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PROSPECTUS SUPPLEMENT NO. 4
to Prospectus dated May 15, 2012

Offering Amount $250,000,000

GWG HOLDINGS, INC.

a Delaware corporation

Renewable Secured Debentures

The information contained in this prospectus supplement (i) amends and updates the prospectus dated May 15, 2012 (relating to our post-effective amendment to registration statement on Form S-1/A, filed with the SEC on May 14, 2012) (SEC File Nos. 333-174887 and 333-174887-01) (and which we refer to herein simply as the "prospectus"), and should be read in conjunction therewith, and (ii) replaces in its entirety all earlier prospectus supplements (including those dated as of May 15 and August 14, 2012, and a sticker prospectus supplement dated as of November 1, 2012). GWG Life Settlements, LLC, a Delaware limited liability company and wholly owned subsidiary of GWG Holdings, Inc., is also a registrant under the referenced registration statement as a guarantor of the Renewable Secured Debentures offered hereby (the "debentures"). Please keep this prospectus supplement with your prospectus for future reference.

Investing in our debentures may be considered speculative and involves a high degree of risk, including the risk of losing your entire investment. See the "Risk Factors" section of our prospectus for the risks you should consider before buying our debentures. An investment in our debentures is not suitable for all investors. Persons should not invest in the debentures unless they can afford to lose their entire investment. See the "Suitability Standards" section of this prospectus supplement, which restates the suitability standards that investors must meet in order to purchase the debentures.

The security provided for the debentures and entitling them to be referred to as "secured" includes an unconditional guarantee given by GWG Life Settlements, LLC, a subsidiary of the issuer. The value of this unconditional guarantee is based almost entirely on GWG Life Settlement's own investment in another subsidiary, the primary assets of which are pledged as collateral for the repayment of amounts borrowed from a senior lender.

Capitalized terms contained in this prospectus supplement have the same meanings as in the prospectus unless otherwise stated herein.

RECENT EVENTS

On November 14, 2012, we filed our Quarterly Report on Form 10-Q for the period ended September 30, 2012. This prospectus supplement has been prepared primarily to set forth certain information contained in that report.

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 supplement is November 14, 2012

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SUITABILITY STANDARDS

Note: The following are the suitability standards for investors in our continuous offering of debentures. These standards update and replace, in their entirety, the suitability standards contained in the prospectus.

Pursuant to applicable state securities laws, debentures offered through the prospectus are suitable only as a long-term investment for persons of adequate financial means who have no need for liquidity in their 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 general suitability standards that applicable to all investors in all states. In addition, we have established additional suitability standards (discussed in more detail below) in the following states—Arizona, Idaho, Iowa, Kansas, Kentucky, Maine, Massachusetts, Nebraska, New Jersey, New Mexico, North Dakota, Oklahoma, Oregon, South Carolina and Washington.

In all cases, our general suitability standards require that investors 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 general 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, additional suitability standards apply to the offer and sale of debentures in Arizona, Idaho, Iowa, Kansas, Kentucky, Maine, Massachusetts, Nebraska, New Jersey, New Mexico, North Dakota, Oklahoma, Oregon, South Carolina and Washington. For investors in these states, both the general suitability standards and the additional suitability standards must be satisfied. The additional suitability standards are as follows:

State	**Suitability Requirements**
Arizona and North Dakota	Investors must 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).
Idaho	It is recommended by the Idaho Department of Finance that Idaho investors not invest, in the aggregate, more than 10% of their liquid net worth in this and similar investments which may be considered speculative. Liquid net worth is defined as that portion of net worth consisting of cash, cash equivalents and readily marketable securities.
Iowa, Maine, Nebraska, New Jersey, Oregon, South Carolina and Washington	Investors must be "accredited investors" as that term is defined in Rule 501(a) under the Securities Act of 1933.
Kansas	It is required by the Office of the Kansas Securities Commissioner that Kansas investors limit their aggregate investment in the securities of the company and other similar programs to not more than 10% of their liquid net worth. For these purposes, liquid net worth shall be defined as that portion of total net worth (total assets minus total liabilities) that is comprised of cash, cash equivalents and readily marketable securities, as determined in conformity with Generally Acceptable Accounting Principles.

