securities with respect to any provisions hereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenant that this Guarantee will not be discharged except by complete performance of the obligations contained in the Securities and this Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantor or any custodian, trustee, liquidator or other similar official acting in relation to either the Company or the Guarantor, any amount paid either to the Trustee or such Holder, then this Guarantee, to the extent theretofore discharged, will be reinstated in full force and effect.

(e) The Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any Obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. The Guarantor further agrees that, as between the Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (i) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of such obligations as provided in Article 6, such obligations (whether or not due and payable) will forthwith become due and payable by the Guarantor for the purpose of this Guarantee.

Section 11.2 LIMITATION ON GUARANTOR LIABILITY

The Guarantor, and by its acceptance of the Securities, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantor hereby irrevocably agree that the Obligations of the Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other guarantor in respect of the obligations of such other guarantor hereunder, result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent transfer or conveyance.

Section 11.3 EXECUTION AND DELIVERY OF GUARANTY

To evidence its Guarantee set forth in Section 11.1, the Guarantor hereby agrees that a notation of such Guarantee substantially in the form attached hereto as ***Exhibit C*** will be endorsed by an Officer of such Guarantor on each Security authenticated and delivered by the Trustee or the Company and that this Indenture will be executed on behalf of such Guarantor by one of its Officers. The Guarantor hereby agrees that its Guarantee set forth in Section 11.1 will remain in full force and effect notwithstanding any failure to endorse on each Security a notation of such Guarantee. If an Officer

whose signature is on this Indenture or on the Guarantee no longer holds that office at the time the Trustee authenticates the Security on which a Guarantee is endorsed, the Guarantee will be valid nevertheless. The delivery of any Security by the Trustee, after the authentication thereof hereunder, will constitute due delivery of the Guarantee set forth in this Indenture on behalf of the Guarantor.

Section 11.04 RELEASES

(a) In the event of any sale or other disposition of all or substantially all of the assets of the Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the membership interests in the Guarantor, in each case to a Person that is not (either before or after giving effect to such transactions) the Company or an Affiliate of the Company, then the Guarantor (in the event of a sale or other disposition, by way of merger, consolidation or otherwise, of all of the membership interests in the Guarantor) or the Person acquiring the property (in the event of a sale or other disposition of all or substantially all of the assets of the Guarantor) will be released and relieved of any obligations under the Guarantee and the Lien on the Collateral of such Guarantor under the Pledge and Security Agreement; provided, that the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of this Indenture, and the Guarantor ceases to be a majority-owned Subsidiary of the Company or any affiliate thereof, as a result of the sale or other disposition.

(b) Upon satisfaction and discharge of this Indenture in accordance with Article 8, the Guarantor will be released and relieved of any obligations under its Guarantee.

ARTICLE 12
COLLATERAL AND SECURITY

Section 12.1 COLLATERAL DOCUMENTS

(a) The due and punctual payment of the principal of and interest, if any, on the Securities when and as the same shall be due and payable on any Payment Date (whether upon maturity, by acceleration, repurchase, redemption or otherwise), and interest on the overdue principal of and defaulted interest (to the extent permitted by law), if any, on the Securities and performance of all other obligations of the Company and the Guarantor to the Holders of Securities or the Trustee under this Indenture and the Securities, according to the terms hereunder or thereunder, shall be secured as provided in the Collateral Documents. Each Holder of Securities, by its acceptance thereof, consents and agrees to the terms of the Collateral Documents (including without limitation the provisions respecting the foreclosure on and release of the Collateral) as the same may be in effect or may be amended from time to time in accordance with their terms and authorizes and directs the Trustee to enter into the Collateral Documents and to perform its obligations and exercise its rights thereunder in accordance therewith.

(b) The Company and the Guarantor shall do or cause to be done all such acts and things as may be necessary or proper, or as may be required by the provisions of any Collateral Document, to assure and confirm to the Trustee the security interest in the Collateral contemplated hereby, by any Collateral Document or any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of the Holders of Securities under this Indenture, according to the intent and purposes herein expressed. The Company shall take, or shall cause its Subsidiaries to take, upon request of the Trustee, any and all actions reasonably required to cause the Collateral Documents

to create and maintain, as security for the Obligations of the Company and Guarantor hereunder, a valid and enforceable perfected Lien in and on all of the Collateral, in favor of the Trustee for the benefit of the Holders of Securities under this Indenture, which security interest is superior to and prior to the rights of all third Persons and subject to no other Liens other than Permitted Liens.

(c) The Company and the Guarantor shall pledge as additional Collateral all After-Acquired Property, subject to Permitted Liens. The Company and the Guarantor shall also use all commercially reasonable efforts to ensure that any material contract or agreement relating to After-Acquired Property will not contain provisions that would impair or prevent the creation of a security interest therein or result in such contract or After-Acquired Property being excluded from the Collateral.

(d) The Company, the Guarantor and the Trustee are also party to (i) the Intercreditor Agreement, which agreement is a Collateral Document, the purpose of which is to ensure ratable and pari passu rights with respect to certain Collateral as among the Holders of the Securities and the holders of Guarantor Secured Notes, and (ii) the Pledge and Security Agreement, which agreement is a Collateral Document, the purpose of which is to effect the grant of security interests in the Collateral. The terms and conditions of the Intercreditor Agreement and the Pledge and Security Agreement are incorporated herein by this reference.

Section 12.2 RECORDING AND OPINION

(a) The Company shall furnish to the Trustee contemporaneously with the execution and delivery of this Indenture and the Collateral Documents an Opinion of Counsel stating that in the opinion of such counsel the Collateral Documents are effective to create a Lien in the collateral described therein to the extent that the Company has rights in or the power to transfer such collateral.

(b) The Company shall otherwise comply with the provisions of TIA §314(b).

Section 12.3 RELEASE OF COLLATERAL

(a) Subject to paragraphs (b), (c) and (d) below, Collateral shall automatically be released from the Lien and security interest created by the Collateral Documents at any time or from time to time in accordance with the provisions of the Collateral Documents or as provided hereby. In addition, upon the request of the Company pursuant to an Officers Certificate certifying that all conditions precedent hereunder have been met and stating whether or not such release is in connection with an asset sale by the Company or the Guarantor (at the sole cost and expense of the Company and without any recourse, representation or warranty), the Trustee shall release Collateral that is sold, conveyed or disposed of in compliance with the provisions of this Indenture; provided, that if such sale, conveyance or disposition constitutes a sale of assets, the Net Proceeds of such asset sale are applied in accordance with the applicable provisions of this Indenture. Upon receipt of such Officers Certificate, the Trustee shall, at the sole cost and expense of the Company and without recourse, representation or warranty, execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of any Collateral permitted to be released pursuant to this Indenture or the Collateral Documents.

(b) No Collateral shall be released from the Liens and security interest created by the Collateral Documents pursuant to the provisions of the Collateral Documents unless there shall have been delivered to the Trustee the Officers Certificate required by this Section.

(c) At any time when a Default or Event of Default shall have occurred and be continuing, the maturity of the Securities shall have been accelerated (whether by declaration or otherwise), and the Trustee shall have delivered a notice of acceleration to the Company, no release of Collateral pursuant to the provisions of the Collateral Documents shall be effective as against the Holders of Securities.

(d) The release of any Collateral from the terms of this Indenture and the Collateral Documents shall not be deemed to impair the security under this Indenture in contravention of the provisions hereof if and to the extent the Collateral is released pursuant to the terms hereof. To the extent applicable, the Company shall cause TIA §313(b), relating to reports, and TIA §314(d), relating to the release of property or securities from the Lien and security interest of the Collateral Documents and relating to the substitution therefor of any property or securities to be subjected to the Lien and security interest of the Collateral Documents, to be complied with. Any certificate or opinion required by TIA §314(d) may be made by an Officer of the Company except in cases where TIA §314(d) requires that such certificate or opinion be made by an independent Person, which Person shall be an independent engineer, appraiser or other expert selected or approved by the Trustee in the exercise of reasonable care.

Section 12.4 CERTIFICATES OF THE COMPANY; OPINION OF COUNSEL

The Company or the Guarantor, as applicable, shall furnish to the Trustee, prior to each proposed release of Collateral pursuant to any Collateral Document, (i) all documents required by TIA §314(d) and (ii) an Opinion of Counsel to the effect that such accompanying documents constitute all documents required by TIA §314(d). The Trustee may, to the extent permitted by Section 7.2 and Section 7.3, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents and such Opinion of Counsel.

Section 12.5 CERTIFICATES OF THE TRUSTEE

In the event that the Company or the Guarantor wishes to release Collateral in accordance with the Collateral Documents and has delivered the certificates and documents required by the Collateral Documents and Section 12.3 and Section 12.4, the Trustee shall determine whether it has received all documentation required by TIA §314(d) in connection with such release and, based on such determination and the Opinion of Counsel delivered pursuant to Section 12.4, shall deliver a certificate to the Collateral Agent setting forth such determination.

Section 12.6 AUTHORIZATION OF ACTIONS TO BE TAKEN BY THE TRUSTEE UNDER THE COLLATERAL DOCUMENTS

Subject to the provisions of Section 7.2 and Section 7.3, the Trustee may, on behalf of the Holders of Securities, take all actions it deems necessary or appropriate in order to (a) enforce any of the terms of the Collateral Documents and (b) collect and receive any and all amounts payable in respect of the Obligations of the Company or Guarantor hereunder. The Trustee shall have power to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts that may be unlawful or in violation of the Collateral Documents or this Indenture, and such suits and proceedings as the Trustee may deem expedient to preserve or protect its interests and the

interests of the Holders of Securities in the Collateral (including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Holders of Securities or of the Trustee). Notwithstanding the foregoing, the Trustee shall be entitled to seek direction from the Holders regarding those actions to be taken and a majority in principal amount of the then-outstanding Securities shall have the right to direct those actions to be taken by the Trustee, on the condition that indemnification for the Trustee's fees and expenses, in a form reasonably satisfactory to the Trustee, shall have been provided. Nevertheless, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Holders, or that may involve the Trustee in personal liability.

Section 12.7 AUTHORIZATION OF RECEIPT OF FUNDS BY THE TRUSTEE UNDER THE COLLATERAL AGREEMENT

The Trustee is authorized to receive any funds for the benefit of the Holders of Securities distributed under the Collateral Documents, and to make further distributions of such funds to the Holders of Securities according to the provisions of this Indenture.

Section 12.8 TERMINATION OF SECURITY INTEREST

Upon the payment in full of all Obligations of the Company and the Guarantor under this Indenture and the Securities, or upon legal defeasance, the Trustee shall, at the request and sole cost and expense of the Company, deliver a certificate to the Company stating that such Obligations have been paid in full, and release the Liens pursuant to this Indenture and the Collateral Documents.

ARTICLE 13
GENERAL PROVISIONS

Section 13.1 TRUST INDENTURE ACT CONTROLS

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA §318(c), the imposed duties shall control.

Section 13.2 NOTICES

(a) Any notice, instruction, direction, request or other communication by the Company, the Trustee or any other holder of Senior Debt to the others is duly given if in writing and delivered in person or mailed by first-class mail (registered or certified, return receipt requested), telex, telecopier or overnight air courier guaranteeing next day delivery, to the other's address:

If to the Company:

GWG Holdings, Inc.
220 South Sixth Street, Suite 1200
Minneapolis, MN 55402
Attention: Chief Executive Officer and Chief Financial Officer
Telecopier: (612) 746-0445

With a copy to:

Maslon Edelman Borman and Brand, LLP
3300 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402
Attention: Paul Chestovich
Telecopier: (612) 642-8305

If to the Trustee:

Bank of Utah
200 E. South Temple, Suite 210
Salt Lake City, UT 84111
Attention: GWG Holdings, Inc., Administrator
Telecopier: (801) 746-3519

If to a holder of Senior Debt, such address as such holder of Senior Debt shall have provided in writing to the Company and the Trustee.

(b) The Company, the Trustee or a holder of Senior Debt by notice to the Company and the Trustee may designate additional or different addresses for subsequent notices or communications.

(c) All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: (i) at the time delivered by hand, if personally delivered; (ii) on the date mailed if deposited in the mail, postage prepaid and certified; (iii) three Business Days after deposit in the mail, postage prepaid, first class but not certified; (iv) when receipt is acknowledged, if faxed; (v) on the next Business Day after having been sent by electronic communication to a pre-designated e-mail address; (vi) the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery; or (vii) when actually received by the recipient, if sent in some other manner not specified above.

(d) Any notice or communication to a Holder shall be mailed by certified first-class mail to his address shown on the register kept by the Registrar or sent by electronic communication to a pre-designated e-mail address. Notices mailed or sent by electronic communication as described in the preceding sentence shall be deemed to have been duly given (i) on the date mailed if deposited in the mail, postage prepaid and certified, or (ii) on the next Business Day after having been sent by electronic communication. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

(e) If a notice or communication is mailed in the manner provided in subparagraphs (c) or (d) above within the time prescribed, it is duly given, whether or not the addressee receives it.

(f) If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

Section 13.3 COMMUNICATION BY HOLDERS WITH OTHER HOLDERS

Holders may communicate, pursuant to TIA §312(b), with other Holders with respect to their rights under this Indenture or the Securities. The Trustee shall be subject to §312(b). The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA §312(c).

Section 13.4 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 13.5) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 13.5) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

Section 13.5 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA §314(a)(4)) shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion whether such covenant or condition has been complied with; and

(d) a statement whether, in the opinion of such Person, such condition or covenant has been complied with.

Section 13.6 RULES BY TRUSTEE AND AGENTS

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 13.7 NO RECOURSE AGAINST OTHERS

No director, Officer, employee, agent, manager or stockholder of the Company as such, shall have any liability for any Obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such Obligations or their creation. Each Holder by accepting a Security waives and releases all such liability.

Section 13.8 DUPLICATE ORIGINALS

The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture.

Section 13.9 GOVERNING LAW

THE INTERNAL LAW OF THE STATE OF DELAWARE SHALL GOVERN THIS INDENTURE AND THE SECURITIES, WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF.

Section 13.10 NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 13.11 SUCCESSORS

All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 13.12 SEVERABILITY

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13.13 SPECIFIC PERFORMANCE

The holders of Senior Debt shall be entitled to specific performance of those provisions of this Indenture set forth in Article 10 and Article 12, and the Trustee and each Holder by accepting a Security hereby waives any rights to contest the entitlement of any holders of Senior Debt to the same.

Section 13.14 COUNTERPART ORIGINALS

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 13.15 TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions thereof.

Section 13.16 TRUSTEE'S CAPACITY.

Bank of Utah ("BOU") is executing this Agreement solely in its capacity as Trustee and not in its individual capacity (except as expressly stated herein) and in no case shall BOU (or any entity acting as Trustee hereunder) be personally liable for or on account of any of the statements, representations, warranties, covenants or obligations stated to be those of the Trustee hereunder, all such liability, if any, being expressly waived by the parties hereto and any Person claiming by, through, or under such party; provided, however, that BOU (or any such successor trustee) shall be personally liable hereunder for its own gross negligence or willful misconduct or for its breach of its covenants, representations and warranties contained herein, to the extent covenanted or made in its individual capacity.

* * * * *

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

OBLIGOR:

GWG HOLDINGS, INC.

By: /S/ JON R. SABES
Name: **Jon R. Sabes**
Title: **CEO**

GUARANTOR:

GWG LIFE SETTLEMENTS, LLC

By: /S/ JON R. SABES
Name: **Jon R. Sabes**
Title: **CEO**

TRUSTEE:

BANK OF UTAH, not in its individual capacity but solely as Trustee

By: /S/ MICHAEL HOGGAN
Name: **Michael Hoggan**
Title: **Vice President**

EXHIBIT A

FORM OF DEBENTURE

EXHIBIT B

FORM OF SUBSCRIPTION AGREEMENT

EXHIBIT C

FORM OF GUARANTEE NOTATION

FOR VALUE RECEIVED, the Guarantor (which term includes any successor Person under the Indenture) has, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of _____, 2011 (the "Indenture") by and among GWG Holdings, Inc. (the "Company"), the Guarantor party thereto and Bank of Utah, as trustee (the "Trustee"), (i) the due and punctual payment of the principal of, premium and interest on, these Securities, whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on these Securities, if any, if lawful, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and (ii) in case of any extension of time of payment or renewal of these Securities or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

The obligations of the Guarantor to the Holders of Securities and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article 11 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

GWG LIFE SETTLEMENTS, LLC

By: _____
Name: _____
Title: _____

EXHIBIT D

FORM OF PLEDGE AND SECURITY AGREEMENT

EXHIBIT E

FORM OF INTERCREDITOR AGREEMENT

Exhibit 4.4

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "*Security Agreement*") is entered into as of October 19, 2011 by and among GWG Holdings, Inc., a Delaware corporation ("*Holdings*"), GWG Life Settlements, LLC, a Delaware limited liability company ("*GWG Life*," and referred to collectively with Holdings as the "*Entity Grantors*"), Jon R. Sabes and Steven F. Sabes (collectively, the "*Individual Grantors*," and referred to collectively with the Entity Grantors as the "*Grantors*"), and Bank of Utah in its capacity as indenture trustee under the Indenture (defined below) and collateral trustee hereunder (the "*Trustee*") for the benefit of the Holders (as defined in the Indenture).

INTRODUCTION

The Entity Grantors and the Trustee are parties to that certain Indenture of approximately even date herewith (as the same may be amended or supplemented from time to time, the "*Indenture*"). The Grantors are entering into this Security Agreement in order to secure the obligations owing in respect of Securities offered and sold under the Indenture (the "*Secured Obligations*"). The Trustee serves as indenture trustee under the Indenture and agrees to serve as collateral trustee hereunder for the benefit of the Holders of all Securities issued under the Indenture.