Kentucky	Investors are required to have either (i) a minimum gross annual income of $100,000 and a minimum net worth (excluding the value of homes, furnishings, and personal automobiles) of $150,000, or (ii) a minimum net worth (excluding the value of homes, furnishings, and personal automobiles) of $250,000.
Massachusetts and New Mexico	Investors must be "accredited investors" as that term is defined in Rule 501(a) under the Securities Act of 1933, and must limit their aggregate investment in the securities of the Company and other similar programs to not more than 10% of their liquid net worth. For this purpose, "liquid net worth" shall be defined as that portion of total net worth (i.e., total assets minus total liabilities) that consists of cash, cash equivalents and readily marketable securities, as determined in conformity with Generally Accepted Accounting Principles.
Oklahoma	Purchases by investors should not exceed 10% of their net worth. For this purpose, "net worth" is determined exclusive of the value of a home, home furnishings and automobiles.

We have agreed to condition our offering in the State of Washington on our compliance with Revised Code of Washington section 21.20.715, which requires that at least 50% of the principal amount of debentures we sell must have maturities of two years or more.

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 (but not lower) the suitability requirements for prospective debenture holders. 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.

RISK RELATING TO FORWARD-LOOKING STATEMENTS

Certain matters discussed in this prospectus supplement 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 in the "Risk Factors" section of our 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 supplement that are not historical facts are "forward-looking" statements. Forward-looking statements can generally 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 in the "Risk Factors" section and elsewhere in the prospectus, and in this prospectus supplement, 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 supplement will prove to be accurate. We caution you that the forward-looking statements in the prospectus and this prospectus supplement 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 the prospectus and this prospectus supplement.

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.

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

Note: The following discussion and analysis of the financial condition and results of operations of the Company are derived from our Quarterly Report on Form 10-Q for the period ended September 30, 2012, filed with the SEC on November 14, 2012. Other than our inclusion of detail regarding our life insurance policy portfolio (see the caption below "—Life Insurance Portfolio Detail") that updates information included in the prospectus, we have not materially updated this discussion in any way. As indicated in that report, 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 "Risks Relating to Forward-Looking Statements" above. These forward-looking statements are subject to numerous risks and uncertainties. Our actual results could differ materially from those suggested or implied by any forward-looking statements.

You should read the following discussion in conjunction with our condensed consolidated financial statements and related notes beginning at page F-1 of this prospectus supplement, as well as our consolidated financial statements and related notes contained within the prospectus.

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 build a profitable and large (greater than 300 policies) portfolio of policies that is diversified in terms of insurance carriers and the medical conditions of insureds. We believe that diversification among insurers and medical conditions will lower our overall risk exposure, and that a larger number of individual policies (diversification in overall number) will provide our portfolio with greater actuarial stability.

In the first nine months of 2012, we recognized $4,083,000 of revenue from the receipt of $4,500,000 in policy benefits. In addition, we recognized revenue from the change in fair value of our life insurance policies, net of premiums and carrying costs, of $6,175,000. Interest expense, including amortization of the deferred financing costs, was $7,621,000 for the nine months ended September 30, 2012, and selling, general and administrative expenses for the nine months ended September 30, 2012 were $4,552,000. Income tax expense for the nine months ended September 30, 2012 was $104,000. Our net loss for the nine months ended September 30, 2012 was ($1,964,000).

Our portfolio of life insurance policies as of September 30, 2012 is summarized and set forth below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$ 515,662,000
Average face value per policy	$ 2,631,000
Average face value per insured life	$ 2,849,000
Average age of insured (yrs) *	81.2
Average life expectancy estimate (yrs) *	7.33
Total number of policies	196
Demographics	65% Males; 35% Females
Number of smokers	No insureds are smokers
Largest policy as % of total portfolio	1.94%
Average policy as % of total portfolio	0.51%
Average Annual Premium as % of face value	3.19%

* Averages presented in the table are weighted averages.

Critical Accounting Policies

There were no changes in our critical accounting policies during the quarter ended September 30, 2012.

At the end of the reporting period, we revalued 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:

September 30, 2012	September 30, 2011
13.29%	13.39%

The Company engaged a third party, Model Actuarial Pricing Systems (MAPS), to prepare a third-party valuation of our life settlement portfolio. MAPS owns and maintains the portfolio pricing software used by the Company. MAPS processed policy data, future premium data, life expectancy data, and other actuarial information supplied by the Company to calculate a net present value for our portfolio using the specified discount rate of 13.29%. MAPS independently calculated the net present value of our portfolio of 196 policies to be $147,829,000, which is the same fair value estimate used by the Company on the balance sheet as of September 30, 2012, and furnished the Company with a letter documenting its calculation.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012, or JOBS Act, was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933 for complying with new or revised accounting standards. This means that an “emerging growth company” can make an election to delay the adoption of certain accounting standards until those standards would apply to private companies. We have elected to delay such adoption of new or revised accounting standards and, as a result, we may not comply with new or revised accounting standards at the same time as other public reporting companies that are not “emerging growth companies.” This exemption will apply for a period of five years following our first sale of common equity securities under an effective registration statement or until we no longer qualify as an “emerging growth company” as defined under the JOBS Act, whichever is earlier.

Deferred Income Taxes

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

The Company has provided a valuation allowance against the deferred tax asset related to a note receivable because it believes that, when realized for tax purposes, it will result in a capital loss that will not be utilized because the Company has no expectation of generating a capital gain within the applicable carry-forward period. Therefore, the Company does not believe that it is more likely than not that the deferred tax asset will be realized.

A valuation allowance is required to be recognized to reduce deferred tax assets to an amount that is more likely than not to be realized. Realization of deferred tax assets depends upon having sufficient past or future taxable income in periods to which the deductible temporary differences are expected to be recovered or within any applicable carryback or carryforward periods. The Company believes that it is more likely than not that it will be able to realize all of its deferred tax assets other than that which is expected to result in a capital loss.

Principal Revenue and Expense Items

We earn revenues from two primary sources as described below.

Policy Benefits Realized. We recognize and record revenues for cash amounts received for value in excess of carrying value upon the receipt of the face value of the policy benefits paid upon the mortality of an insured. Revenue is recognized and recorded on the mortality date when collection is reasonably assured. We generally collect the face value of the life insurance policy from the insurance company 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 expected payment of premiums for future periods.

Our main components of expense are summarized below.

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

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

Results of Operations—Three and Nine Months Ended September 30, 2012 Compared to Three and Nine Months Ended September 30, 2011

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

Revenue. Revenue recognized from the receipt of policy benefits was $4,083,000 during the nine months ended September 30, 2012. Revenue recognized from the receipt of policy benefits was $494,000 during the three and nine months ended September 30, 2011. Revenue recognized from the change in fair value of our life insurance policies, net of premiums and carrying costs, was $4,788,000 for the third quarter of 2012 and $6,175,000 for the first nine months of 2012. The change in fair value related to new policies acquired during the three and nine month periods ended September 30, 2012 was $3,410,000 and $5,042,000 respectively. Revenue recognized from the change in fair value of our life insurance policies, net of premiums and carrying costs, was $3,579,000 for the first nine months of 2011. The change in fair value related to new policies acquired during the three and nine month periods ended September 30, 2011 was $1,066,000 and $10,097,000 respectively. In each case, the increases in fair value were due to changes in the discount rates we use to calculate the net present value of cash flows expected from our portfolio of life insurance policies, change in fair value of policies acquired during the period, and aging of the policies. 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 premium an investor in the portfolio would require. The discount rate used to estimate the fair value of the life insurance policies we own was 13.29% as of September 30, 2012, compared to 13.39% for the same date in 2011. The carrying value of policies acquired during each quarterly reporting period are adjusted to their current value using the fair value discount rate applied to the portfolio as of that reporting date.

Expenses. Interest expense, including amortization of the deferred financing costs, was $2,803,000 for the third quarter of 2012 and $7,621,000 for the nine months ended September 30, 2012, $2,831,000 for the third quarter of 2011 and $6,142,000 for the nine months ended September 30, 2011. Year to date interest expense for the first nine months of 2012 has increased $1,479,000 compared to the same period in 2011. The increase in interest expense was an increase in dividend expense from $45,000 for the nine months ended September 30, 2011, compared to $1,654,000 for the same period in 2012. Selling, general, and administrative expenses were $1,391,000, and $1,122,000 for the third quarter of 2012 and 2011, respectively; an increase of $269,000. Selling, general, and administrative expenses were $4,552,000, and $6,541,000 for the first nine months of 2012 and 2011, respectively; a decrease of $1,989,000. This decrease is mostly due to $3,595,000 one time investment banking fee paid in the third quarter of 2011 less increase in compensation, printing, travel and marketing costs during 2012.