NOW THEREFORE, the Grantors and the Trustee hereby agree as follows:

Article 1
Definitions

1.1. Terms Defined in the Indenture. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Indenture.

1.2. Terms Defined in UCC. Terms defined in the UCC which are not otherwise defined in this Security Agreement shall have the meanings assigned to such terms in the UCC. In this regard, the following capitalized terms used in this Security Agreement shall have the meanings set forth in the UCC: Accounts, Chattel Paper, Commercial Tort Claims, Deposit Accounts, Documents, Equipment, Fixtures, General Intangibles, Goods, Instruments, Inventory, Investment Property, Letter-of-Credit Rights, Securities Account, and Supporting Obligations.

1.3. Other Definitions. As used in this Security Agreement, and in addition to the terms defined elsewhere in this Security Agreement, the following terms shall have the following meanings:

"*Collateral*" means all of the assets of the Entity Grantors, including but not limited to Accounts, Chattel Paper, Commercial Tort Claims, Deposit Accounts, Documents, Equipment, Fixtures, General Intangibles, Goods, Instruments, Inventory, Investment Property, letters of credit, Letter-of-Credit Rights, Securities Accounts, Pledged Deposits, Supporting Obligations, wherever located, in which any Entity Grantor now has or hereafter acquires any right or interest, and the proceeds (including but limited to as set forth in the definition of Equity Rights), insurance proceeds and products thereof, together with all books and records, customer lists, credit files, computer files, programs, printouts and other computer materials and records related thereto.

"*Collateral Documents*" has the meaning set forth in the Indenture.

"*Default*" means an event described in Section 6.1.

"*Equity Collateral*" shall mean all of the common stock held by Jon R. Sabes and Steven F. Sabes in Holdings, together with all rights and Equity Rights related thereto.

"*Equity Rights*" means any securities, dividends, instruments or other distributions and any other right or property which any Grantor shall become entitled to receive for any reason whatsoever with respect to, or in substitution or exchange for, any Collateral or Equity Collateral, as applicable; excluding, however, at any particular point in time, any such property that shall have already been distributed and received by an Individual Grantor on account of Equity Collateral.

"*Governmental Authority*" means any country or nation, or any state or other political subdivision thereof or any entity exercising executive, legislative or judicial, regulatory or administrative functions of or pertaining to government.

"*Material Adverse Effect*" means a material adverse effect on (a) the business, assets, operations or condition (financial or otherwise) of the Entity Grantors or (b) the validity or enforceability of this Agreement or the Indenture or the rights or remedies of the Trustee and/or the Holders thereunder.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or Governmental Authority.

"*Pledged Collateral*" means, collectively, the Collateral of the Entity Grantors and the Equity Collateral of the Individual Grantors pledged pursuant to this Security Agreement.

"*Pledged Deposits*" means all time deposits of money (other than Deposit Accounts and Instruments), whether or not evidenced by certificates, which an Entity Grantor may from time to time designate as pledged to the Trustee or to any secured party as security for any Secured Obligations, and all rights to receive interest on said deposits.

"*Pledged Securities*" means (i) the equity securities comprising the Equity Collateral owned by the Individual Grantors, and (ii) any other equity interests comprising Collateral that are owned by any Entity Grantor.

"*Receivables*" means the Accounts, Chattel Paper, Documents, Investment Property, Instruments or Pledged Deposits, and any other rights or claims to receive money which are General Intangibles or which are otherwise included as Collateral.

"*Registration Statement*" has the meaning set forth in the Indenture.

"*Securities*" has the meaning set forth in the Indenture.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

Article 2
Grant of Security Interest and Pledge

2.1. Grant by Entity Grantors. To secure the prompt and complete payment and performance of the Secured Obligations, the Entity Grantors hereby pledge, assign and grant to the Trustee, on behalf of and for the benefit of the Holders, a security interest in all of each such Entity Grantor's right, title and interest, whether now owned or hereafter acquired, in and to the Collateral.

2.2. Grant by Individual Grantors. To secure the prompt and complete payment and performance of the Secured Obligations, the Individual Grantors hereby pledge the Equity Collateral to the Trustee, on behalf of and for the benefit of the Holders.

Article 3
Representations and Warranties of Entity Grantors

The Entity Grantors jointly and severally represent and warrant to the Trustee as follows:

3.1. Title, Authorization, Validity and Enforceability. Each Entity Grantor has good and valid rights in or the power to transfer the Collateral owned by it and title to the Collateral with respect to which it has purported to grant a security interest hereunder, free and clear of all Liens except for Liens permitted under Section 5.1.4. Each Entity Grantor has full corporate or limited liability company power and authority to grant to the Trustee the security interest in the Collateral pursuant hereto. The execution and delivery by each Entity Grantor have been duly authorized by proper corporate and limited liability company proceedings, as applicable. This Security Agreement constitutes a legal, valid and binding obligation of each Entity Grantor and creates a security interest which is enforceable against such Entity Grantor in all Collateral it now owns or hereafter acquires, except as enforceability may be limited by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization or similar laws relating to or affecting the enforcement of creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law), and (iii) requirements of reasonableness, good faith and fair dealing.

3.2. No Conflicts or Violation. Neither the execution and delivery by any Entity Grantor of this Security Agreement, the creation and perfection of the security interest in the Collateral granted hereunder, nor compliance with the terms and provisions hereof, will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on such Entity Grantor, (ii) such Entity Grantor's certificate of incorporation or formation, limited liability company agreement or by-laws (or similar documents, as applicable), or (iii) the provisions of any indenture, instrument or agreement to which such Entity Grantor is a party or is subject, or by which it or its property may be bound or affected, or conflict with or constitute a default thereunder, or result in or require the creation or imposition of any Lien in or on the property of such Entity Grantor pursuant to the terms of any such indenture, instrument or agreement (other than any Lien of the Trustee on behalf of the Holders).

3.3. Offices. The Entity Grantors' mailing address and the principal location of their place of business or chief executive office is 220 South Sixth Street, Suite 1200, Minneapolis, Minnesota 55402.

3.4. Accounts and Chattel Paper. The names of the obligors, amounts owing, due dates and other information with respect to the Accounts and Chattel Paper owned by each Entity Grantor are and will be correctly stated in all books and records of such Entity Grantor relating thereto.

3.5. No Financing Statements or Security Agreements. No financing statement or security agreement describing all or any portion of the Collateral which has not lapsed or been terminated naming any Entity Grantor as debtor has been filed or is of record in any jurisdiction except financing statements (i) naming the Trustee on behalf of the Holders as the secured party and (ii) in respect of Liens permitted by the Indenture or under Section 5.1.4.

3.6. Governmental Approvals. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body required for the due execution, delivery or performance by the Entity Grantors of their respective obligations under the Indenture or any Collateral Documents remains unobtained or unfulfilled.

3.7. Compliance with Laws.

3.7.1 Each of the Entity Grantors is in material compliance with the requirements of all applicable laws, a breach of any of which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

3.7.2 No Entity Grantor has failed to obtain any licenses, permits, franchises or other governmental authorizations necessary for the ownership of its properties or the conduct of its business, which failure could reasonably be expected to have a Material Adverse Effect.

3.7.3 Each Entity Grantor has complied with all licensure requirements in each state in which it is required to be specifically registered as a purchaser, owner or servicer of life insurance policies.

3.8. No Proceedings. There is no order, judgment, decree, injunction, stipulation or consent order of or with any Governmental Authority to which any Entity Grantor is subject, and there is no action, suit, arbitration, regulatory proceeding or investigation pending, before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality, against any Entity Grantor or its direct or indirect subsidiaries that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Furthermore, there is no action, suit, arbitration, regulatory proceeding or investigation pending, before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality (A) asserting the invalidity of the Indenture or any Collateral Documents, (B) seeking to prevent the issuance of the Securities or the consummation of the transactions contemplated by the Indenture or the Registration Statement, or (C) seeking to adversely affect the federal income tax attributes of any Entity Grantor.

3.9. Investment Company Act, Etc. No Entity Grantor is an “investment company” within the meaning of the Investment Company Act of 1940; or a “holding company” or “subsidiary company” of a “holding company,” or an “affiliate” of a “holding company” or a “subsidiary company” of a “holding company,” within the meaning of the Public Utility Holding Company Act of 1935.

3.10. Accuracy of Information. All information heretofore furnished by or on behalf of any Entity Grantor in connection with the Collateral Documents, or any transaction contemplated thereby, is true and accurate in all material respects (without omission of any information necessary to prevent such information from being materially misleading).

3.11. No Material Adverse Change. Since December 31, 2010, there has been no material adverse change in the financial condition, business or operations (taken as a whole) of any Entity Grantor with respect to its ability to perform its obligations under the Indenture or any Collateral Documents.

3.12. Trade Names and Subsidiaries. Neither Entity Grantor has used any other names, trade names or assumed names for the six-year period preceding the date of this Security Agreement (other than Holdings, which prior to June 12, 2011 had existed under the name GWG Holdings, LLC). Neither Entity Grantor has any subsidiaries or owns or holds, directly or indirectly, any equity interest in any other entity, except as follows: (i) Holdings holds a direct equity interest in GWG Life, GWG Member, LLC (a Delaware limited liability company), GWG Broker Services, LLC (a Delaware limited liability company), and indirect equity interests in GWG DLP Funding II, LLC (owned by GWG Life), an associated master trust under the name of GWG DLP Master Trust II (owned by GWG DLP Funding II, LLC), and The Life Insurance Elite Fund (owned by GWG Member, LLC); and (ii) GWG Life owns a direct equity interest in GWG DLP Funding II, LLC, and an indirect equity interest in an associated master trust under the name of GWG DLP Master Trust II (owned by GWG DLP Funding II, LLC).

Article 4
Representations and Warranties of Individual Grantors

Each Individual Grantor, severally but not jointly, hereby represents and warrants to the Trustee as follows:

4.1. Title, Authorization, Validity and Enforceability. Each Individual Grantor has good and valid rights in or the power to transfer the Equity Collateral owned by it and title to the Equity Collateral with respect to which it has purported to grant a security interest hereunder, free and clear of all Liens except for Liens permitted under Section 5.1.4. This Security Agreement constitutes a legal, valid and binding obligation of each Individual Grantor and creates a security interest which is enforceable against such Individual Grantor in all Equity Collateral it now owns or hereafter acquires.

4.2. No Conflicts or Violation. Neither the execution and delivery by any Individual Grantor of this Security Agreement, the creation and perfection of the security interest in the Equity Collateral granted hereunder, nor compliance with the terms and provisions hereof, will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on such Individual Grantor, or (ii) the provisions of any indenture, instrument or agreement to which such Individual Grantor is a party or is subject, or by which such Individual Grantor or any of the Equity Collateral may be bound or affected, or conflict with or constitute a default thereunder, or result in or require the creation or imposition of any Lien in or on such Equity Collateral pursuant to the terms of any such indenture, instrument or agreement (other than any Lien of the Trustee on behalf of the Holders).

4.3. Accuracy of Information. All information heretofore furnished by or on behalf of any Individual Grantor in connection with the Collateral Documents, or any transaction contemplated thereby, is true and accurate in all material respects (without omission of any information necessary to prevent such information from being materially misleading).

Article 5
Covenants of the Grantors

From the date of this Security Agreement and thereafter until this Security Agreement is terminated, each of the Grantors agrees:

5.1. General.

5.1.1 Inspection. Each Grantor will permit the Trustee (i) to inspect the Pledged Collateral, (ii) to examine and make copies of the records of such Grantor relating to the Pledged Collateral and (iii) to discuss the Pledged Collateral and the related records of such Grantor with, and to be advised as to the same by, such Grantor's officers and employees, all at such reasonable times and intervals as the Trustee may determine, upon reasonable notice by the Trustee to such Grantor and all at such Grantor's expense.

5.1.2 Records and Reports; Notice of Default. Each Grantor shall keep and maintain complete, accurate and proper books and records with respect to the Pledged Collateral owned by such Grantor, and furnish to the Trustee, such reports relating to the Pledged Collateral as the Trustee shall from time to time reasonably request. Each Grantor will give prompt notice in writing to the Trustee of the occurrence of any Default under Section 6.1 and of any other development, financial or otherwise, which could reasonably be expected to materially and adversely affect the Pledged Collateral.

5.1.3 Financing Statements. Each Grantor hereby authorizes the Trustee to file, and if requested will execute and deliver to the Trustee, all financing statements reasonably describing the Pledged Collateral owned by such Grantor and other documents and take such other actions as may from time to time reasonably be requested by the Trustee, subject in all cases to Liens permitted under the Indenture and any Collateral Documents, or any other agreement describing the rights of the Trustee (on behalf of the Holders) relative to other creditors of some or all of the Grantors.

5.1.4 Liens. No Grantor will create, incur, or suffer to exist any Lien on the Pledged Collateral owned by such Grantor except Liens (i) permitted pursuant to the Indenture this Security Agreement and/or any intercreditor agreement, or any other agreement describing the rights of the Trustee relative to other creditors of some or all of the Grantors, and (ii) created under any debt or obligation senior in right of payment or priority or pari passu in right of payment or priority, and (iii) disclosed to Trustee promptly.

5.1.5 Disposition of Collateral Outside Ordinary Course. No Entity Grantor is authorized to sell or otherwise dispose of the Collateral outside of the ordinary course of business unless consented to by the Trustee, with the consent or at the direction of the Holders of at least a majority in principal amount of the then-outstanding Securities. No Individual Grantor is authorized to sell or otherwise dispose of the Equity Collateral outside of the ordinary course of business (unless consented to by the Trustee with such consent not to be unreasonably withheld, or unless consented to be the Trustee with the consent or at the direction of the Holders of at least a majority in principal amount of the then-outstanding Securities). In this regard, the “ordinary course of business” means any private or public resale of the Equity Collateral initiated by an Individual Grantor in an amount that does not cause the remaining Equity Collateral to represent less than 10% of the Equity Collateral held by the Individual Grantor as of the date of this Security Agreement.

5.1.6 Change in Corporate Existence, Type or Jurisdiction of Organization, Location, Name. Each Entity Grantor will: (a) preserve its existence and entity structure as in effect on the date of this Security Agreement; (b) not change its name or jurisdiction of organization; (c) not maintain its place of business (if it has only one) or its chief executive office (if it has more than one place of business) at a location other than a location specified in Section 3.3; unless, in each such case, such Entity Grantor shall have given the Trustee not less than ten days’ prior written notice of such event or occurrence and the Trustee shall have either (x) determined in good faith that such event or occurrence will not adversely affect the validity, perfection or priority of the Trustee’s security interest in the Collateral, or (y) taken such steps (with the cooperation of such Grantor to the extent necessary or advisable) as are necessary or advisable to properly maintain the validity, perfection and priority of the Trustee’s security interest in the Collateral owned by such Entity Grantor.

5.2. Certificated and Uncertificated Securities. Upon request, each Grantor will deliver to the Trustee immediately upon execution of this Security Agreement the originals of all Pledged Securities (to the extent certificated) and Instruments constituting Pledged Collateral (if any then exist). In addition, each Grantor will permit the Trustee from time to time to cause the appropriate issuers (and, if held with a securities intermediary, such securities intermediary) of uncertificated securities or other types of securities not represented by certificates which are Pledged Collateral owned by such Grantor to mark their books and records with the numbers and face amounts of all such uncertificated securities or other types of securities not represented by certificates and all replacements thereof to reflect the Lien of the Trustee granted pursuant to this Security Agreement.

5.3. No Interference. Each Grantor agrees that it will not interfere with any right, power and remedy of the Trustee provided for in this Security Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by the Trustee of any one or more of such rights, powers or remedies.

Article 6
Default and Remedies

6.1. Default. The occurrence of any one or more of the following events shall constitute a Default:

6.1.1 Any representation or warranty made by or on behalf of any Grantor under this Security Agreement shall be materially false as of the date on which made;

6.1.2 The breach by any Grantor of any of the terms or provisions of Article 8;

6.1.3 The breach by any Grantor (other than a breach which constitutes a Default under Sections 6.1.1, 6.1.2 or 6.1.4) of any of the terms or provisions of this Security Agreement which breach is not remedied or not begun to have been remedied within 30 days after the giving of written notice to such Grantor by the Trustee; or

6.1.4 The occurrence of any "Event of Default" under, and as defined in, the Indenture.

6.2. Remedies. Upon the occurrence of a Default hereunder, the Trustee may, and at the direction of the Holders of at least a majority in principal amount of the then-outstanding Securities shall, exercise any or all of the following rights and remedies (subject in all cases to any provisions, in favor of any debt that is senior in right of payment or priority, contained in the Indenture, this Security Agreement or any other Collateral Documents):

6.2.1 Those rights and remedies provided in this Security Agreement and the Indenture.

6.2.2 Those rights and remedies available to a secured party under the UCC (whether or not the UCC applies to the affected Pledged Collateral) or under any other applicable law (including without limitation any law governing the exercise of a right of setoff or bankers' lien) when a debtor is in default under a security agreement.

6.2.3 Without notice (except as specifically provided in Section 10.1 or elsewhere herein), demand or advertisement of any kind to any Grantor or any other Person, enter the premises of any Entity Grantor where any Collateral is located to collect, receive, assemble, process, appropriate, sell, lease, assign, grant an option or options to purchase or otherwise dispose of, deliver, or realize upon, the Collateral or any part thereof in one or more parcels at public or private sale or sales (which sales may be adjourned or continued from time to time with or without notice and may take place at any Grantor's premises of elsewhere), for cash, on credit or for future delivery without assumption of any credit risk, and upon such other terms as the Trustee may deem commercially reasonable.

6.2.4 Concurrently with written notice to the applicable Grantor, transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations, to exercise the voting and all other rights as a

holder with respect thereto, to collect and receive all cash dividends, interest, principal and other distributions made thereon and to otherwise act with respect to the Pledged Collateral as though the Trustee was the outright owner thereof.

The Trustee, on behalf of the Holders, may comply with any applicable state or federal law requirements in connection with a disposition of the Pledged Collateral, and such compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Pledged Collateral. The Trustee shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for the benefit of the Trustee and the Holders, the whole or any part of the Pledged Collateral so sold, free of any right of equity redemption, which equity redemption the Grantor hereby expressly releases.

Until the Trustee is able to effect a sale, lease, or other disposition of Pledged Collateral, the Trustee shall have the right to hold or use Pledged Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Pledged Collateral or its value or for any other purpose deemed appropriate by the Trustee. The Trustee may, if it so elects, seek the appointment of a receiver or keeper to take possession of Pledged Collateral and to enforce any of the Trustee's remedies (for the benefit of the Trustee and Holders), with respect to such appointment without prior notice or hearing as to such appointment.

Notwithstanding the foregoing, neither the Trustee nor any Holder shall be required to (i) make any demand upon, or pursue or exhaust any of their rights or remedies against, any Grantor, any other obligor, guarantor, pledgor or any other Person with respect to the payment of the Secured Obligations or to pursue or exhaust any of their rights or remedies with respect to any Pledged Collateral therefor or any direct or indirect guarantee thereof, (ii) marshal the Pledged Collateral or any guarantee of the Secured Obligations or to resort to the Pledged Collateral or any such guarantee in any particular order, or (iii) effect a public sale of any Pledged Collateral.

Each Grantor recognizes that the Trustee may be unable to effect a public sale of any or all the Pledged Collateral and may be compelled to resort to one or more private sales thereof in accordance with this Section 6.2. Each Grantor also acknowledges that any private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by virtue of such sale being private. The Trustee shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit any Grantor or the issuer of the Pledged Collateral to register such securities for public sale under the Securities Act of 1933, or under applicable state securities laws, even if the applicable Grantor and the issuer would agree to do so.

6.3. Grantors' Obligations Upon Default. Upon the request of the Trustee after the occurrence of a Default, each Grantor will (subject in all cases to any provisions in favor of any debt that is senior in right of payment or priority contained in the Indenture, this Security Agreement or any other Collateral Documents):

6.3.1 Assemble and make available to the Trustee the Pledged Collateral and all books and records relating thereto at any place or places specified by the Trustee;

6.3.2 Permit the Trustee, by the Trustee's representatives and agents, to enter, occupy and use any premises where all or any part of the Pledged Collateral, or the books and records relating thereto, or both, are located, to take possession of all or any part of the Pledged Collateral, or the books and records relating thereto, or both, to remove all or any part of the

Pledged Collateral, or the books and records relating thereto, or both, and to conduct sales of the Pledged Collateral, without any obligation to pay the Grantor for such use and occupancy; and/or

6.3.3 Take, or cause an issuer of Pledged Securities to take, any and all actions necessary to register or qualify the Pledged Collateral to enable the Trustee to consummate a public sale or other disposition of such Pledged Securities.

Article 7
Waivers, Amendments and Remedies

No delay or omission of the Trustee or any secured party to exercise any right or remedy granted under this Security Agreement shall impair such right or remedy or be construed to be a waiver of any Default or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude any other or further exercise thereof or the exercise of any other right or remedy. No waiver, amendment or other variation of the terms, conditions or provisions of this Security Agreement whatsoever shall be valid unless in writing signed by the Trustee and each Grantor. All rights and remedies contained in this Security Agreement or by law afforded shall be cumulative and all shall be available to the Trustee and the Holders until the Secured Obligations have been paid in full.

Article 8
Proceeds; Collection of Receivables

8.1. Collection of Receivables. Subject to any provisions of the Indenture, this Security Agreement or any other Collateral Documents, including any intercreditor agreement or other agreement describing the rights of the Trustee relative to other creditors of some or all of the Grantors, the Trustee may at any time after the occurrence and during the continuation of a Default, by giving each Grantor written notice, elect to require that any Receivables be paid directly to the Trustee for the benefit of the Holders. In such event, each Entity Grantor shall, and shall permit the Trustee to, promptly notify the account debtors or obligors under the Receivables owned by such Entity Grantor of the Trustee's interest therein and direct such account debtors or obligors to make payment of all amounts then or thereafter due under such Receivables directly to the Trustee. Upon receipt of any such notice from the Trustee, each Entity Grantor shall thereafter hold in trust for the Trustee, on behalf of the Holders, all amounts and proceeds received by it with respect to the Receivables and immediately and at all times thereafter deliver to the Trustee all such amounts and proceeds in the same form as so received, whether by cash, check, draft or otherwise, with any necessary endorsements. The Trustee shall hold and apply funds so received as provided by the terms of Sections 8.2 and 8.2.

8.2. Special Collateral Account. Subject in all cases to any provisions of the Indenture, this Security Agreement or any other Collateral Documents, including any intercreditor agreement or other agreement describing the rights of the Trustee relative to other creditors of some or all of the Grantors, after the occurrence and during the continuation of a Default, the Trustee may require all future cash proceeds of the Pledged Collateral to be deposited in a special non-interest-bearing cash collateral account with the Trustee and held there as security for the Secured Obligations. No Grantor shall have any control whatsoever over said cash collateral account. The proceeds of the Pledged Collateral shall be applied by the Trustee to payment of the Secured Obligations as provided under the Indenture.

Article 9
The Trustee

9.1. Collateral Trustee. Bank of Utah has been appointed collateral trustee for the Holders hereunder. It is expressly understood and agreed by the parties to this Security Agreement that any

authority conferred upon the Trustee hereunder is subject to the terms of the delegation of authority made by the Holders to the Trustee pursuant to the Indenture, and that the Trustee has agreed to act (and any successor Trustee shall act) as such hereunder only on the express conditions contained in the Indenture and this Article 9. Any successor Trustee appointed pursuant to the Indenture shall be entitled to all the rights, interests and benefits of the Trustee hereunder.

9.2. No Implied Duty. The Trustee will not have any fiduciary duties nor will it have responsibilities or obligations other than those expressly assumed by it in this Security Agreement and the Indenture. The Trustee will not be required to take any action that is contrary to applicable law or any provision of this Security Agreement and the Indenture.

9.3. Appointment of Agents and Advisors. The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, accountants, appraisers or other experts or advisors selected by it in good faith as it may reasonably require and will not be responsible for any misconduct or negligence on the part of any of them.

9.4. Solicitation of Instructions.

9.4.1 The Trustee may at any time solicit written confirmatory instructions, or an order of a court of competent jurisdiction, as to any action that it may be requested or required to take, or that it may propose to take, in the performance of any of its obligations under this Security Agreement or the Indenture.

9.4.2 No written direction given to the Trustee that in the sole judgment of the Trustee imposes, purports to impose or might reasonably be expected to impose upon the Trustee any obligation or liability not set forth in or arising under this Security Agreement, or the Indenture will be binding upon the Trustee unless the Trustee elects, at its sole option, to accept such direction.

9.5. Limitation of Liability. The Trustee will not be responsible or liable for any action taken or omitted to be taken by it hereunder or under the Indenture, except for its own gross negligence, bad faith or willful misconduct as determined by a court of competent jurisdiction.

9.6. Entitled to Rely. The Trustee may seek and rely upon, and shall be fully protected in relying upon, any judicial order or judgment, upon any advice, opinion or statement of legal counsel, independent consultants and other experts selected by it in good faith, and upon any certification, instruction, notice or other writing delivered to it by any of the Grantors in compliance with the provisions of this Security Agreement or the Indenture, without being required to determine the authenticity thereof or the correctness of any fact stated therein or the propriety or validity of service thereof. The Trustee may act in reliance upon any instrument comporting with the provisions of this Security Agreement or the Indenture, or any signature reasonably believed by it to be genuine and may assume that any Person purporting to give notice or receipt or advice or make any statement or execute any document in connection with the provisions hereof or the Indenture has been duly authorized to do so.

9.7. Actions by Trustee. As to any matter not expressly provided for by this Agreement, or the Indenture, the Trustee will act or refrain from acting as directed by the Holders of at least a majority in principal amount of the then-outstanding Securities, and will be fully protected if it does so, and any action taken, suffered or omitted pursuant to hereto or thereto shall be binding on the Holders.

9.8. Security or Indemnity in favor of the Trustee. The Trustee will not be required to advance or expend any funds or otherwise incur any financial liability in the performance of its duties or

the exercise of its powers or rights hereunder unless it has been provided with security or indemnity reasonably satisfactory to it against any and all liability or expense which may be incurred by it by reason of taking or continuing to take such action.

9.9. Rights of the Trustee. In the event there is any bona fide, good faith disagreement between the other parties to this Security Agreement or the Indenture resulting in adverse claims being made in connection with Pledged Collateral held by the Trustee, and the terms of this Security Agreement or the Indenture do not unambiguously mandate the action the Trustee is to take or not to take in connection therewith under the circumstances then existing, or the Trustee is in doubt as to what action it is required to take or not to take hereunder or under the Indenture, it will be entitled to refrain from taking any action (and will incur no liability for doing so) until directed otherwise in writing by a request signed by all the parties hereto entitled to give such direction or by order of a court of competent jurisdiction.

9.10. Limitations on Duty of Trustee in Respect of Collateral.

9.10.1 Beyond the exercise of reasonable care in the custody of Pledged Collateral in its possession, the Trustee will have no duty as to any Pledged Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to preservation of rights against prior parties or any other rights pertaining thereto and the Trustee will not be responsible for filing any financing or continuation statements or recording any documents or instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any Liens on the Pledged Collateral. The Trustee will be deemed to have exercised reasonable care in the custody of the Pledged Collateral in its possession if the Pledged Collateral is accorded treatment substantially equal to that which it accords its own property, and the Trustee will not be liable or responsible for any loss or diminution in the value of any of the Pledged Collateral by reason of the act or omission of any carrier, forwarding agency or other agent or bailee selected by the Trustee in good faith.

9.10.2 The Trustee will not be responsible for the existence, genuineness or value of any of the Pledged Collateral or for the validity, perfection, priority or enforceability of the Liens in any of the Pledged Collateral, whether impaired by operation of law or by reason of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes gross negligence, bad faith or willful misconduct on the part of the Trustee, for the validity or sufficiency of the Pledged Collateral or any agreement or assignment contained therein, for the validity of the title of the Grantors to the Pledged Collateral, for insuring the Pledged Collateral or for the payment of taxes, charges, assessments or Liens upon the Collateral or otherwise as to the maintenance of the Pledged Collateral. The Trustee hereby disclaims any representation or warranty to the present and future Holders concerning the perfection of the Liens granted hereunder or in the value of any of the Pledged Collateral.

Article 10
General Provisions

10.1. Notice of Disposition of Pledged Collateral; Etc. Each Grantor hereby waives notice of the time and place of any public sale or the time after which any private sale or other disposition of all or any part of the Pledged Collateral may be made. To the extent such notice may not be waived under applicable law, any notice made shall be deemed reasonable if sent to the Entity Grantors, addressed as set forth in Section 3.3, at least ten days prior to (i) the date of any such public sale or (ii) the time after which any such private sale or other disposition may be made. To the maximum extent permitted by applicable law, each Grantor waives all claims, damages, and demands against the Trustee or any secured party arising out of the repossession, retention or sale of the Pledged Collateral, except such as arise

solely out of the gross negligence or willful misconduct of the Trustee or such secured party as finally determined by a court of competent jurisdiction. To the extent it may lawfully do so, each Grantor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the Trustee or any other secured party, any valuation, stay, appraisal, extension, moratorium, redemption or similar laws and any and all rights or defenses it may have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Pledged Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Security Agreement, or otherwise. Except as otherwise specifically provided herein, each Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Security Agreement or any Pledged Collateral.

10.2. Limitation on Duties with Respect to Pledged Collateral. The Trustee shall have no obligation to clean-up or otherwise prepare the Pledged Collateral for sale. The Trustee and each secured party shall use reasonable care with respect to the Pledged Collateral in its possession or under its control. Neither the Trustee nor any secured party shall have any other duty as to any Pledged Collateral in its possession or control or in the possession or control of any agent or nominee of the Trustee or such other secured party, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

10.3. Performance of Grantor's Obligations. Without having any obligation to do so, the Trustee may perform or pay any obligation which any Grantor has agreed to perform or pay in this Security Agreement and such Grantor shall reimburse the Trustee for any reasonable amounts paid by the Trustee pursuant to this Section. Each Grantor's obligation to reimburse the Trustee pursuant to the preceding sentence shall be a Secured Obligation payable on demand.

10.4. Authorization to Take Certain Action. Each Grantor irrevocably authorizes the Trustee at any time and from time to time in the sole discretion of the Trustee and appoints the Trustee as its attorney in fact (i) to execute on behalf of such Grantor as debtor and to file financing statements necessary or desirable in the Trustee's sole discretion to perfect and to maintain the Trustee's security interest in the Collateral, (ii) to endorse and collect any future cash proceeds of the Pledged Collateral, (iii) to file a carbon, photographic or other reproduction of this Security Agreement or any financing statement with respect to the Pledged Collateral as a financing statement and to file any other financing statement or amendment of a financing statement (which does not add new collateral or add a debtor) in such offices as the Trustee in its sole discretion deems necessary or desirable to maintain the Trustee's security interest in the Collateral, (iv) to contact and enter into one or more agreements with the issuers of uncertificated securities which are Collateral owned by such Grantor and which are Securities or with financial intermediaries holding other Investment Property as may be necessary or advisable to give the Trustee Control over such Securities or other Investment Property, (v) subject to the terms hereof, to enforce payment of the Instruments, Accounts and Receivables in the name of the Trustee or such Grantor, (vi) to apply the future proceeds of any Pledged Collateral received by the Trustee to the Secured Obligations as provided in Article 8 and (vii) to discharge past-due taxes, assessments, charges, fees or Liens on the Pledged Collateral (except for such Liens as are specifically permitted hereunder or under the Indenture), and each Grantor agrees to reimburse the Trustee on demand for any reasonable payment made or any reasonable expense incurred by the Trustee in connection therewith, provided that this authorization shall not relieve any Grantor of any of its obligations under this Security Agreement or under the Indenture.

10.5. Specific Performance of Certain Covenants. Each Grantor acknowledges and agrees that a breach of any of the covenants contained in Sections 5.1.4, 5.1.5 or 6.3 or in Article 8 will cause irreparable injury to the Trustee and the Holders, that the Trustee and the Holders have no adequate remedy at law in respect of such breaches and therefore agrees, without limiting the right of the Trustee or

the Holders, to seek and obtain specific performance of other obligations of the Grantors contained in this Security Agreement, that the covenants of the Grantors contained in the Sections referred to in this Section 10.5 shall be specifically enforceable against the Grantors.

10.6. Use and Possession of Certain Premises. Upon the occurrence of a Default (but subject to any provisions of the Indenture, this Security Agreement or any other Collateral Documents, including any intercreditor agreement or other agreement describing the rights of the Trustee relative to other creditors of some or all of the Grantors), the Trustee shall be entitled to occupy and use any premises owned or leased by the Grantors where any of the Pledged Collateral or any records relating to the Pledged Collateral are located until the Secured Obligations are paid or the Pledged Collateral is removed therefrom, whichever first occurs, without any obligation to pay any Grantor for such use and occupancy.

10.7. Reinstatement. This Security Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Grantor for liquidation or reorganization, should any Grantor become insolvent or make an assignment for the benefit of any creditor or creditors, or should a receiver or trustee be appointed for all or any significant part of any Grantor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

10.8. Benefit of Agreement. The terms and provisions of this Security Agreement shall be binding upon and inure to the benefit of the Grantors, the Trustee and the Holders and their respective successors and assigns (including all persons who become bound as a debtor to this Security Agreement), except that the Grantors shall not have the right to assign their rights or delegate their obligations under this Security Agreement or any interest herein, without the prior written consent of the Trustee. No sales of participations, assignments, transfers, or other dispositions of any agreement governing the Secured Obligations or any portion thereof or interest therein shall in any manner impair the Lien granted to the Trustee, for the benefit of the Trustee and the Holders, hereunder.

10.9. Survival of Representations. All representations and warranties of the Grantors contained in this Security Agreement shall survive the execution and delivery of this Security Agreement.

10.10. Taxes and Expenses. Any taxes payable or ruled payable by a federal or state authority in respect of this Security Agreement shall be paid by the Grantors, together with interest and penalties, if any. The Grantors shall reimburse the Trustee for any and all reasonable out-of-pocket expenses and internal charges (including the fees, charges and disbursements of one U.S. counsel paid or incurred by the Trustee in connection with the collection and enforcement of this Security Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). Any and all costs and expenses incurred by the Grantors in the performance of actions required pursuant to the terms hereof shall be borne solely by the Grantors.

10.11. Headings. The title of and section headings in this Security Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Security Agreement.

10.12. Termination. This Security Agreement shall continue in effect (notwithstanding the fact that from time to time there may be no Secured Obligations outstanding) until (i) the Indenture has terminated pursuant to its express terms and (ii) all of the Secured Obligations have been indefeasibly paid in cash and performed in full.

10.13. Entire Agreement. This Security Agreement embodies the entire agreement and understanding between the Grantors and the Trustee relating to the Pledged Collateral and supersedes all prior agreements and understandings among the Grantors and the Trustee relating to such Pledged Collateral.

10.14. **Governing Law; Jurisdiction; Waiver of Jury Trial.**

10.14.1 THIS SECURITY AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF DELAWARE WITHOUT REGARD TO ITS CONFLICTS-OF-LAW PROVISIONS.

10.14.2 Each Grantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the state courts sitting in Hennepin County, Minnesota, and of the United States District Court of the District of Minnesota, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Security Agreement or the Indenture, or for recognition or enforcement of any judgment, and each Grantor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such state or, to the extent permitted by law, in such federal court. Each Grantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Security Agreement or the Indenture shall affect any right that the Trustee, the Holders may otherwise have to bring any action or proceeding relating to this Security Agreement or the Indenture against any Grantor or its properties in the courts of any jurisdiction.

10.14.3 Each Grantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Security Agreement or the Indenture in any court referred to in Section 10.14.2. Each Grantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

10.14.4 Each party to this Security Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.17 of this Security Agreement, and each of the Grantors hereby appoints Holdings as its agent for service of process. Nothing in this Security Agreement or the Indenture will affect the right of any party to this Security Agreement to serve process in any other manner permitted by law.

10.14.5 **WAIVER OF JURY TRIAL. EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR THE INDENTURE (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH GRANTOR (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER GRANTOR HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER GRANTOR WOULD NOT, IN THE EVENT OF**

LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER GRANTORS HAVE BEEN INDUCED TO ENTER INTO THIS SECURITY AGREEMENT AND THE OTHER COLLATERAL DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.15. Severability. Any provision in this Security Agreement that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of this Security Agreement are declared to be severable.