Income Tax Expense. The Company was a pass-through entity for federal income tax purposes through June 10, 2011. As a result, 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 was required to be reported by the respective members on their income tax returns. The Company, as permitted under Delaware state law, changed its legal structure from a limited liability company to a corporation effective June 10, 2011. Since the conversion, the Company reports its income or loss on its own tax returns and is responsible for any related taxes.

Income tax expense was $104,000 for the nine months ended September 30, 2012. The effective tax rate for the nine months ended September 30, 2012, was 5.6%, compared to a pro-forma rate of 39.3% for the nine months ended September 30, 2011. In 2012 there is a significant permanent difference between income before income taxes and taxable income. This permanent difference results from the inclusion of convertible redeemable preferred stock dividends as an interest expense, however the dividends are not deductable for income tax reporting purposes. The dividends charged to interest expense were $675,000 and $1,654,000 for the three and nine months ended September 30, 2012, respectively. Excluding the impact of the dividends and other permanent differences, the effective tax rate for the three and nine months ended September 30, 2012 would have been 39.0% and 40.4% respectively.

The most significant temporary difference between GAAP net income and tax net income are the treatment of interest costs. premium payments and revenue recognition on the portfolio of life insurance policies.

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 intercompany 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. During the nine months ended September 30, 2012, we generated cash flows of $1,185,000 from origination fees. Profit from intra-company origination fees for life insurance policies retained by the Company are eliminated from our consolidated statements of operations. As such, the origination fees collected under our life insurance policy financing arrangements are reflected in our consolidated statements of cash flows as cash flows from financing activities as they are paid in the form of borrowings used to finance the acquisition. Our revolving bank line allows GWG DLP Funding II to borrow the funds necessary to pay origination fees to GWG Life Settlements, LLC. Our borrowing agreements allow us to use net proceeds of the renewable secured debentures for policy acquisition, which includes origination fees. If the policy acquisition is not financed, no fees are included in the consolidated cash flows. See "—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. Since the origination fees are paid from a wholly owned subsidiary to the parent company, these fees 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 note 1 to our consolidated financial statements.

We finance our business through a combination of policy benefit revenues, origination fees, equity offerings, debt offerings, and a credit facility. We use our debt offerings and credit facility primarily for policy acquisition, policy servicing and portfolio related financing expenditures.

As of September 30, 2012, we had approximately $30.6 million in combined available cash and available borrowing base surplus capacity under our revolving credit facility for the purpose of purchasing additional life insurance policies, paying premiums on existing policies, paying portfolio servicing expenses, and paying principal and interest on our outstanding financing obligations.

In September 2012, we concluded a Series A preferred stock offering, receiving $24.6 million in subscriptions for our Series A preferred stock. These subscriptions consisted of $13.8 million in conversions of outstanding Series I subsidiary secured notes and $10.8 million of new investments. We have used the proceeds from the sale of our Series A preferred stock, together with the origination fees we received to purchase and finance our life insurance policies and fund our operational expenditures.

In June 2011, we registered a $250.0 million debt offering ("Renewable Secured Debentures") with the SEC which became effective on January 31, 2012. As of September 30, 2012, we had received $32.7 million in subscriptions for our Renewable Secured Debentures. Subsequent to September 30, 2012, we received approximately an additional $9.3 million in subscriptions for our Renewable Secured Debentures. Additionally, our wholly owned subsidiary, GWG Life Settlements, LLC, or GWG Life, issued Series I secured notes (referred to as "Series I subsidiary secured notes") beginning in November 2009 on a private placement basis to accredited investors only. As of September 30, 2012, we had approximately $40.0 million in principal amount of Series I subsidiary secured notes outstanding. The Renewable Secured Debentures and Series I subsidiary secured notes are secured by all our assets, and are subordinate to our revolving credit facility with Autobahn/DZ Bank. The Renewable Secured Debentures and Series I subsidiary secured notes are pari passu with respect to shared collateral pursuant to an inter-creditor agreement. (see notes 7 and 8 to our consolidated financial statements).

We maintain a $100 million revolving credit facility with Autobahn/DZ Bank through our wholly owned subsidiary GWG DLP Funding II, or DLP Funding II. As of September 30, 2012, we had $66.0 million outstanding under the revolving credit facility and maintained an available borrowing base surplus $12.28 million. (see note 6 to our consolidated financial statements).