10.16. Counterparts; Delivery. This Security Agreement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Security Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Security Agreement.

10.17. Notices. Any notice required or permitted to be given under this Security Agreement shall be sent (and deemed received) in the manner and to the addresses set forth in Section 13.2 of the Indenture. Any party may change its address for service of notice upon it by a notice in writing to the other parties as described in Section 13.2 of the Indenture.

10.18. Conflicts with Indenture. In the event of any direct conflict between the provisions of this Security Agreement and the provisions of the Indenture, including without limitation any direct conflict relating to (i) the rights and remedies (or the limitations upon such rights and remedies) of the Holders upon a Default or (ii) the subordination provisions contained in the Indenture (whether in Article 10 of the Indenture or otherwise), the provisions of the Indenture shall control.

* * * * *

IN WITNESS WHEREOF, each of the Grantors and the Trustee have executed this Security Agreement as of the date first above written.

GRANTORS:

GWG HOLDINGS, INC.

By: /s/ Jon R. Sabes
Name: Jon R. Sabes
Title: CEO

GWG LIFE SETTLEMENTS, LLC

By: /s/ Jon R. Sabes
Name: Jon R. Sabes
Title: CEO

JON R. SABES

/s/ Jon R. Sabes

STEVEN F. SABES

/s/ Steven F. Sabes

TRUSTEE:

BANK OF UTAH

By: /s/ Michael Hoggan
Name: Michael Hoggan
Title: Vice President

Exhibit 4.5

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT is dated as of October 19, 2011, and entered into by and among GWG Lifenotes Trust, a Minnesota trust in its capacity as the representative of the holders of Notes (as defined below) (including its successors and assigns from time to time, the "GWG Trust"), Lord Securities Corporation, a Delaware corporation in its capacity as the trustee of the GWG Trust (including its successors and assigns from time to time, the "GWG Trustee," and together with the GWG Trust, collectively referred to herein as the "Notes Representative"), and Bank of Utah, a Utah corporation in its capacity, as applicable, as (i) collateral trustee for the Debentures (as defined below) and (ii) indenture trustee under the Indenture (as defined below) (in each case including its successors and assigns from time to time, the "Debentures Representative"). Capitalized terms used herein but not otherwise defined herein have the meanings set forth in Section 1 below.

INTRODUCTION

A. GWG Life Settlements, LLC, a Delaware limited liability company ("GWG Life"), is party to a Second Amended and Restated NISA dated as of November 15, 2010 (as amended, restated, supplemented, extended or otherwise hereafter modified from time to time, the "NISA"). The other parties to the NISA are the GWG Trust, the GWG Trustee, and the holders of promissory notes issued from to time (as lenders) pursuant to the NISA. Approximately $55.7 million in principal amount of promissory notes issued under the NISA (the "Notes") are outstanding as of the date hereof.

B. Pursuant to the terms of the NISA, GWG Life granted the Notes Representative a security interest in the Note Collateral (as defined below) to secure repayment of GWG Life's obligations under the NISA and the Notes.

C. GWG Holdings, Inc., a Delaware corporation ("GWG Holdings"), has entered into that certain Indenture dated as of the date hereof (as amended, restated, supplemented, extended or otherwise hereafter modified from time to time, the "Indenture"). The other parties to the Indenture are GWG Life, in its capacity as guarantor, and the Debentures Representative. Under the Indenture, GWG Holdings may issue up to $250 million of secured debentures (the "Debentures").

D. Pursuant to the terms of that certain Pledge and Security Agreement dated as of the date hereof (as amended, restated, supplemented, extended or otherwise hereafter modified from time to time, the "Debenture Security Agreement"), GWG Holdings and GWG Life have pledged to the Debentures Representative the Debenture Collateral (as defined below) to secure repayment of GWG Holdings' obligations under the Indenture and the Debentures.

E. The parties desire to enter into this Agreement to (i) establish the relative lien priorities, rights and remedies with respect to the Shared Collateral (as defined below) (ii) establish the relative priorities with respect to payment of the obligations owing under the NISA, and the Indenture and related Debenture Security Agreement, and (iii) appoint the Notes Representative as Collateral Agent (as defined below) for the Notes Representative (and the holders of Notes it represents) and for the Debentures Representative (in its capacity as collateral agent for the holders of the Debentures), for the purposes of the holding of the Shared Collateral for the benefit of the holders of the Notes and the Debentures, and enforcing the Liens respecting the Shared Collateral.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. Definitions.

1.1 Defined Terms. In addition to the terms defined elsewhere in this Agreement, the following capitalized terms shall have the meanings set forth below:

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common Control with such specified Person.

"Bankruptcy Code" means Title 11 of the U.S. Code.

"Bankruptcy Law" means the Bankruptcy Code and any similar federal, state or foreign law for the relief of debtors.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power or by contract or otherwise, and the terms "Controlling" and "Controlled" shall have meanings correlative thereto.

"Debenture Collateral" means any collateral subject to a Lien in favor of the Debentures Representative for the benefit of the Debenture Holders, excluding any Shared Collateral.

"Debenture Documents" means the Indenture and the other Collateral Documents (as defined in the Indenture) and each of the other agreements, documents and instruments providing for or evidencing any Debenture Obligation, and any other document or instrument executed or delivered at any time in connection with any Debenture Obligations, including any intercreditor or joinder agreement among holders of Debenture Obligations, to the extent such are effective at the relevant time, as each may be modified from time to time.

"Debenture Holders" means the holders of the Debentures, from time to time.

"Debenture Obligations" means all loans, advances, debts, liabilities and monetary obligations owing to any Debenture Holder or any of them or any of their respective successors and assigns, of any kind or nature, present or future, arising under the Debenture Documents, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest (whether or not such interest would be an allowed claim in a bankruptcy or similar proceeding against GWG Life, GWG Holdings or any of their Affiliates), charges, expenses, fees, reasonable attorneys' fees and disbursements and paralegals' fees, and any other sums chargeable to GWG Life, GWG Holdings or any of their Affiliates under any of the Debenture Documents.

"Debenture Secured Parties" means and includes, at any relevant time, the Debentures Representative in its capacity as collateral trustee for the benefit of the Debenture Holders and any successor or other party that constitutes a secured party under the Debenture Security Agreement.

"Debenture Security Agreement" has the meaning set forth in the Introduction of this Agreement.

"Debenture Security Documents" means the Collateral Documents (as defined in the Indenture) and any other agreement, document or instrument pursuant to which a Lien is granted or purported to be granted securing any Debenture Obligations or under which rights or remedies with respect to such Liens are governed.

"Debentures" has the meaning set forth in the Introduction of this Agreement.

"Debtor Parties" means GWG Life, GWG Holdings and each of their Affiliates that have executed and delivered, or may from time to time hereafter execute and deliver, a NISA Document or a Debenture Document.

"Indenture" has the meaning set forth in the Introduction of this Agreement.

"Insolvency or Liquidation Proceeding" means, with respect to any Person, any (a) insolvency, bankruptcy, receivership, reorganization, readjustment, composition or other similar proceeding relating to such Person or its property or creditors in such capacity, (b) proceeding for any liquidation, dissolution or other winding up of such Person, voluntary or involuntary, whether or not involving insolvency or proceedings under the Bankruptcy Code, whether partial or complete and whether by operation of law or otherwise, (c) assignment for the benefit of creditors of such Person or (d) other marshalling of the assets of such Person.

"Lien" means any mortgage, pledge, assignment, lien, security interest or other charge or encumbrance of any kind, including the retained security title of a conditional vendor or a lessor.

"NISA" has the meaning set forth in the preamble hereof.

"NISA Documents" means the NISA and each of the other agreements, documents and instruments providing for or evidencing any Note Obligations, and any other document or instrument executed or delivered at any time in connection with any Note Obligations, including any intercreditor or joinder agreement among holders of Note Obligations, to the extent such are effective at the relevant time, as each may be modified from time to time.

"Note Collateral" means any collateral subject to a Lien in favor of the Note Secured Parties, excluding any Shared Collateral.

"Note Obligations" means all loans, advances, debts, liabilities and monetary obligations owing to any Note Holder or any of them or any of their respective successors and assigns, of any kind or nature, present or future, arising under the NISA Documents, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest (whether or not such interest would be an allowed claim in a bankruptcy or similar proceeding against GWG Life, GWG Holdings or any of their Affiliates), charges, expenses, fees, reasonable attorneys' fees and disbursements and paralegals' fees, and any other sums chargeable to GWG Life, GWG Holdings or any of their Affiliates under any of the NISA Documents.

"Note Secured Parties" means and includes, at any relevant time, the Notes Representative and the "Secured Parties" as defined in the NISA.

"Note Security Documents" means the NISA and any other agreement, document or instrument pursuant to which a Lien is granted or purported to be granted securing any Note Obligations or under which rights or remedies with respect to such Liens are governed.

"Notes" has the meaning set forth in the Introduction of this Agreement.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government.

"Ratably" or "Ratable" means, with respect to any amount to be allocated between the Notes Representative (for the benefit of the holders of Notes) and the Debentures Representative (for the benefit of the Debenture Holders), the allocation of a portion of such amount to (a) the Notes Representative such that the ratio that the amount allocated to the Notes Representative bears to the total amount to be so allocated equals the ratio of the Note Obligations to the Total Obligations and (b) the Debentures Representative such that the ratio that the amount allocated to the Debentures Representative bears to the total amount to be so allocated equals the ratio of the Debenture Obligations to the Total Obligations.

"Representatives" means collectively, the Notes Representative and the Debentures Representative.

"Security Documents" means, collectively, the Note Security Documents and the Debenture Security Documents.

"Shared Collateral" means all real, personal and mixed property and interests owned or hereafter acquired by GWG Life, GWG Holdings or their Affiliates with respect to which a Lien is granted or purported to be granted as security for both the Note Obligations and the Debenture Obligations.

"Total Obligations" means, as of the date of determination, an amount equal to the Note Obligations plus the Debenture Obligations.

"Triggering Event" shall mean or occur upon either of the following:

(i) The Collateral Agent's receipt of written notice from the Notes Representative that (A) an Event of Default (as defined in the NISA Security Documents or the NISA) has occurred and, (B) the unpaid principal amount of the Note(s) under the NISA have been declared to be then due and payable; or

(ii) The Collateral Agent's receipt of written notice from the Debentures Representative that (A) an Event of Default (as defined in the Debenture Security Documents or Indenture) has occurred and, (B) the unpaid principal amount of the Debenture(s) under the Indenture have been declared to be then due and payable.

"Uniform Commercial Code" or "UCC" means the Uniform Commercial Code (or any similar or equivalent legislation) as in effect in any applicable jurisdiction.

1.2 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections shall be construed to refer to Sections of this Agreement, (e) any reference to any law or regulation herein shall refer to such law or regulation as amended, modified

or supplemented from time to time and (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

1.3 Joint Preparation; Construction of Indemnities and Releases. This Agreement has been reviewed and negotiated by sophisticated parties with access to legal counsel, and no rule of construction shall apply hereto or thereto which would require or allow this Agreement to be construed against any party because of its role in drafting such document. All indemnification and release-of-liability provisions of this Agreement shall be construed broadly (and not narrowly) in favor of the Persons receiving indemnification or releases of liability.

Section 2. Lien Priorities.

2.1 Relative Priorities. Notwithstanding the date, manner or order of grant, attachment or perfection of any Liens securing the Note Obligations granted on the Shared Collateral or of any Liens securing the Debenture Obligations granted on the Shared Collateral, and notwithstanding any provision of the UCC or any applicable law, or any provisions contained in the NISA Documents or the Debenture Documents, or any other circumstance whatsoever, the Notes Representative, for itself and on behalf of each of the Note Secured Parties, the Debentures Representative and, by virtue of accepting the Debentures, the holders of Debenture, hereby agree that: the Liens in and to the Shared Collateral, securing the Note Obligations and the Debenture Obligations, regardless of how acquired, whether by judgment, grant, possession, statute, operation of law, subrogation or otherwise, shall be *pari passu* in all respects and no Lien in the Shared Collateral in favor of the Notes Representative shall have priority over any Lien in the Shared Collateral in favor of the Debentures Representative. Similarly, no Lien in Shared Collateral in favor of the Debentures Representative shall have priority over any Lien in the Shared Collateral in favor of the Notes Representative. The relative priorities of the Liens of the holders and the Representatives in the Note Collateral and the Debenture Collateral, respectively, that does not constitute Shared Collateral, shall not be affected by this Agreement. The provision of *pari passu* and equal priority as between the Liens of the Notes Representative and the Debentures Representative shall not be deemed to subordinate the Liens of the Notes Representative or the Debentures Representative to any other Person.

2.2 Prohibition on Contesting Liens. Each of (i) the Debentures Representative and, by virtue of accepting the Debentures, the holders of Debentures, and (ii) the Notes Representative, for itself and on behalf of each of the Note Secured Parties, agrees that they shall not (and hereby waive any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), (A) the priority, validity or enforceability of a Lien held by or on behalf of any of the Note Secured Parties in the Shared Collateral or any of the Debenture Secured Parties in the Shared Collateral, as the case may be, or (B) the validity or enforceability of this Agreement.

2.3 Priorities Not Affected by Amendments. Subject to the terms of this Agreement, either the holders of Notes or the holders of Debentures may extend, amend, modify, supplement or restate their respective financing arrangements with GWG Life and GWG Holdings without affecting the priorities established by this Agreement. No part of the Total Obligations may be refinanced unless such new lender or holder expressly agrees to be bound by this Agreement.

Section 3. Appointment of Collateral Agent.

3.1 Appointment of Collateral Agent. Each of the Notes Representative and the Debentures Representative hereby designates the Notes Representative to act as the contractual representative for the parties hereto (the "Collateral Agent") with respect to the security provisions contained in the Security

Documents. The provisions of this Section 3 extend to the Notes Representative only in its capacity as Collateral Agent. Each of the Notes Representative and the Debentures Representative hereby authorizes the Collateral Agent to take such action on its behalf under the provisions of this Agreement and the Security Documents, and to exercise such powers and perform such duties hereunder and thereunder as are specifically delegated to it hereunder or under the Security Documents or required of the Collateral Agent by the terms hereof or thereof, together with such other powers as are reasonably incidental thereto. The Notes Representative agrees to act as the Collateral Agent upon the express terms and conditions contained herein.

3.2 Nature of Duties of the Collateral Agent. The Collateral Agent shall have no duties or responsibilities, except those expressly set forth in this Agreement or the Security Documents. The Collateral Agent shall have and may exercise such powers hereunder and under the Security Documents as are specifically delegated to the Collateral Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Neither the Collateral Agent, nor any of its directors, officers, employees, legal counsel or agents (each a "Protected Party") shall be liable to the Notes Representative, the Debentures Representative or the holders of the Notes or the Debentures, for any damages caused by any action taken or omitted by a Protected Party hereunder or under the Security Documents (including those damages caused by the sole negligence, comparative negligence or concurrent negligence of any Protected Party), unless caused solely by the gross negligence or willful misconduct of the Protected Party seeking protection under this Section 3.3. The duties of the Collateral Agent shall be mechanical and administrative in nature; and the Collateral Agent, in its capacity as such, shall not have by reason of this Agreement or the Security Documents a fiduciary relationship in respect of the Debentures Representative or the Notes Representative. Nothing in this Agreement is intended to or shall be so construed as to impose upon the Collateral Agent any duties or obligations in respect of this Agreement or the Security Documents, except as expressly set forth herein.

3.3 Lack of Reliance on the Collateral Agent. The Collateral Agent shall not (i) be responsible to the Notes Representative or the Debentures Representative for any recitals, statements, information, representations or warranties herein, in any Security Document, or in any document, certificate or other writing delivered in connection herewith or therewith or for the execution, effectiveness, genuineness, validity, enforceability, collectability, priority or sufficiency of this Agreement, the Security Documents or the financial condition of GWG Life, GWG Holdings or their Affiliates; or (ii) be required to make any inquiry concerning (A) the performance or observance by others of any of the terms, provisions or conditions of this Agreement or the Security Documents, including the content of notices, opinions, certificates and directions given under this Agreement or the Security Documents, (b) the financial condition of GWG Life, GWG Holdings or their Affiliates, or (c) the existence or possible existence of any "default" or "event of default" under the NISA Documents or Debenture Documents.

3.4 Certain Rights of the Collateral Agent. If the Collateral Agent shall request instructions from the Representatives with respect to any act or omission in connection with this Agreement or the Security Documents, then the Collateral Agent shall be entitled to refrain from taking such action unless and until the Collateral Agent shall have received written instructions from any Representative pursuant to the terms hereof; and the Collateral Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Representative shall have any right of action whatsoever against the Collateral Agent as a result of the Collateral Agent acting or refraining from acting under this Agreement or the Security Documents in accordance with the written instructions given in accordance with this Agreement, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all the Representatives. The Collateral Agent shall be fully justified in failing or refusing to take any action hereunder or under the Security Documents unless it shall first be indemnified to its satisfaction by the Representatives against any and all liability and expense which may be incurred by the

Collateral Agent by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Section 3 or any indemnity or instructions provided by any or all of the Representatives, the Collateral Agent shall not be required to take any action which, in the reasonable belief of the Collateral Agent, exposes the Collateral Agent to personal liability or which, in the reasonable belief of the Collateral Agent, is contrary to this Agreement, the Security Documents, or applicable law.

3.5 Reliance by the Collateral Agent. The Collateral Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, statement, certificate or facsimile transmission, e-mail, order or telephone message believed by it to be genuine and correct and to have been signed, sent or made by the proper Person. The Collateral Agent may consult with legal counsel, accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

3.6 The Collateral Agent in its Individual Capacity. The Notes Representative shall have the same rights and powers hereunder as the Debentures Representative and may exercise the same as though it were not performing the duties of the Collateral Agent specified herein except as expressly noted to the contrary; and the term "Representatives" or any similar term shall, unless the context clearly otherwise indicates, include the Notes Representative in its individual capacity as the trustee of the GWG Trust under the terms of the NISA and not in its capacity as the Collateral Agent.