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 principally from the receipt of insurance benefit payments on our portfolio of life insurance policies, net proceeds from our offering of Renewable Secured Debentures, and from our revolving credit facility. 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. Despite recent adverse capital market conditions, including a prolonged credit crisis, we demonstrated continued access to credit and financing markets. Furthermore, 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 2015 and steadily increasing until 2018. As a result of the foregoing, we estimate that our liquidity and capital resources are sufficient for our current and projected financial needs. Nevertheless, if we are unable to continue our debenture offering 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 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 and continue to pay policy premiums.

Capital expenditures have historically not been material and we do not anticipate making material capital expenditures in 2012 or beyond.

Debt Financings Summary

We had the following outstanding debt balances as of September 30, 2012:

Issuer/Borrower	Principal Amount Outstanding at September 30, 2012	Weighted Average Interest Rate
GWG Holdings, Inc. - Renewable Secured Debentures	$ 32,685,000	7.58%
GWG Life Settlements, LLC -Series I Notes, secured	40,025,000	8.20%
GWG DLP Funding II, LLC - Revolving credit facility	66,000,000	2.13%
Total	$ 138,710,000	5.16%

Our total credit facility and other indebtedness balance as of September 30, 2012 was $138,710,000. The total outstanding face amount under our subsidiary secured notes outstanding at September 30, 2012 was $40,025,000, less unamortized selling costs of $803,000, resulting in a carrying amount of $39,222,000. The total outstanding face amount of Renewable Secured Debentures outstanding at September 30, 2012 was $32,685,000 plus $1,007,000 of unpapered receipts, less unamortized selling costs of $1,580,000, resulting in a carrying amount of $32,112,000. Financing was used to purchase and maintain our portfolio of life insurance policies. The fair value of our investments in life insurance policies of $147,829,000 plus our cash balance of $18,264,000 and our restricted cash balance of $1,424,000, totaled $167,517,000, representing an excess of portfolio assets over secured indebtedness of $28,807,000 at September 30, 2012. The renewable secured debentures and Series I secured notes are secured by all our assets, and are subordinate to our revolving credit facility with Autobahn/DZ Bank. The renewable secured debentures and Series I subsidiary secured notes are pari passu with respect to shared collateral pursuant to an inter-creditor agreement.

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 2015, 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 And Servicing
2012	$ 4,425,000
2013	17,066,000
2014	18,285,000
2015	19,673,000
2016	21,286,000
Total	$ 80,735,000

The significant majority of insurance policies owned by us are subject to a collateral arrangement with the agent to our revolving credit lender, as described in note 6 to the condensed 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 our 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 (GWG DLP Funding II, LLC, GWG Life Settlements, LLC, and GWG Holdings, Inc) 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 a 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 our debt obligations.

Inflation

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

Off-Balance Sheet Arrangements

Operating Lease - The Company entered into an office lease with U.S. Bank National Association as the landlord. The lease was effective April 22, 2012 with a term through August 31, 2015. The lease is for 8,881 square feet of office space located at 220 South Sixth Street, Minneapolis, Minnesota. The Company is obligated to pay base rent plus common area maintenance and a share of the building operating costs. Minimum lease payments under the lease are as follows:

2012 (remaining)	$ 18,318
2013	$ 74,752
2014	$ 78,452
2015	$ 53,288
Total	$ 224,810

Credit Risk

We review the credit risk associated with our portfolio of life insurance policies when estimating its fair value. In evaluating the policies' credit risk we consider insurance company solvency, credit risk indicators, economic conditions, ongoing credit evaluations, 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 September 30, 2012, 91.33% 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 fair value of our portfolio of life insurance policies.

Interest Rate Risk

Our credit facility is floating-rate financing. In addition, our ability to offer interest rates that attract capital (including in the offer and sale of renewable secured 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.

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 the notes to our consolidated financial statements and our audited financial statements contained within our Special Financial Report on Form 10-K.

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. As indicated above, we also use non-GAAP financial reporting to manage and evaluate the financial performance of our business.

GAAP-based fair value requires us to mark-to-market our investments in life insurance policies, which by its nature, is based upon a Level 3 analysis based on inputs that are unobservable. As a result, this accounting treatment imports financial market volatility and subjective inputs into our financial reporting. We believe this type of accounting reporting is at odds with one of the key attractions for purchasing life insurance policies: The non-correlated nature of the returns to be derived from such policies. Therefore, in contrast to a GAAP-based fair valuation, we seek to measure the accrual of the actuarial gain occurring within life insurance policies at their 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 a mortality table as the insureds' ageincreases. By comparing the actuarial gain accruing within our life insurance policies against our costs during the same period, we can estimate, manage and evaluate the overall financial profitability of our business without regard to mark-to-market volatility. We use this information to balance our life insurance policy purchasing and manage our capital structure, including the issuance of debt 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 on the method described above, without regard to GAAP-based fair value measures.