3.7 Representatives as Owners. The Collateral Agent may deem and treat each Representative as the owner of its portion of the Total Obligations as described herein for all purposes hereof unless and until the Collateral Agent is notified of a change in Representative.

3.8 Successor Collateral Agent.

(a) The Collateral Agent may resign at any time by giving at least 30 days' prior written notice thereof to the Representatives, which resignation shall be effective upon the appointment of a successor Collateral Agent by a ratable vote of the Representatives.

(b) Upon the acceptance of any appointment as Collateral Agent hereunder by a successor Collateral Agent, such successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent, and the retiring Collateral Agent shall be discharged from its duties under this Agreement. After any retiring Collateral Agent's resignation or removal hereunder as Collateral Agent, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Collateral Agent under this Agreement.

3.9 Employment of Collateral Agent and Counsel. The Collateral Agent may execute any of its duties as the Collateral Agent hereunder or under the Security Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Representatives for the default or misconduct of any such employees, agents or attorneys in fact reasonably selected by it in good faith unless such default or misconduct is a direct result of the gross negligence or willful misconduct of the Collateral Agent in monitoring the activities of such employees, agents or attorneys-in-fact. The Collateral Agent shall be entitled to advice of independent legal counsel concerning all matters pertaining to the collateral agency hereby created and its duties hereunder or under the Security Documents.

3.10 Limitation on Liability of the Representatives and the Collateral Agent. The Representatives and the Collateral Agent shall not be deemed, as a result of the execution and delivery of this Agreement or the Security Documents, or the consummation of the transactions contemplated by this Agreement and the Security Documents, to have assumed any obligation of GWG Life, GWG Holdings

or their Affiliates with respect to the Collateral or any liability under or with respect to any of the contracts, agreements, leases, instruments or documents which are, or which may hereafter be, assigned to the Collateral Agent for the benefit of the Representatives.

Section 4. Enforcement.

4.1 Exercise of Remedies.

(a) Upon the occurrence and during the continuance of any Triggering Event, the Collateral Agent shall, upon a request from any Representative specifying the particular action(s) being requested by such Representative, and subject to the other provisions of this Agreement, commence to take, or direct the appropriate trustee or agent to take, those requested actions provided for in this Agreement or the Security Documents relating to the pursuit of remedies which the Collateral Agent deems appropriate in its reasonable judgment to realize the value and benefits of the Shared Collateral.

(b) The holders of a majority in principal amount of the then-outstanding Total Obligations may direct the time, method and place of conducting any proceeding for any remedy available to the Collateral Agent under this Agreement or the Security Documents, on the condition that indemnification for the Collateral Agent's fees and expenses, in a form reasonably satisfactory to the Collateral Agent, shall have been provided. The Collateral Agent may refuse to follow any direction that conflicts with the law or this Agreement or that may involve personal liability for the Collateral Agent.

(c) The Representatives agree that upon the occurrence of a Triggering Event, all payments made to any Representative on account of the Shared Collateral shall be shared by the Notes Representative and the Debentures Representative (for the benefit of their respective holders) in accordance with Section 4.2.

(d) Each Representative agrees: (i) to deliver to each other Representative and the Collateral Agent, as applicable, at the same time it makes delivery to GWG Life and/or GWG Holdings, a copy of any (A) notice declaring the occurrence of an event of default under its respective loan documents, (B) notice of intent to accelerate or notice of acceleration of its portion of the Total Obligations, and (ii) to deliver to each other Representative and the Collateral Agent, at the same time it makes delivery to any other Person, a copy of any notice of the commencement of any judicial proceeding and a copy of any other notice with respect to the exercise of remedies with respect to any portion of the Total Obligations. Any failure by a party hereto to furnish a copy under this clause (c) shall not limit or affect the rights and obligations hereunder.

(e) Nothing in this Section 4.1 shall impair the right of any Representative to exercise its rights of set-off, offset or netting, if any (except, with respect to any item of Shared Collateral or the proceeds therefrom), with no obligation to any other Representative.

4.2 Proceeds.

(a) The Representatives hereby agree between themselves that (i) prior to the occurrence of a Triggering Event, each Representative shall be entitled to receive and retain for its holders' accounts, and shall never be required to disgorge to the Collateral Agent or any other Representative (or their respective holders), scheduled payments or voluntary prepayments, payments for the redemption or purchase of principal, interest, fees and premium, if any,

settlement payments and any other payments due under the respective loan documents, all in compliance with the terms thereof, and (ii) upon the occurrence and during the continuance of a Triggering Event, all such amounts received on account of any Shared Collateral by any Representative or the Collateral Agent shall constitute proceeds of such Shared Collateral (the "Proceeds"), shall be turned over to the Collateral Agent, and shall be shared by the Representatives (for the benefit of their holders), Ratably, and in accordance with Section 4.2(b) below.

(b) All Proceeds received by the Collateral Agent after the occurrence of a Triggering Event shall be applied in accordance with this Section 4.2. To the extent any Representative ever receives any portion of such Proceeds in excess of its Ratable share (or to the extent the Collateral Agent receives reimbursement in excess of expenses actually incurred), the party receiving those excess Proceeds agrees to promptly make all necessary transfers so as to give full effect to this Section 4.2. All Proceeds received by the Collateral Agent after the occurrence of a Triggering Event shall be applied in the following order:

First, to reimburse the Collateral Agent for expenses incurred in the exercise of rights and remedies under this Agreement;

Second, Ratably to the Notes Representative and Debentures Representative until the Total Obligations are fully satisfied; and

Third, to the extent that any Proceeds remain, to GWG Life and/or GWG Holdings.

4.3 Notice of Amount of Indebtedness. Upon receipt of any Proceeds to be distributed pursuant to Section 4.2, the Collateral Agent shall give the Representatives notice thereof, and each Representative shall, within three Business Days, notify the Collateral Agent of the amount of the Total Obligations owing to it. Such notification shall state the amount of the Total Obligations owing to it and how much is then due and owing. If requested by the Collateral Agent, each Representative shall demonstrate that the amounts set forth in its notice are actually owing to such Representative (for the benefit of its holders) to the reasonable satisfaction of the Collateral Agent. Notwithstanding the foregoing, the Collateral Agent may conclusively rely on information in such notices without any investigation. In the event that any Representative fails to timely notify the Collateral Agent of the amount of the Total Obligations owed to it, the Collateral Agent shall distribute such Proceeds on any basis deemed reasonable by it and not in bad faith.

4.4 Cooperation. The Representatives agree that, so long as any Note Obligations and Debenture Obligations are outstanding, they shall not be entitled to commence, or join with any Person in commencing, any enforcement, collection, involuntary petition, execution, levy or foreclosure action or proceeding (including, without limitation, any Insolvency or Liquidation Proceeding), except in conjunction with the Collateral Agent in the exercise of remedies under this Agreement.

4.5 Permitted Actions. The Notes Representative, for itself and on behalf of each of the Notes Secured Parties, the Debentures Representative, and, by virtue of accepting the Debentures, the Debenture holders agree that the Notes Representative and the Debentures Representative may make such demands or file such claims in respect of the Notes Obligations or the Debentures Obligations, as applicable, as are necessary to prevent the waiver or bar of such claims under applicable statutes of limitations or other statutes, court orders, or rules of procedure at any time.

4.6 Sharing of Information and Access. In the event that the Notes Representative or Debentures Representative shall, in the exercise of its rights under the NISA Documents or the Debenture

Documents, as applicable, or otherwise, receive possession or control of any books and records related to the Shared Collateral, such Representative shall, upon request of the other Representative or the Collateral Agent, either make such books and records available to the requesting party for inspection and duplication or provide to such requesting party copies thereof.

4.7 Insurance. Proceeds of shared Collateral include insurance proceeds and, therefore, this Agreement shall govern the ultimate disposition of casualty insurance proceeds (whether or not a Triggering Event has occurred). The Collateral Agent shall be named as additional insured or loss payee, as applicable, with respect to all insurance policies relating to the Shared Collateral. The Collateral Agent shall have the sole and exclusive right, to adjust settlement of insurance claims in the event of any covered loss, theft or destruction of Shared Collateral. All proceeds of such insurance shall be remitted to the Collateral Agent, and each Representative shall cooperate in a reasonable manner in effecting the payment of insurance proceeds in accordance with Section 4.2.

Section 5. Insolvency or Liquidation Proceedings.

5.1 Relief From Stay. Until the discharge of the Notes Obligations has occurred, the Debentures Representative, and, by virtue of accepting the Debentures, the Debenture holders, agree not to seek relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceedings in respect of any portion of the Shared Collateral without the Notes Representative's (for itself and on behalf of each of the Notes Secured Parties) express written consent. Until the discharge of the Debentures Obligations has occurred, the Notes Representative and the holders of Notes agree not to seek relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceedings in respect of any portion of the Shared Collateral without the Debentures Representative's (for itself and on behalf of each of the Debenture Secured Parties) express written consent.

5.2 No Contest.

(a) The Debentures Representative, on behalf of itself and the Debenture Secured Parties, agrees that prior to the discharge of the Note Obligations, none of them shall contest (or support any other Person contesting) any (i) request by the Notes Representative or any Notes Secured Party for adequate protection of its interest in the Shared Collateral, or (ii) objection by the Notes Representative or any Notes Secured Party to any motion, relief, action or proceeding based on a claim by the Notes Representative or any Notes Secured Party that its interest in the Shared Collateral is not adequately protected (or any other similar request under any law applicable to an Insolvency or Liquidation Proceeding), so long as any Liens granted to the Notes Representative as adequate protection of its interests are subject to this Agreement.

(b) The Notes Representative, on behalf of itself and the Notes Secured Parties, agrees that prior to the discharge of the Debenture Obligations, none of them shall contest (or support any other Person contesting), any (i) request by the Debentures Representative or any Debenture Secured Party, for adequate protection of its interest in the Shared Collateral, or (ii) objection by the Debentures Representative or any Debenture Secured Party to any motion, relief, action or proceeding based on a claim by the Debentures Representative or any Debenture Secured Party that its interest in the Shared Collateral is not adequately protected (or any other similar request under any law applicable to an Insolvency or Liquidation Proceeding), so long as any Liens granted to the Debentures Representative as adequate protection of its interests are subject to this Agreement.

5.3 Asset Sales. The Representatives agree, for themselves and on behalf of their respective secured parties, that neither will oppose any sale of Shared Collateral consented to by the Collateral

Agent pursuant to Section 363(f) of the Bankruptcy Code (or any similar provision under the law applicable to any Insolvency or Liquidation Proceeding) so long as the proceeds of such sale are applied in accordance with this Agreement. If the sale of such collateral consists of Shared Collateral, and/or Note Collateral or Debenture Collateral, and the Representatives are unable to agree with the Collateral Agent as to the allocation of the purchase price between the Shared Collateral, the Note Collateral and/or the Debenture Collateral, then any of the parties may apply to the court in such Insolvency or Liquidation Proceeding to make a determination of the allocation of such purchase price, and the court's determination shall be binding upon the parties.

Section 6. Reliance; Waivers; Etc.

6.1 Reliance. Other than any reliance on the terms of this Agreement, the Notes Representative hereby acknowledges, on behalf of itself and the holders of Notes and Notes Secured Parties, that it and such holders of Notes and Notes Secured Parties have, independently and without reliance on the Debentures Representative or any holder of Debentures or Debenture Secured Party, and based on documents and information deemed by them appropriate, made their own credit analyses and decisions to enter into and be bound by the terms of this Agreement; and they will continue to make their own credit decision in taking or not taking any action under the NISA or this Agreement. On their part, by virtue of accepting the Debentures, the holders of Debentures and the Debentures Representative hereby agree that they have, independently and without reliance on the Notes Representative, the holders of Notes or any Notes Secured Party, and based on documents and information deemed by them appropriate, made their own credit analyses and decision to enter into and be bound by the terms of this Agreement; and they will continue to make their own credit decision in taking or not taking any action under the Debenture Documents or this Agreement.

6.2 No Warranties or Liability. The Notes Representative hereby acknowledges and agrees, on behalf of itself and the Notes Secured Parties, that each of the Debentures Representative and the Debenture Secured Parties have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the Debenture Documents, the ownership of any Debenture or Shared Collateral, the perfection or priority of any Liens thereon or the enforceability of any waivers granted herein. The Debentures Representative and the holders of Debentures will be entitled to manage and supervise their respective securities under the Debenture Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate. The Debentures Representative and, by virtue of accepting the Debentures, the holders of Debentures, hereby acknowledge and agree that the Notes Representative and the Notes Secured Parties have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectibility or enforceability of any of the NISA Documents, the ownership of any Notes or Shared Collateral or the perfection or priority of any Liens thereon. The Notes Secured Parties will be entitled to manage and supervise their respective securities under their respective NISA Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate. The Debentures Representative and the Debenture Secured Parties shall have no duty to the Notes Representative or any of the Notes Secured Parties, and the Notes Representative and the Notes Secured Parties shall have no duty to the Debentures Representative or any of the Debenture Secured Parties, to act or refrain from acting in a manner which allows, or results in, the occurrence or continuance of an event of default or default under any agreements with GWG Life, GWG Holdings or their Affiliates (including the NISA Documents and the Debenture Documents), regardless of any knowledge thereof which they may have or be charged with.

6.3 No Waiver of Lien Priorities. No right of the Collateral Agent to enforce any provision of this Agreement or any Security Agreement shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Debtor Party or by any act or failure to act by the Collateral Agent,

or by any noncompliance by any Person with the terms, provisions and covenants of this Agreement, any of the NISA Documents or any of the Debenture Documents, regardless of any knowledge thereof with which the Collateral Agent may have or be otherwise charged.

6.4 Obligations Unconditional. All rights, interests, agreements and obligations of the Notes Representative and the Notes Secured Parties, and the Debentures Representative and the Debenture Secured Parties, respectively, hereunder shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of any NISA Documents or any Debenture Documents or the perfection of any liens thereunder;

(b) except as otherwise set forth in this Agreement, any change in the time, manner or place of payment of, or in any other terms of, all or any of the Note Obligations or Debenture Obligations, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of any NISA Document or any Debenture Document;

(c) any exchange of any security interest in any Collateral or any other collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Note Obligations or Debenture Obligations or any guarantee thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of any Debtor Party; or

(e) any other circumstances which otherwise might constitute a defense (other than payment in full of the relevant obligation) available to, or a discharge of, any Debtor Party in respect of the Note Obligations or Debenture Obligations.

Section 7. Right to Payment.

GWG Holdings and GWG Life shall be entitled to use proceeds from life insurance policies and other property of such entities, including but not limited proceeds from "Conveyed Property," "Collections" and "Collateral" as such terms are defined in the NISA, to satisfy obligations under the Debentures or otherwise as set forth in the "Use of Proceeds" section of the prospectus relating to the Debentures (either directly or indirectly through distribution or dividend by GWG Life to GWG Holdings for such ultimate purpose). This right shall apply to, and permit GWG Holdings to make (and permit GWG Life to make corresponding distributions or dividends to GWG Holdings so that GWG Holdings may make) payments from, proceeds from life insurance policies and all other property, including proceeds from "Conveyed Property," "Collections" and "Collateral" regardless of whether or not such proceeds are initially placed in the "LifeNotes Account" as that term is defined in the NISA. To the extent necessary, this covenant shall be deemed an amendment to any applicable provisions of Article V of the NISA.

Section 8. General Provisions.

8.1 Conflicts. In the event of any direct conflict between the provisions of this Agreement and the provisions of the NISA Documents or the Debenture Documents, the provisions of this Agreement shall govern and control.

8.2 Effectiveness; Continuing Nature of this Agreement; Severability. This Agreement shall become effective when executed and delivered by the parties hereto. This is a continuing agreement and the Representatives may continue to extend credit and other financial accommodations and lend monies to or for the benefit of any Debtor Party in reliance hereon. The terms of this Agreement shall survive, and shall continue in full force and effect, in any Insolvency or Liquidation Proceeding. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. All references to any Debtor Party shall include any such Debtor Party as debtor and debtor in possession, and any receiver or trustee for any Debtor Party (as the case may be) in any Insolvency or Liquidation Proceeding.

8.3 Amendments; Waivers. No amendment, modification or waiver of any of the provisions of this Agreement by the Notes Representative or the Debentures Representative shall be deemed to be made unless the same shall be in writing signed on behalf of each party hereto or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. Notwithstanding the foregoing, no Debtor Party shall have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent such Debtor Party's property or rights are directly and adversely affected.

8.4 Financial Information Concerning GWG Holdings, GWG Life and Subsidiaries. Each of the Representatives (on behalf of their holders and secured parties) acknowledge that they shall be responsible for keeping themselves informed of (a) the financial condition of GWG Life, GWG Holdings and their Affiliates and all endorsers and/or guarantors of their respective outstanding portion of the Total Obligations, and (b) all other circumstances bearing upon the risk of nonpayment of their respective portion of the Total Obligations. Neither Representative, nor their respective secured parties have any duty to advise the other Representative (or its secured parties) of information known to it or them regarding such condition or any such circumstances or otherwise.

8.5 SUBMISSION TO JURISDICTION; WAIVERS.

(a) ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST ANY PARTY ARISING OUT OF OR RELATING HERETO MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF MINNEAPOLIS, MINNESOTA. BY EXECUTING AND DELIVERING THIS AGREEMENT, EACH PARTY HERETO IRREVOCABLY (A) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS; (B) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS; (C) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE APPLICABLE PARTY AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SECTION 8.7; AND (D) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (C) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER THE APPLICABLE PARTY IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT.

(b) **EACH OF THE PARTIES HERETO AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY**

BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER HEREOF, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 8.5(b) AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

8.6 Notices. All notices to the holders of Notes, Note Secured Parties, the holders of Debentures or the Debenture Secured Parties permitted or required under this Agreement shall also be sent to the Notes Representative and the Debentures Representative, respectively. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, faxed, electronically mailed or sent by courier service or U.S. mail and shall be deemed to have been given when delivered in person or by courier service and upon receipt of electronic mail, facsimile or U.S. mail (registered or certified, with postage prepaid and properly addressed). For the purposes hereof, the addresses of the parties hereto shall be as set forth below each party's name on the signature pages hereto, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

8.7 Further Assurances. The Notes Representative, on behalf of itself and the Notes Secured Parties, and the Debentures Representative, agree that each of them shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the Collateral Agent, Notes Representative or the Debentures Representative may reasonably request to effectuate the terms of and the lien priorities contemplated by this Agreement.

8.8 APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO CONFLICTS-OF-LAW PRINCIPLES.

8.9 Binding on Successors and Assigns. This Agreement shall be binding upon the Notes Representative, the Notes Secured Parties, the holders of Notes the Debentures Representative, the Debenture Secured Parties, the holders of Debentures, and their respective successors and assigns. If either of the Notes Representative or the Debentures Representative resigns or is replaced pursuant to the NISA or the Indenture, as applicable, its successor shall be deemed to be a party to this Agreement and shall have all of the rights of and be subject to all of the obligations of this Agreement.

8.10 Specific Performance. The Representatives may demand specific performance of this Agreement and each representative irrevocably waives any defense based on the adequacy of a remedy at law and any other defense which might be asserted to bar the remedy of specific performance in any action which may be brought by any Representative.

8.11 Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

8.12 Counterparts; Delivery. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement or any document or instrument delivered in connection herewith by facsimile or .pdf shall be effective as delivery of a manually executed counterpart of this Agreement or such other document or instrument, as applicable.

8.13 Authorization. By its signature, each Person executing this Agreement on behalf of a party represents and warrants to the other parties that it is duly authorized to execute this Agreement.

8.14 No Third-Party Beneficiaries. This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and their respective successors and assigns, and shall inure to the benefit of each of the Notes Secured Parties, the holders of Notes, the Debenture Secured Parties, and the holders of Debentures. No other Person shall have or be entitled to assert rights or benefits hereunder.

8.15 Provisions Solely to Define Relative Rights. The provisions of this Agreement are, and are intended solely, for the purpose of defining the relative rights of the Notes Secured Parties and holders of Notes on the one hand and the Debenture Secured Parties and holders of Debentures on the other hand. No Debtor Party or any creditor thereof shall have any rights hereunder. Nothing in this Agreement is intended to or shall impair the obligations of any Debtor Party, which are absolute and unconditional, to pay the Note Obligations and the Debenture Obligations as and when the same shall become due and payable in accordance with their terms.

8.16 Termination. This Agreement shall terminate and be of no further force and effect upon the payment in full of either the Note Obligations or the Debenture Obligations (in a manner which is not in contravention of the terms of this Agreement).

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Intercreditor Agreement as of the date first written above.

NOTES REPRESENTATIVE:

GWG LIFENOTES TRUST,
as Notes Representative

By: Lord Securities Corporation
Its: Trustee

By: /s/ Michael R. Newell
Name: Michael R. Newell
Title: Vice President
48 Wall Street, 27th Floor
New York, NY 10005
Attention: GWG Lifenotes Trust Program Manager
Fax: (212) 346-9012
Telephone: (212) 346-9000

DEBENTURES REPRESENTATIVE:

BANK OF UTAH,
as Debentures Representative,

By: /s/ Michael Hoggan
Name: Michael Hoggan
Title: Vice President
200 E. South Temple
Suite 210
Attention: Corporate Trust Services
Fax: (801) 746-3519
Telephone: (801) 924-3690

COLLATERAL AGENT:

GWG LIFENOTES TRUST,
as Collateral Agent

By: Lord Securities Corporation
Its: Trustee

By: /s/ Michael R. Newell
Name: Michael R. Newell
Title: Vice President
48 Wall Street, 27th Floor
New York, NY 10005
Attention: GWG Lifenotes Trust Program Manager
Fax: (212) 346-9012
Telephone: (212) 346-9000

Exhibit 5.1

October 19, 2011

GWG Holdings, Inc.
220 South Sixth Street, Suite 1200
Minneapolis, Minnesota 55402

Re: Registration Statement on Form S-1; Renewable Secured Debentures

Ladies and Gentlemen:

We have acted as counsel to GWG Holdings, Inc., a Delaware corporation (the "**Company**"), in connection with the Company's filing with the Securities and Exchange Commission (the "**Commission**") of a registration statement on Form S-1 (Registration Number 333-174887) (as amended, the "**Registration Statement**") under the Securities Act of 1933, as amended (the "**Securities Act**"), relating to the offer and sale of debt securities of the Company.

You have provided us with a draft of the Registration Statement in the form in which it will be filed, which includes the prospectus (the "**Prospectus**"). The Prospectus provides that it will be supplemented in the future by one or more supplements to the Prospectus (each, a "**Prospectus Supplement**"). The Prospectus, as supplemented by various Prospectus Supplements, will provide for the registration by the Company of the offer and sale of up to $250,000,000 aggregate principal amount of Renewable Secured Debentures (the "**Debt Securities**") issued pursuant to an indenture by and between the Company and Bank of Utah as trustee (the "**Trustee**") in the form filed as Exhibit 4.1 to the Registration Statement, as such indenture may be amended or supplemented from time to time (the "**Indenture**").

For the purposes of this opinion, we have assumed that such proceedings to be taken in the future will be timely completed in the manner presently proposed and that the terms of each issuance will otherwise be in compliance with law. As counsel to the Company, we have examined such matters of fact and questions of law as we have considered appropriate for purposes of this letter. With your consent, we have relied upon the foregoing and upon certificates and other assurances of officers of the Company and others as to factual matters without having independently verified such factual matters.

We are opining herein as to the effect on the subject transaction only of the General Corporation Law of the State of Delaware and we express no opinion with respect to the applicability thereto, or the effect thereon, of the laws of any other jurisdiction or, in the case of Delaware, any other laws, or as to any matters of municipal law or the laws of any local agencies within any state.

Subject to the foregoing and the other matters set forth herein, it is our opinion that as of the date hereof, when (i) the Indenture has been executed and delivered by the Company and the Trustee and (ii) the Registration Statement has been declared effective and the Indenture qualified under the Trust Indenture Act of 1939, and assuming that (a) the terms of the Debt Securities as executed and delivered are as described in the Registration Statement, the Prospectus and the related Prospectus Supplement(s), and (b)

the Debt Securities are then issued and sold as contemplated in the Registration Statement, the Prospectus and the related Prospectus Supplement(s), then the Debt Securities will constitute legally issued, valid and binding obligations of the Company.

Our opinions are subject to: (i) the effect of bankruptcy, insolvency, reorganization, preference, fraudulent transfer, moratorium or other similar laws relating to or affecting the rights and remedies of creditors; (ii) the effects of general principles of equity, whether enforcement is considered in a proceeding in equity or at law (including the possible unavailability of specific performance or injunctive relief), concepts of materiality, reasonableness, good faith and fair dealing, and the discretion of the court before which a proceeding is brought; and (iii) the invalidity under certain circumstances under law or court decisions of provisions for the indemnification of or contribution to a party with respect to a liability where such indemnification or contribution is contrary to public policy. Furthermore, we express no opinion with respect to: (a) consents to, or restrictions upon, governing law, jurisdiction, venue, arbitration, remedies or judicial relief; (b) advance waivers of claims, defenses, rights granted by law, or notice, opportunity for hearing, evidentiary requirements, statutes of limitation, trial by jury or at law, or other procedural rights under applicable law, principles of equity or under the Indenture; (c) waivers of broadly or vaguely stated rights; (d) provisions for exclusivity, election or cumulation of rights or remedies; (e) provisions authorizing or validating conclusive or discretionary determinations; (f) grants of setoff rights; (g) provisions to the effect that a guarantor is liable as a primary obligor, and not as a surety; (h) provisions for the payment of attorneys' fees where such payment is contrary to law or public policy; (i) proxies, powers and trusts; (j) provisions prohibiting, restricting, or requiring consent to assignment or transfer of any right or property; (k) provisions for liquidated damages, default interest, late charges, monetary penalties, make-whole premiums or other economic remedies to the extent such provisions are deemed to constitute a penalty; and (l) the severability, if invalid, of provisions to the foregoing effect.

In addition, we express no opinion with respect to (i) whether acceleration of the Debt Securities may affect the collectibility of that portion of the stated principal amount thereof that might be determined to constitute unearned interest thereon, (ii) compliance with laws relating to permissible rates of interest, (iii) the creation, validity, perfection or priority of any security interest, mortgage, or lien, or (iv) any provision to the extent it requires any party to indemnify any other person against loss in obtaining the currency due following a court judgment in another currency.

With your consent, we have assumed for purposes of this opinion that: (i) each of the parties to the Indenture and the Debt Securities (as applicable) other than the Company and its subsidiaries (a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (b) has the requisite power and authority to execute and deliver and to perform its obligations under the Indenture and the Debt Securities; and (c) has duly authorized, executed and delivered the Indenture and each such Debt Security; (ii) that the Indenture and the Debt Securities will have been duly authorized, executed and delivered by, and constitute legally valid and binding obligations of, the parties thereto and will be, other than as to the Company and its subsidiaries enforceable against it in accordance with their respective terms; and (iii) that the status of the Indenture and the Debt Securities as legally valid and binding obligations of the respective parties thereto will not be affected by any (a) breaches of, or defaults under, agreements or instruments, (b) violations of statutes, rules, regulations or court or governmental orders, or (c) failures to obtain required consents, approvals or authorizations from, or make required registrations, declarations or filings with, governmental authorities.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name in the Prospectus forming a part of the Registration Statement under the caption “Legal Matters.” In giving this consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act and the rules and regulations thereunder.

Very truly yours,

/s/ Maslon Edelman Borman & Brand, LLP

MASLON EDELMAN BORMAN & BRAND, LLP

Exhibit 10.8

GWG HOLDINGS, INC.
220 South Sixth Street
Suite 1200
Minneapolis, Minnesota 55402

August 19, 2011 (original)
October 14, 2011 (amended)

ARQUE CAPITAL, LTD.
7501 East McCormick Parkway
Suite 111 North Court
Scottsdale, Arizona 85258

RE: Managing Broker-Dealer Agreement

Ladies and Gentlemen:

This letter confirms and comprises the agreement (the "Agreement") between GWG Holdings, Inc., a Delaware corporation (the "Company"), and Arque Capital, Ltd., a California corporation (the "Managing Broker-Dealer"), regarding (i) the offering and sale (the "Offering") of up to $250,000,000 of secured debentures (the "Debentures") of the Company to be sold pursuant to that certain Registration Statement on Form S-1 of the Company, initially filed with the United States Securities and Exchange Commission (the "SEC") on June 14, 2011 (File No. 333-174887), as the same is later declared effective by the SEC and as it may be amended and supplemented from time to time after its initial effectiveness (the "Registration Statement"). The prospectus that forms a part of the Registration Statement is hereinafter referred to as the "Prospectus." References to the Registration Statement include all exhibits to the Registration Statements and any documents incorporated into the Registration Statement by reference.

Capitalized terms used herein and not otherwise defined herein shall have the same meaning as described in the Registration Statement.

1. Appointment of Managing Broker-Dealer.

1.1 On the basis of the representations and warranties and covenants herein contained, and subject to the terms and conditions set forth herein and in the Prospectus, the Company hereby appoints the Managing Broker-Dealer as its agent for purposes of offering and selling the Debentures upon the terms and conditions set forth herein, including without limitation compliance and conformity with Accepted Debenture Practices; and the Managing Broker-Dealer hereby accepts such appointment and agrees to use its best efforts as such agent to offer and sell the Debentures to Investors until the later of the termination of the Offering or the sale of all of the Debentures, or until the termination of this Agreement, if earlier. In connection with the offer and sale of Debentures under this Agreement, the Managing Broker-Dealer will carry out the duties provided for herein and as described in the Prospectus as being carried out by the Managing Broker-Dealer. The Managing Broker-Dealer is exclusively authorized to enlist other members of the Financial Industry Regulatory Authority, Inc. ("FINRA") and other authorized agents appointed by the Managing Broker-Dealer (collectively, the "Selling Group Members") to offer and sell Debentures, subject to Section 4.1.

1.2 It is understood that no sale of a Debenture shall be regarded as effective unless and until the Company shall have accepted a subscription for such Debenture in the manner prescribed under the Indenture. The Company reserves the right in its sole discretion to accept or reject any subscription for Debentures as described in the Indenture. Debentures will be offered during a period commencing on the effectiveness of the Registration Statement, and continuing thereafter until the earlier of (i) the date that $250,000,000 in Debentures shall have been sold or (ii) the date on which the Company, in its sole and absolute discretion, terminates the Offering (the "Offering Termination Date").

1.3 During the term of this Agreement, neither the Managing Broker-Dealer nor any of its affiliates, officers, directors or owners shall directly or indirectly act as a managing broker-dealer with respect to any securities whose primary business are secured by structured life insurance settlements anywhere in the United States without the prior and express written consent of the Company.

1.4 The following capitalized terms shall have the meanings set forth below:

(a) "Accepted Debenture Practices" means, as applicable to the context in which this term is used, those procedures and practices with respect to the offering, marketing and selling the Debentures that: (i) meet at least the same demonstrable standards that the Managing Broker-Dealer or any Selling Group Member would follow in exercising reasonable care in offering, marketing and selling similar programs for publicly offered securities; (ii) comply with all Governmental Rules; and (iii) comply with the provisions of this Agreement.

(b) "Governmental Rules" means any law, rule, regulation, ordinance, order, code, interpretation, judgment, decree, policy, decision or guideline of any governmental agency, court or authority.

(c) "Indenture" means that certain Indenture by and between the Company and the Bank of Utah, as trustee, with respect to the Debentures.

2. Representations and Warranties of the Company. The Company hereby represents and warrants to the Managing Broker-Dealer that:

2.1 The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement. The Company is duly qualified to do business and is in good standing in each jurisdiction in which the ownership or lease of its properties or the conduct of its business requires such qualification and in which the failure to be qualified or in good standing would be expected to have a material adverse effect on the condition (financial or otherwise), earnings, operations or business of the Company and its subsidiaries taken as a whole (a "Material Adverse Effect"), and has all requisite authority to enter into this Agreement.

2.2 The Debentures will have been registered with the SEC upon the effectiveness of the Registration Statement. So far as is under the control of the Company, the Debentures will be offered and sold consistent with the description contained in the Prospectus.

2.3 The Company shall provide to the Managing Broker-Dealer and to Selling Group Members for delivery to offerees and purchasers and their representatives the information and documents that Company deems appropriate to comply with all laws, rules, regulations and judicial and administrative interpretations in all jurisdictions in which the Debentures are offered and sold.

2.4 Except as disclosed in the Prospectus no defaults exist in the due performance and observance of any material obligation, term, covenant or condition of any agreement or instrument to which the Company is a party or by which it is bound.

2.5 Subject to the performance of the Company's obligations hereunder, the holders of the Debentures (the "Holders") will have the rights set forth in the Debentures.

2.6 This Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding agreement on the part of the Company, enforceable against the Company in accordance with its terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity. The performance of this Agreement and the consummation of the transactions herein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under: (i) any material agreement to which the Company or any subsidiary is a party or by which the Company or any subsidiary or

their respective properties may be bound; (ii) the certificate of incorporation or bylaws of the Company; or (iii) any applicable law, order or Governmental Rule, except in any case for any breach, violation or default that would not have a Material Adverse Effect.

2.7 The Registration Statement, in the form in which it becomes effective and also in such form as it may be when any post-effective amendment thereto shall become effective, and the Prospectus, and any supplement or amendment thereto when filed with the SEC under Rule 424 under the Securities Act of 1933 (the "Securities Act"), complied or will comply with the provisions of the Securities Act and the Trust Indenture Act of 1939, and did not or will not at any such times contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading, except that this representation and warranty does not apply to any statements in, or omissions from the Managing Broker-Dealer Disclosure Statements (as defined in Section 5.6 below) in the Registration Statement or the Prospectus, or any amendment thereof or supplement thereto.

2.8 The Debentures have been duly authorized for issuance and sale pursuant to the Indenture and this Agreement and, when issued and delivered against payment therefor in accordance with the terms of the Indenture and this Agreement, will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

3. Covenants of the Company. The Company hereby agrees that:

3.1 The Company will notify the Managing Broker-Dealer promptly of the time when the Registration Statement or any post-effective amendment to the Registration Statement has become effective or any supplement to the Prospectus has been filed, and of any request by the SEC for any post-effective amendment or supplement to the Registration Statement or Prospectus. In addition, the Company will prepare and file with the SEC, promptly upon the Managing Broker-Dealer's reasonable request, any amendments or supplements to the Registration Statement or Prospectus that, in the Managing Broker-Dealer's opinion may be reasonably necessary or advisable in connection with the Offering of the Debentures.

3.2 The Company will advise the Managing Broker-Dealer, promptly after it shall receive notice or obtain knowledge thereof, of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement, of the suspension of the qualification of the Debentures for offering or sale in any jurisdiction, or of the initiation or receipt of any specific threat of any proceeding for any such purpose.

3.3 Within the time during which a Prospectus relating to the Debentures is required to be delivered under the Securities Act, the Company will use commercially reasonable efforts to comply with all requirements imposed upon it by the Securities Act, so far as necessary to permit the continuance of sales of or dealings in the Debentures as contemplated by the provisions hereof and the Prospectus. If, during the longer of such period or the term of this Agreement, any event or change occurs that is material to the Offering or that causes any of the representations and warranties of the Company contained herein to be untrue in any material respect, or as a result of which the Prospectus would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if, during such period, it is necessary to amend the Registration Statement or supplement the Prospectus to comply with the Securities Act, then the Company will promptly notify the Managing Broker-Dealer, and, if necessary, will amend the Registration Statement or supplement the Prospectus (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

3.4 The Company will furnish to the Managing Broker-Dealer copies of the Registration Statement, the Prospectus, and all amendments and supplements to such documents, in each case as soon as available and in such quantities as the Managing Broker-Dealer may from time to time reasonably request.