Adjusted Non-GAAP 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 actuarial gain accruing within our life insurance policies at the expected internal rate of return of the policies we own without regard to fair value. We net this actuarial gain against our costs during the same period to calculate our net income on a non-GAAP basis.

	Three Months Ended		Nine Months Ended	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
GAAP net income	$ (113,000)	$ (2,266,000)	$ (1,964,000)	$ (854,000)
Unrealized fair value gain (1)	(8,882,000)	(3,363,000)	(18,249,000)	(13,657,000)
Adjusted cost basis increase (2)	6,475,000	2,541,000	17,784,000	6,947,000
Accrual of unrealized actuarial gain (3)	4,598,000	3,655,000	12,437,000	9,515,000
Total adjusted non-GAAP income (4)	$ 2,078,000	$ 567,000	$ 10,008,000	$ 1,951,000

(1) Reversal of unrealized fair value gain of life insurance policies for current period.
(2) Adjusted cost basis is increased to include those acquisition and servicing expenses 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) 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.

Below is a full non-GAAP statement of operations in the form that we prepare and use internally to assess our performance, and that we provide to Autobahn/DZ Bank in satisfaction of certain covenants under our revolving credit facility.

Non-GAAP statement of operations:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
Income				
Investments in life settlement contracts (Unrealized)	4,598,000	3,655,000	12,437,000	9,515,000
Investments in life settlement contracts (Realized)	-	494,000	4,083,000	494,000
Origination fees and other income	654,000	419,000	1,142,000	2,445,000
Total Income	5,252,000	4,568,000	17,662,000	12,454,000
Expenses				
Operations	1,572,000	3,390,000	6,246,000	5,312,000
Facility, Series I Notes and debentures marketing and deferred financing costs	394,000	596,000	1,304,000	1,379,000
Total Expenses	1,966,000	3,986,000	7,550,000	6,691,000
Net income before tax	3,286,000	582,000	10,112,000	5,763,000
Income tax expense	1,208,000	15,000	104,000	3,812,000
Net Income (loss)	2,078,000	567,000	10,008,000	1,951,000
Income per share				
Basic	$ 0.21	$ 0.06	$ 1.00	$ 0.21
Diluted	$ 0.13	$ 0.06	$ 0.68	$ 0.21
Weighted average shares outstanding				
Basic	9,989,000	9,870,750	9,989,000	9,293,440
Diluted	15,728,143	9,986,554	14,681,388	9,332,410

Adjusted Non-GAAP 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 actuarial gain accruing within our life insurance policies at the expected internal rate of return of the policies we own without regard to fair value. We net this actuarial gain against our costs during the same period to calculate our tangible net worth on a non-GAAP basis.

	As of September 30, 2012	**As of December 31, 2011**
GAAP net worth (1)	$ 21,542,000	$ 13,610,000
Less intangible assets	(2,601,000)	(1,648,000)
GAAP tangible net worth	18,941,000	11,962,000
Unrealized fair value gain (2)	(65,799,000)	(24,960,000)
Adjusted cost basis increase (3)	59,385,000	19,298,000
Accrual of unrealized actuarial gain (4)	35,487,000	23,050,000
Total adjusted non-GAAP tangible net worth (5)	$ 48,014,000	$ 29,350,000

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

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

	As of September 30, 2012	**As of December 31, 2011**
Weighted-average expected IRR (1)	13.94%	14.06%
Weighted-average revolving credit facility interest rate (2)	2.13%	2.25%
Excess spread (3)	11.81%	11.81%
Total weighted-average interest rate on indebtedness for borrowed money (4)	5.16%	4.86%
Total excess spread	8.78%	9.20%

(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 below:

	As of September 30, 2012	**As of December 31, 2011**
GAAP fair value	$ 147,829,000	$ 122,169,000
Unrealized fair value gain (A)	(65,799,000)	(24,960,000)
Adjusted cost basis increase (B)	59,385,000	19,298,000
Investment cost basis (C)	$ 141,415,000	$ 116,507,000

(A) This represents the reversal of cumulative unrealized GAAP fair value gain of life insurance policies.
(B) Adjusted cost basis is increased to include those acquisition and servicing expenses that are not capitalized by GAAP.
(C) This is the full cash investment cost basis in life insurance policies from which our expected internal rate of return is calculated.