3.5 If at any time any event occurs as a result of which the Registration Statement would include an untrue statement of a material fact or, in view of the circumstances under which they were made, omit to state any material fact necessary to make the statements therein not misleading, the Company will promptly in writing notify Managing Broker-Dealer thereof, promptly prepare an amendment to the Registration Statement correcting such statement or omission, and promptly deliver to Managing Broker-Dealer as many copies of such amended Registration Statement as Managing Broker-Dealer may reasonably request.

3.6 The Company will deliver to the Managing Broker-Dealer one copy of each report furnished to the Holders at the time that such reports are furnished to the Holders, and such other information concerning Debentures as may reasonably be requested.

3.7 The Company shall use reasonable efforts in taking all necessary action and filing all necessary forms and documents deemed reasonable by it in order to qualify or register Debentures for offer and sale under the securities laws of the jurisdictions in which the Managing Broker-Dealer is intending to offer. Notwithstanding the foregoing, the Company may in its sole discretion elect not to qualify or register Debentures in any jurisdiction in which it deems the qualification or registration unwarranted for any reason. The Company or its counsel shall inform the Managing Broker-Dealer as to the jurisdictions in which the Debentures have been qualified for sale or are exempt under the respective laws of those jurisdictions.

4. Covenants of the Managing Broker-Dealer. The Managing Broker-Dealer hereby agrees that:

4.1 The Managing Broker-Dealer will use “best efforts” in the offering, sale and distribution of Debentures. The Managing Broker-Dealer may offer Debentures as an agent, but all sales shall be made by the Company acting through the Managing Broker-Dealer as an agent, and not by Managing Broker-Dealer as a principal. The Managing Broker-Dealer shall have no authority to appoint any person or other entity as an agent or sub-agent of the Managing Broker-Dealer or the Company, except to appoint Selling Group Members not objectionable to the Company in its sole and absolute discretion.

4.2 Within the shorter of the time during which a Prospectus relating to the Debentures is required to be delivered under the Securities Act or during the term of this Agreement, the Managing Broker-Dealer will comply with all requirements imposed upon it by the Securities Act, so far as necessary to permit the continuance of sales of or dealings in the Debentures as contemplated by the provisions hereof and the Prospectus. If, during the shorter of such period or the term of this Agreement, to the Managing Broker-Dealer’s knowledge, any event or change occurs that could reasonably be considered material to the Offering or that causes any of the representations and warranties of the Managing Broker-Dealer contained herein to be untrue in any material respect, or as a result of which the Prospectus would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances then existing, not misleading, or if, during such period, to the Managing Broker-Dealer’s knowledge, it is necessary to amend the Registration Statement or supplement the Prospectus to comply with the Securities Act, then the Managing Broker-Dealer will promptly notify the Company, and, if necessary, use reasonable efforts to assist the Company in amending the Registration Statement or supplementing the Prospectus (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

4.3 The Managing Broker-Dealer shall make no representations to any prospective investor or purchaser other than those contained in the Registration Statement, and will not allow any other written materials to be used to describe the potential investment to prospective purchasers or investors other than the Registration Statement.

4.4 The Managing Broker-Dealer will limit the Offering to persons whom the Managing Broker-Dealer has reasonable grounds to believe meet the financial suitability and other investor or purchaser requirements set forth in the Prospectus.

4.5 The Managing Broker-Dealer, in coordination with the Company, will request and arrange for the Company to send to Selling Group Members all necessary due diligence materials as well as

Registration Statements and Prospectuses, supplements thereto, marketing materials, and support Selling Group Members regarding the Company and the Offering.

4.6 The Managing Broker-Dealer, directly or indirectly through participating Selling Group Members, will provide each prospective investor or purchaser with a copy of the Prospectus and supplements thereto during the course of the Offering, and before a related sale, advise each such prospective purchaser at the time of the initial offering to him or her that the Company and/or its agents and consultants will, during the course of the Offering and prior to any sale, afford said purchaser and his or her purchaser representative, if any, the opportunity to ask questions of and to receive answers from the Company and/or its agents and consultants concerning the terms and conditions of the Offering and to obtain any additional information, which information is possessed by the Company or may be obtained by it without unreasonable effort or expense and which is necessary to verify the accuracy of the information contained in the Prospectus.

4.7 The Managing Broker-Dealer and indirectly through participating Selling Group Members, shall maintain in its files, for a period of six years following the Offering Termination Date, documents disclosing the basis upon which the above determination of suitability was reached as to each purchaser.

4.8 The Managing Broker-Dealer and indirectly through participating Selling Group Members, will comply in all respects with the subscription procedures and plan of distribution set forth in the Prospectus.

4.9 In the event the Managing Broker-Dealer receives any customer funds for the purchase of Debentures, the Managing Broker-Dealer will transmit such customer funds, not later than noon of the next business day following receipt of such funds, to such account as determined by the Company pursuant to the Subscription Agreement of each potential purchaser of a Debenture.

4.10 The Managing Broker-Dealer will furnish to the Company upon request a complete list of all persons who have been offered Debentures, whether directly or through any other Selling Group Members, and such persons' places of residence upon the Company's request.

4.11 When any Selling Group Members are utilized in the Offering, the Managing Broker-Dealer agrees to cause such Selling Group Members to comply with all of the obligations of the Managing Broker-Dealer set forth in this Agreement (including the obligations set forth in this Article 4), as if such Selling Group Members were a party to this Agreement. In this regard, the Managing Broker-Dealer will provide each Selling Group Member with a true, correct and complete copy of this Agreement and will obtain the written acknowledgment and agreement of each participating Selling Group Member to abide by the obligations contained herein.

4.12 In the event the Company has paid the Managing Broker-Dealer any compensation or expense reimbursements under this Agreement, the Managing Broker-Dealer shall be obligated to pay all Selling Group Members from such funds on the next business day following the receipt of such funds from the Company.

4.13 The Managing Broker-Dealer agrees to allow Company wholesalers to maintain necessary licensing with the Managing Broker-Dealer and to receive sales compensation related to the Offering. Notwithstanding the foregoing, the Managing Broker-Dealer shall have the right to refuse any wholesaler in its sole discretion.

5. Representations and Warranties of the Managing Broker-Dealer. The Managing Broker-Dealer hereby represents and warrants to the Company as follows:

5.1 The Managing Broker-Dealer (i) has been duly organized, is validly existing and in good standing in the State of California, (ii) has qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary, and (iii) has full power, authority and legal right to own its property, to carry on its

business as presently conducted, and to enter into and perform its obligations under this Agreement. The Managing Broker-Dealer is a member in good standing of FINRA.

5.2 The Managing Broker-Dealer has full power and authority to enter into this Agreement and perform the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by the Managing Broker-Dealer and is a valid and binding agreement on the part of the Managing Broker-Dealer, enforceable against it in accordance with its terms subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity. The performance of this Agreement and the consummation of the transactions herein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under (i) any material agreement to which the Managing Broker-Dealer is a party or by which it or its properties may be bound; (ii) the articles or certificate of incorporation or bylaws of the Managing Broker-Dealer; or (iii) any applicable law, order or Governmental Rules.

5.3 The Managing Broker-Dealer has obtained all governmental consents, licenses, approvals and authorizations, registrations and declarations which are necessary for the execution, delivery, performance, validity and enforceability of the Managing Broker-Dealer's obligations under this Agreement. The Managing Broker-Dealer is a registered broker-dealer in good standing under the appropriate laws and regulations of each of the states in which offers or solicitations of offers to subscribe for the Debentures will be made by the Managing Broker-Dealer (or is exempt from such registration).

5.4 There are no actions, suits or proceedings pending or, to the knowledge of the Managing Broker-Dealer, threatened against or affecting the Managing Broker-Dealer, before or by any court, administrative agency, arbitrator or governmental body with respect to any of the transactions contemplated by this Agreement, or which will, if determined adversely to the Managing Broker-Dealer, materially and adversely affect it or its business, assets, operations or condition, financial or otherwise, or adversely affect the Managing Broker-Dealer's ability to perform its obligations under this Agreement. The Managing Broker-Dealer is not in default with respect to any order of any court, administrative agency, arbitrator or governmental body so as to materially and adversely affect the transactions contemplated by this Agreement.

5.5 The Managing Broker-Dealer has obtained all necessary consents, approvals, waivers and notifications of creditors, lessors and other nongovernmental persons in connection with the execution and delivery of this Agreement, and the consummation of all the transactions herein contemplated.

5.6 The Managing Broker-Dealer Disclosure Statements in the Prospectus (as amended or supplemented, if the Company shall have filed with the SEC any amendment thereof or supplement thereto) will not or did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading. For purposes of this Agreement, the "Managing Broker-Dealer Disclosure Statements" means any statements or disclosures included within or the subject of the Registration Statement or the Prospectus, which, when the Prospectus supplement is or was filed with the SEC and at all times subsequent thereto, are either (i) included within the disclosure under the heading "Plan of Distribution" in the Prospectus, or (ii) based upon and conform to written information relating to the Managing Broker-Dealer furnished in writing to the Company by the Managing Broker-Dealer specifically for use in the preparation of the Prospectus, or any supplement to the Prospectus.

5.7 The Managing Broker-Dealer has operated and is operating in material compliance with all authorizations, licenses, certificates, consents, permits, approvals and orders of and from all state, federal and other governmental regulatory officials and bodies necessary to conduct its business as contemplated by and described in this Agreement, all of which are, to the Managing Broker-Dealer's knowledge, valid and in full force and effect. The Managing Broker-Dealer is conducting its business in substantial compliance with all applicable laws and Governmental Rules of the jurisdictions in which it is conducting business, and the Managing Broker-Dealer is not in material violation of any applicable laws or Governmental Rules.

5.8 The Managing Broker-Dealer has not distributed, and will not distribute prior to the completion of the Offering, any offering material in connection with the Offering, other than the Prospectus, the Registration Statement, the incorporated documents, and other materials, if any, permitted by and in compliance with the Securities Act.

6. Conditions.

6.1 The obligation of the Managing Broker-Dealer to sell the Debentures on a best-efforts basis as provided herein shall be subject to the accuracy of the representations and warranties of the Company, to the performance by the Company of its obligations hereunder, and to the satisfaction of the following additional conditions:

(a) The Registration Statement shall be effective, and no stop order suspending the effectiveness thereof shall have been issued and no proceedings for that purpose shall have been initiated or, to the knowledge of the Company or the Managing Broker-Dealer, threatened by the SEC or any state securities commission or similar regulatory body. Any request by the SEC for additional information (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to the satisfaction of the Managing Broker-Dealer.

(b) The Indenture shall have been duly authorized, executed and delivered by the Company and the trustee, and duly qualified under the Trust Indenture Act of 1939.

(c) The Managing Broker-Dealer shall have received from the Company a certificate, dated as of the Initial Closing Date, of an executive officer of the Company, as to (i) the accuracy of the representations and warranties of the Company in this Agreement, compliance by the Company with all the agreements and satisfaction of all the conditions to be performed or satisfied by the Company under this Agreement; (ii) the absence of any stop order or similar order or related proceedings; and (iii) the absence of any material adverse change in the condition (financial or otherwise), earnings, operations or business of the Company and its subsidiaries taken as a whole or might materially and adversely affect its properties, assets or rights, except as contemplated in the Prospectus or related documents.

(d) The Managing Broker-Dealer shall have received a certificate of Secretary of the Company, dated as of the Initial Closing Date, certifying as to (i) the certificate of incorporation and bylaws of the Company, and (ii) resolutions of the Board of Directors of the Company relating to the preparation and signing of the Registration Statement and this Agreement, the issuance and sale of the Debentures and other related matters.

The Managing Broker-Dealer may waive in writing the performance of any one or more of the conditions specified in this Section or extend the time for their performance. If any of the conditions specified in this Section shall not have been fulfilled when and as required by this Agreement to be fulfilled, and if the fulfillment of said condition has not been waived by the Managing Broker-Dealer, then this Agreement and all obligations of the Managing Broker-Dealer hereunder may be canceled at, or at any time prior to, the Initial Closing Date by the Managing Broker-Dealer.

7. Compensation. Subject to Section 11, as compensation for services rendered by the Managing Broker-Dealer hereunder, the Managing Broker-Dealer will be entitled to receive from the Company the following:

7.1 A “Dealer Manager Fee” and “Selling Commission” based upon the principal amount of a sold Debenture, in accordance with the following table:

Term of Debenture	Dealer Manager Fee (%)	Selling Commission (%)
Six-Month Debenture	0.50%	0.50%
One-Year Debenture	1.00%	1.00%
Two-Year Debenture	1.00%	3.25%

Three-Year Debenture	1.00%	5.00%
Four-Year Debenture	1.00%	5.75%
Five-Year Debenture	1.00%	6.50%
Seven-Year Debenture	1.00%	7.00%

7.2 A “Wholesale Commission” that the Company may agree to pay certain specified wholesalers, in its sole and absolute discretion, in amounts not to exceed the following table based upon the principal amount of a sold Debenture:

Term of Debenture	Wholesale Commission (%)
Six-Month Debenture	0.25%
One-Year Debenture	0.50%
Two-Year Debenture	0.55%
Three-Year Debenture	0.70%
Four-Year Debenture	0.75%
Five-Year Debenture	0.80%
Seven-Year Debenture	0.90%

7.3 Any and all Dealer-Manager Fees, Selling Commissions and Wholesale Commissions (collectively, the “Fees”), together with any expenses reimbursable pursuant to Sections 8 and 9 below, shall be payable regularly once every two weeks. Under no circumstance will the aggregate fees paid to the Managing Broker-Dealer and Selling Group Members exceed an average of Eight Percent (8%) over the life of the Offering. The Company shall prepare comprehensive sales data and e-mail such data to the Managing Broker-Dealer every two weeks, five days before each payment date for any Fees. The Managing Broker-Dealer shall use such data to constantly calculate and insure that the aggregate fees paid to the Managing Broker-Dealer and Selling Group Members do not exceed an average of Eight Percent (8%) over the life of the Offering and to calculate and create an invoice for Fees and Non-Accountable Expenses, which shall be presented to the Company at least two days before each payment date for Fees. The Company and the Managing Broker-Dealer will, in good faith and in a timely manner, negotiate any dispute relating to any Fees. Disputes that cannot be resolved by discussion will be resolved through FINRA binding arbitration.

7.4 The Company shall pay all Fees as directed on any invoice provided by the Managing Broker-Dealer, and the Managing Broker-Dealer shall hold the Company harmless for any Fees or Expenses (as defined in Section 8 below) disputes arising among or between the Managing Broker-Dealer and any Selling Group Members or any wholesalers. Managing Broker Dealer shall have the right to actively advise Company as to how to remedy the Offering variables if the aggregate fees paid at any given time averages over Eight Percent (8%) and Company agrees to work in cooperation with Managing Broker Dealer until such time the remedy begins to work.

8. Non-Accountable Expense Allowance.

8.1 Subject to Section 11, and in addition to the Fees described in Section 7, the Company will reimburse the Managing Broker-Dealer and Selling Group Members for their expenses, on a non-accountable basis, based upon the principal amount of a sold Debenture, in amounts not to exceed the following table:

Term of Sold Debenture	Non-Accountable Expense Reimbursement (%)
Six-Month Debenture	0.50%
One-Year Debenture	1.00%
Two-Year Debenture	1.00%
Three-Year Debenture	1.00%
Four-Year Debenture	1.00%
Five-Year Debenture	1.00%
Seven-Year Debenture	1.00%

8.2 The expenses reimbursable under this Section 8 are referred to as “Non-Accountable Expenses.” Non-Accountable Expenses shall be payable in the same manner and on the same terms as Fees are payable under Section 7.

9. Accountable Due Diligence Expense Allowance.

Subject to Section 11, and in addition to the Non-Accountable Expenses described in Section 8, the Company will reimburse the Managing Broker-Dealer and Selling Group Members for their actual due diligence expenses up to 0.30%.

9.1 The expenses reimbursable under this Section 9 are referred to as "Accountable Due Diligence Expenses." Accountable Due Diligence Expenses shall be payable in the same manner and on the same terms as Fees and Non-Accountable Expenses are payable under Section 7 upon the Company's receipt of proper accounting back-up for such Accountable Due Diligence Expenses. Company and Managing Broker-Dealer shall work proactively with each other to insure that each are timely informed of all Accountable Due Diligence Expenses and commitments to pay such expenses as they are made.

10. Offering. The Offering of Debentures shall be at and upon the terms and conditions set forth in the Registration Statement and the exhibits and appendices thereto and any amendments or supplements thereto.

11. Conditions to Payment of Fees, Non-Accountable Expenses and Accountable Due Diligence Expense.

11.1 No selling commissions, allowances or other compensation (or expenses) will be payable with respect to any subscriptions for Debentures that are rejected by the Company, or if the Company terminates the Offering for any reason whatsoever or for no reason. No selling commissions, allowances or other compensation will be payable by the Company with respect to any sale of Debentures unless and until such time as the Company has received the total proceeds of any such sale.

11.2 With the exception of the Non-Accountable Expenses" and "Accountable Due Diligence Expenses" described in Section 8 and Section 9, all attorneys' fees and all other costs and expenses incurred by the Managing Broker-Dealer in the performance of any obligations hereunder, including but not limited to expenses otherwise related to the Offering, shall be the sole and exclusive responsibility of the Managing Broker-Dealer unless otherwise approved by the Company as an Accountable Due Diligence Expense, and the foregoing shall apply notwithstanding the fact that the Offering is not consummated for any reason.

11.3 No Fees or Non-Accountable Expenses will be payable with respect to any subscriptions for Debentures that are sold to non-U.S. investors unless otherwise agreed in writing by the Company.

11.4 Dealer Manager Fees (but no other Fees) will be payable during the term of this Agreement with respect to Debentures that are renewed as follows:

11.4.1 50% of original Dealer Manager Fee as stated in 7.1 until outstanding Debentures total $40,000,000;

11.4.2 60% of original Dealer Manager Fee as stated in 7.1 until outstanding Debentures exceed $40,000,000 and through $90,000,000

11.4.3 70% of original Dealer Manager Fee as stated in 7.1 until outstanding Debentures exceed $90,000,000 and through $140,000,000.

11.4.4 80% of original Dealer Manager Fee as stated in 7.1 until outstanding Debentures exceed $140,000,000 and through $190,000,000.

11.4.5 90% of original Dealer Manager Fee as stated in 7.1 until outstanding Debentures exceed $190,000,000 and through $240,000,000; and

11.4.6 100% of original Dealer Manager Fee as stated in 7.1 after the total outstanding Debentures exceed $240,000,000.

12. Indemnification of the Managing Broker-Dealer.

12.1 Subject to the conditions set forth below, the Company agrees to indemnify and hold harmless (i) the Managing Broker-Dealer and Selling Group Member, and (ii) each person, if any, who controls the Managing Broker-Dealer and Selling Group Member and its officers, directors, owners, employees, agents, and each of their respective attorneys and accountants (all of the foregoing persons described in clauses (i) and (ii) being collectively referred to as the "Selling Parties"), against any and all loss, liability, claim, damage and expense whatsoever ("loss") arising out of or based upon:

(a) Any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or in any application or other document filed in any jurisdiction in order to qualify or register the Debentures in connection with the Offering;

(b) The omission or alleged omission from the Registration Statement of a material fact required to be stated therein or necessary to make the statements therein not misleading;

(c) Any unauthorized verbal or written representations in connection with the Offering made by the Company or its agents (other than by the Managing Broker-Dealer, the Selling Group Members, or any of their respective employees or affiliates), employees or affiliates in violation of the Securities Act, or any other applicable federal or state securities laws and regulations; or

(d) The material breach by the Company of any term, condition, representation, warranty or covenant of this Agreement.

12.2 If any action (including any third party action) is brought against the Managing Broker-Dealer or Selling Group Member in respect of which indemnity may be sought hereunder, the Managing Broker-Dealer shall promptly notify the Company in writing of the institution of such action.

12.3 Upon proper notice from an indemnified Selling Party, the Company will be entitled to participate therein and, to the extent that it may wish, to assume the defense thereof, with counsel who shall be reasonably satisfactory to the indemnified party. After notice from the Company of its election to assume the defense thereof, the Company will not be liable to the Selling Party under Section 11.1 for any legal or other expenses subsequently incurred by such Selling Party in connection with the defense thereof; provided, however, that if the defendants in any such action include both a Selling Party and the Company, and the Selling Party shall have reasonably concluded that there may be legal defenses available to it or other indemnified parties which are different from or additional to those available to the Company, then the Selling Party or Parties shall have the right to select one separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on their behalf, in which event the fees and expenses of such separate counsel shall be borne by the Company. In no event shall the Company be liable for fees and expenses of more than one counsel for each Selling Party separate from the Company's own legal counsel. The Company shall not be liable to any Selling Party on account of any settlement of any claim or action effected without the consent of such Selling Party.

12.4 The Company agrees to promptly notify the Managing Broker-Dealer of the commencement of any litigation or proceedings against the Company, or any of its officers, directors, employees or agents in connection with the issuance and sale of Debentures, or in connection with the Registration Statement.

12.5 The indemnity provided to the Selling Parties pursuant to this Section 11 shall not apply to any such person or entity to the extent that any loss arises out of or is based upon any untrue statement or alleged untrue statement of material fact made by the Selling Parities or any of their respective agents.

13. Indemnification of the Company.

13.1 Subject to the conditions set forth below, the Managing Broker-Dealer agrees to indemnify and hold harmless (i) the Company, (ii) its directors, officers, employees and agents, and its attorneys and accountants, and (iii) each person, if any, who controls the Company and its own directors, officers, owners, employees, agents, and each of their respective attorneys and accountants (all of the foregoing persons

described in clauses (i) through (iii) being collectively referred to as the "Company Parties"), against any and all loss, liability, claim, damage and expense whatsoever ("loss") arising out of or based upon:

(a) Any unauthorized verbal or written representations in connection with the Offering made by the Managing Broker-Dealer (other than by the Company or its employees or agents), or its employees or agents (including any Selling Group Members) in violation of the Securities Act, or any other applicable federal or state securities laws and regulations;

(b) The breach by the Managing Broker-Dealer of any term, condition, representation, warranty, or covenant of this Agreement; or

(d) Any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement and comprising a Managing Broker-Dealer Disclosure Statement.

13.2 If any action (including any third-party action) is brought against a Company Party in respect of which indemnity may be sought hereunder, the Company shall promptly notify the Managing Broker-Dealer in writing of the institution of such action.

13.3 Upon proper notice from an indemnified Company Party, the Managing Broker-Dealer will be entitled to participate therein and, to the extent that it may wish, to assume the defense thereof, with counsel who shall be reasonably satisfactory to the indemnified party. After notice from the Managing Broker-Dealer of its election to assume the defense thereof, the Managing Broker-Dealer will not be liable to the Company Party under Section 12.1 for any legal or other expenses subsequently incurred by such Company Party in connection with the defense thereof; provided, however, that if the defendants in any such action include both a Company Party and the Managing Broker-Dealer, and the Company Party shall have reasonably concluded that there may be legal defenses available to it or other indemnified parties which are different from or additional to those available to the Managing Broker-Dealer, then the Company Party or Parties shall have the right to select one separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on their behalf, in which event the fees and expenses of such separate counsel shall be borne by the Managing Broker-Dealer. In no event shall the Managing Broker-Dealer be liable for fees and expenses of more than one counsel for each Company Party separate from the Managing Broker-Dealer's own legal counsel. The Managing Broker-Dealer shall not be liable to any Company Party on account of any settlement of any claim or action effected without the consent of such Company Party.

13.4 The Managing Broker-Dealer agrees to promptly notify the Company of the commencement of any litigation or proceedings against the Managing Broker-Dealer or any of the Managing Broker-Dealer's officers, directors, partners, affiliates, or agents in connection with the issuance and sale of Debentures or in connection with the Registration Statement.

13.5 The indemnity provided to the Company Parties shall not apply to any such person or entity to the extent that any loss arises out of or is based upon any untrue statement or alleged untrue statement of material fact made by the Company or any of its agents (or a Company Party).

13.6 The Managing Broker-Dealer agrees to require that each Selling Group Member enter into an agreement providing indemnity to the Company Parties consistent with the indemnity provided by the Managing Broker-Dealer pursuant to the provisions of this Section 13.

14. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnification provided pursuant to Sections 12 and 13 is for any reason held to be unavailable from the Company, the Managing Broker-Dealer or a Selling Group Member, as the case may be, the Company, the Managing Broker-Dealer and the Selling Group Member, shall contribute to the aggregate losses, liabilities, claims, damages and expenses (including any amount paid in settlement of any action, suit, or proceeding or any claims asserted) in such amounts as a court of competent jurisdiction may determine (or in the case of settlement, in such amounts as may be agreed upon by the parties) in such proportion to reflect the relative fault of the Company, the Managing Broker-Dealer or such Selling Group Member,,

in connection with the events described in Sections 12 and 13, as the case may be, which resulted in such losses, liabilities, claims damages or expenses, as well as any other equitable considerations. The relative fault of the parties shall be determined by reference to, among other things, whether any untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Managing Broker-Dealer or a Selling Group Member, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such omission or statement. Any persons entitled to indemnification hereunder shall be entitled to receive, from a party obligated to indemnify under Section 12 or 13, contribution hereunder.

15. Compliance. The Managing Broker-Dealer covenants to the Company that the actions, direct or indirect, by the Managing Broker-Dealer shall conform to the requirements applicable to broker-dealers under federal and applicable state securities laws, rules and regulations, and (ii) that the Selling Group Members shall be in good standing under applicable requirements and rules of FINRA to offer the Debentures.

16. Representations and Agreements to Survive Sale and Payment. Except as the context otherwise requires, all representations, warranties and agreements contained in this Agreement shall be deemed to be representations, warranties and agreements at and as of the Offering Termination Date, and such representations, warranties and agreements by the Managing Broker-Dealer or the Company, including the indemnification and contribution covenants contained herein, shall remain operative and in full force and effect regardless of any investigation made by the Managing Broker-Dealer or the Company and/or any controlling person, and shall survive the sale of and payment for Debentures.

17. Costs of Offering. Except for the compensation payable to the Managing Broker-Dealer described in Section 7 and the expense reimbursements described in Section 8, which are the sole obligations of the Company, the Managing Broker-Dealer will pay all of its own costs and expenses, including but not limited to all expenses necessary for the Managing Broker-Dealer to remain in compliance with any applicable federal, state or FINRA laws, rules or regulations in order to participate in the Offering as a broker-dealer, and the fees and costs of the Managing Broker-Dealer's legal counsel. The Company agrees to pay all other expenses incident to the performance of its respective obligations hereunder, including all expenses incident to filings with federal and state regulatory authorities and to the exemption of Debentures under federal and applicable state securities laws, including fees and disbursements of the Company's counsel, all costs of reproduction and distribution of the Prospectus and any amendment or supplement thereto, and all costs of attorneys' fees and other expenses.

18. Termination. This Agreement is terminable by any party for any reason whatsoever or for no reason at any time upon written notice to the other party after the end of the fifteenth month following effective date. The Company may terminate the Managing Broker-Dealer only "for cause" before the end of the fifteenth month following effective date . Cause shall be defined as:

(a) The failure of the Managing Broker-Dealer to provide the services set forth in this Agreement, or any breach by the Managing Broker-Dealer of any of its representations or warranties set forth in this Agreement;

(b) The failure to meet the following sales minimums, regardless of the underlying reasons for any such failure:

Period	Principal Amount Sold through Arque Capital	Aggregate Principal Amount Sold through Selling Group
Three Months following effective date	$ 2,500,000	$ 10,000,000
Nine Months following effective date	$ 7,000,000	$ 50,000,000
Fifteen Months following effective date	$ 7,000,000	$ 100,000,000

(c) The receipt by the Managing Broker-Dealer or the Company of a regulatory notice from FINRA or the SEC that makes either party incapable of fulfilling their respective duties hereunder

without harming the reputation of the other party. For any quarter that includes one or both of November and December, an additional three weeks shall be added to such quarter to reflect the down time during the third week in November and the last two weeks in December.

(d) The sale by the Company of all or substantially all of its assets, or the sale of capital stock of the Company comprising at least 51% of the outstanding capital stock in the Company, or the consummation of a merger involving the Company and after which Jon R. Sabes and Steve Sabes or their affiliates no longer own at least 51% of the outstanding capital stock in the Company.

Any termination under this Section shall not affect the indemnification agreements set forth in Sections 11 and 12, or the contribution obligations under Section 13. In the event that the Company terminates the Managing Broker-Dealer pursuant to paragraph (d) above, the Company shall pay the Managing Broker-Dealer additional compensation of $200,000 for any and all work performed previous to the termination.

19. Confidentiality. The Managing Broker-Dealer agrees that all non-public information pertaining to the Company, including but not limited to the Selling Group Members, compensation, wholesalers, business plans, employee lists, financial statements of the Company and its subsidiaries and affiliates (collectively, the "Confidential Information") will be held by the Managing Broker-Dealer in confidence and solely for use of the Managing Broker-Dealer's personnel, clients and advisors of clients, in the course of performing the obligations of the Manager Broker-Dealer hereunder, and will not be provided to any other persons or entities without the prior written approval of the Company. Any parties receiving Confidential Information from the Managing Broker-Dealer, including any Selling Group Members, must expressly agree to be bound by the restrictions set forth in this Section; provided, however, that Confidential Information shall not include information that (i) is or becomes publicly available other than as a result of acts by the Managing Broker-Dealer in breach of this Agreement, (ii) is in the Managing Broker-Dealer's possession prior to disclosure by the Company or is independently derived by the Managing Broker-Dealer without the aid, application or use of the Confidential Information, (iii) is disclosed to the Managing Broker-Dealer by a third party on a non-confidential basis (provided that the third party did not receive such information in violation of or is bound by a confidentiality agreement), or (iv) the Managing Broker-Dealer determines or may be required to be disclosed by Governmental Rules.

20. Governing Law. This Agreement shall be governed by, subject to and construed in accordance with, the laws of the State of Delaware without regard to conflicts-of-law provisions.

21. Severability. If any portion of this Agreement shall be held invalid or inoperative, then so far as is reasonable and possible (a) the remainder of this Agreement shall be considered valid and operative and (b) effect shall be given to the intent manifested by the portion held invalid or inoperative.

22. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and which together shall constitute one and the same instrument.

23. Modifications or Amendment. This Agreement may not be modified or amended except by written agreement executed by the parties hereto.

24. Notices. All communications hereunder, except as herein otherwise specifically provided, shall be in writing and, if sent to the Managing Broker-Dealer, shall be mailed or delivered to Arque Capital, Ltd., 7501 East McCormick Parkway, Suite 111 North Court, Scottsdale, AZ 85258; and if sent to the Company shall be mailed or delivered to 220 South Sixth Street, Suite 1200, Minneapolis, MN 55402. The notice shall be deemed to be received on the date of its actual receipt by the party entitled thereto or, if mailed, on the third day after mailing by both first-class U.S. mail and certified U.S. mail with return receipt requested.

25. Parties. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto, and their respective successors, legal representatives, heirs and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under, in respect of, or by virtue of, this

Agreement or any provision herein contained; provided, however, that the provisions of Section 11, 12 and 13 are also intended for the benefit of the Selling Parties and Company Parties, as applicable, although the provisions of any such Section may be amended without the consent of any such Persons. Neither party may assign any of its hereunder, or delegate any of its duties hereunder, without the prior and express written consent of the other party.

26. Delay. Neither the failure nor any delay on the part of any party to this Agreement to exercise any right, remedy, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall a waiver of any right, remedy, power, or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power, or privilege with respect to any subsequent occurrence.

27. Attorneys Fees. If any legal action or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, each party shall be responsible for paying its own attorneys fees.

28. Entire Agreement. This Agreement contains the entire understanding between the parties hereto and supersedes any prior understandings or written or oral agreements between them respecting the subject matter hereof.

(Signature Page Follows)

If the foregoing correctly sets forth the understanding between the Company and the Managing Broker-Dealer, please so indicate in the space provided below for that purpose, and return one of the signed copies of this letter agreement to the Company in the envelope provided for this purposes, whereupon this letter agreement shall constitute a binding agreement between us.

Very truly yours,

GWG HOLDINGS, INC.
a Delaware corporation

By: /s/ Jon R. Sabes
Jon R. Sabes, CEO

AGREED AND ACCEPTED:

ARQUE CAPITAL, LTD.
a California Corporation

By: /s/ Michael C. Ning
Michael C. Ning, President & CEO

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of:
GWG Holdings, LLC and Subsidiaries

We consent to the use in this Registration Statement on Form S-1 of our report dated June 14, 2011, relating to the consolidated financial statements of GWG Holdings, LLC and Subsidiaries as of and for the years ended December 31, 2010 and 2009 which appears in such Registration Statement, and to the reference to our firm under the heading “Experts” in the prospectus.

/s/ Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
October 19, 2011

October 19, 2011

Paul D. Chestovich
Direct Phone: (612) 672-8305
Direct Fax: (612) 642-8305
Paul.Chestovich@maslon.com

VIA EDGAR AND FEDERAL EXPRESS

Jeffrey Riedler, Assistant Director
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: GWG Holdings, Inc. (the "**Company**")
Amendment No. 4 to Registration Statement on Form S-1
Filed October 5, 2011
File No. 333-174887

Dear Mr. Riedler:

This letter will respond on behalf of the Company to your comment letter dated October 13, 2011 (the "**Comment Letter**") with respect to Amendment No. 4 to Registration Statement on Form S-1, SEC File No. 333-174887, filed by the Company on October 5, 2011 (the "**Registration Statement**"). To facilitate your review, we have included in this letter your original comments (in bold) followed by our responses. Also enclosed you will find three copies of Amendment No. 5 to the Registration Statement ("**Amendment No. 5**") that are marked to indicate changes from the Registration Statement filed on October 5, 2011.

Exhibit 5.1

1. Your counsel includes various assumptions in their legal opinion that appear to be inappropriate. It is inappropriate for counsel to include assumptions that are too broad, that "assume away" the issue or that assume any of the material facts underlying the opinion. Please revise your opinion as follows.

- **In the last paragraph on page 1, please remove the Company's due authorization of the Indenture from (i);**
- **In the last paragraph on page 1, please remove the assumptions described in (b) and (c);**
- **In the last paragraph on page 2, please clarify that the assumptions described in (i) and (ii) do not apply to the Company or its subsidiaries; and**
- **In the last paragraph on page 1, please remove the assumptions described in (iii).**

Alternatively, please provide us with a detailed analysis as to why you believe these assumptions are appropriate and/or confirm that you will file a "clean" opinion without these assumptions with each take-down offering.

RESPONSE: The opinion of Maslon Edelman Borman & Brand, LLP has been updated to incorporate your comments and re-filed as Exhibit 5.1 to Amendment No. 5.

In addition, we have revised the "Plan of Distribution" section of the prospectus to reflect comments received by Arque Capital, Ltd. from FINRA. See pages 85-87 of Amendment No. 5.

* * * *

As you requested, on behalf of the Company, the Company acknowledges as follows:

[1] the Company is responsible for the adequacy and accuracy of the disclosure in the filing;

[2] staff comments or changes to disclosure in response to staff comments do not foreclose the Commission from taking any action with respect to the filing; and

[3] the Company may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

Should you have additional comments or questions regarding the Registration Statement or the amendment, please direct them to the undersigned by telephone at (612) 672-8305, by fax at (612) 642-8305, or by email at paul.chestovich@maslon.com; or to Jon R. Sabes, the Company's Chief Executive Officer by telephone at (612) 746-1914, by fax at (612) 746-0445, or by email at jsabes@~wcrlife.com.

Very truly yours,

/s/ Paul D. Chestovich

Paul D. Chestovich

Enclosures

cc: Jon Sabes
Jon Gangelhoff