(2) This is the weighted-average revolving credit 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 September 30, 2012**	**As of December 31, 2011**
Revolving credit facility	$ 66,000,000	$ 60,000,000
Subsidiary secured notes	40,025,000	49,332,000
Renewable secured debentures	32,685,000	-
Total	$ 138,710,000	$ 109,332,000
Interest Rates on Indebtedness:		
Revolving credit facility	2.13%	2.25%
Subsidiary secured notes	8.20%	8.04%
Renewable secured debentures	7.58%	N/A
Weighted-average interest rates on indebtedness	5.16%	4.86%

Life Insurance Portfolio Detail

The following information provides detail regarding our portfolio of life insurance policies as of September 30, 2012 and updates the similar detail contained within the prospectus as of December 31, 2011.

Our portfolio of life insurance policy portfolio as of September 30, 2012 is summarized and set forth below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$ 515,662,000
Average face value per policy *	$ 2,631,000
Average face value per insured life *	$ 2,849,000
Average age of insured (yrs) *	81.20
Average life expectancy estimate (yrs) *	7.33
Total number of policies	196
Demographics	65% Males; 35% Females
Number of smokers	No insureds are smokers
Largest policy as % of total portfolio	1.94%
Average policy as % of total portfolio	0.51%
Average Annual Premium as % of face value	3.19%

* Averages presented in the table are weighted averages.

The concentration risk of our ten largest insurance company holdings as of September 30, 2012, all rated A- or better from Standard & Poor's, 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	$89,030,000	17.27%	AXA Equitable Life Insurance Company	AA-
2	$67,994,847	13.38%	John Hancock Life Insurance Company (U.S.A)	AA-
3	$62,186,500	12.06%	Transamerica Life Insurance Company	AA-
4	$48,065,000	9.32%	Jefferson-Pilot Life Insurance Company	AA-
5	$35,585,000	6.90%	Massachusetts Mutual Life Insurance Company	AA+
6	$31,750,000	6.16%	American General Life Insurance Company	A+
7	$22,300,000	4.32%	ING Life Insurance and Annuity Company	A-
8	$17,750,000	3.44%	Lincoln National Life Insurance Company	AA-
9	$16,200,000	3.14%	American National Insurance Company	A
10	$15,332,725	2.97%	Metropolitan Life Insurance Company	AA-

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 morbidity and mortality statistics. Currently, cardiovascular is the only primary disease category within our portfolio that represents a concentration over 10%.

The table below sets forth the primary disease categories of our portfolio as of September 30, 2012:

Primary Disease Category	Policy Benefits	%
Cancer	$ 31,550,000	6%
Cardiovascular	$ 127,959,252	25%
Cerebrovascular	$ 34,985,000	7%
Dementia	$ 23,885,380	5%
Diabetes	$ 35,153,000	7%
Multiple	$ 86,230,000	17%
Neurological Disorders (excluding Alzheimer's)	$ 12,600,000	2%
No Disease	$ 61,485,467	12%
Other	$ 75,113,520	14%
Respiratory Diseases	$ 26,700,000	5%
	$ 515,661,619	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 (as of September 30, 2012)

Face Amount	Sex	Age (ALB)	LE	Carrier	S&P Rating
$2,000,000	F	89	38.0	Pruco Life Insurance Company	AA-
$5,000,000	F	88	75.6	American General Life Insurance Company	A+
$5,000,000	F	88	43.3	John Hancock Life Insurance Company (U.S.A)	AA-
$1,000,000	F	88	31.0	Protective Life Insurance Company	AA-
$5,000,000	M	87	52.7	John Hancock Life Insurance Company (U.S.A)	AA-
$3,500,000	F	87	70.9	John Hancock Life Insurance Company (U.S.A)	AA-
$1,500,000	F	87	72.8	Jefferson-Pilot Life Insurance Company	AA-
$3,000,000	F	87	55.3	Jefferson-Pilot Life Insurance Company	AA-
$5,000,000	F	87	74.7	ING Life Insurance and Annuity Company	A-
$5,000,000	F	87	46.7	Lincoln National Life Insurance Company	AA-
$1,203,520	M	87	59.4	Columbus Life Insurance Company	AA+
$1,350,000	F	87	78.0	Jefferson-Pilot Life Insurance Company	AA-
$ 600,000	F	87	73.8	Columbus Life Insurance Company	AA+
$5,000,000	F	86	56.3	Massachusetts Mutual Life Insurance Company	AA+
$2,500,000	F	86	71.1	American General Life Insurance Company	A+
$2,500,000	M	86	60.2	Pacific Life Insurance Company	A+
$2,500,000	F	86	75.7	AXA Equitable Life Insurance Company	AA-
$2,500,000	F	86	75.7	AXA Equitable Life Insurance Company	AA-
$8,985,000	M	86	48.9	Massachusetts Mutual Life Insurance Company	AA+
$ 715,000	F	86	83.8	Jefferson-Pilot Life Insurance Company	AA-
$2,225,000	F	86	94.3	Transamerica Life Insurance Company	AA-
$2,000,000	F	86	44.2	American General Life Insurance Company	A+
$3,500,000	F	86	73.4	Lincoln National Life Insurance Company	AA-
$ 500,000	F	85	64.3	Sun Life Assurance Company of Canada (U.S.)	BBB+
$4,000,000	F	85	93.3	Transamerica Life Insurance Company	AA-
$1,600,000	F	85	46.4	ING Life Insurance and Annuity Company	A-
$5,000,000	M	85	83.0	AXA Equitable Life Insurance Company	AA-
$1,000,000	M	85	42.7	Pacific Life Insurance Company	A+
$3,000,000	M	85	42.7	Lincoln National Life Insurance Company	AA-

$1,500,000	M	85	58.2	John Hancock Life Insurance Company (U.S.A)	AA-
$1,500,000	M	85	58.2	John Hancock Life Insurance Company (U.S.A)	AA-
$5,000,000	F	85	72.3	Penn Mutual Life Insurance Company	AA-
$1,000,000	M	85	79.1	AXA Equitable Life Insurance Company	AA-
$ 500,000	M	85	71.6	Lincoln National Life Insurance Company	AA-
$4,785,380	F	85	60.2	John Hancock Life Insurance Company (U.S.A)	AA-
$1,803,455	F	85	71.1	Metropolitan Life Insurance Company	AA-
$1,529,270	F	85	71.1	Metropolitan Life Insurance Company	AA-
$5,000,000	M	85	61.9	John Hancock Life Insurance Company (U.S.A)	AA-
$3,000,000	F	85	98.3	Massachusetts Mutual Life Insurance Company	AA+
$ 200,000	M	85	62.9	Lincoln Benefit Life Company	A+
$4,445,467	M	85	72.2	Penn Mutual Life Insurance Company	AA-
$1,500,000	M	85	53.3	Union Central Life Insurance Company	A+
$7,500,000	M	85	53.8	Jefferson-Pilot Life Insurance Company	AA-
$ 100,000	M	85	43.5	Protective Life Insurance Company	AA-
$ 100,000	M	85	43.5	Protective Life Insurance Company	AA-
$ 100,000	M	85	43.5	Protective Life Insurance Company	AA-
$3,600,000	F	85	95.3	AXA Equitable Life Insurance Company	AA-
$2,000,000	M	85	59.7	John Hancock Life Insurance Company (U.S.A)	AA-
$3,000,000	M	85	53.9	American General Life Insurance Company	A+
$1,000,000	M	84	74.9	John Hancock Life Insurance Company (U.S.A)	AA-
$2,000,000	M	84	74.9	John Hancock Life Insurance Company (U.S.A)	AA-
$5,000,000	M	84	65.0	Jefferson-Pilot Life Insurance Company	AA-
$5,000,000	F	84	55.3	Transamerica Life Insurance Company	AA-
$3,000,000	M	84	65.5	Transamerica Life Insurance Company	AA-
$1,200,000	M	84	92.3	Transamerica Life Insurance Company	AA-
$3,000,000	M	84	107.1	AXA Equitable Life Insurance Company	AA-
$1,000,000	F	84	76.7	New York Life Insurance Company	AA+
$2,500,000	M	84	70.1	Transamerica Life Insurance Company	AA-
$8,500,000	M	84	85.2	Massachusetts Mutual Life Insurance Company	AA+
$1,000,000	F	84	63.2	West Coast Life Insurance Company	AA-
$2,000,000	F	84	63.2	West Coast Life Insurance Company	AA-
$ 800,000	M	84	73.1	National Western Life Insurance Company	A
$1,000,000	M	84	56.4	American General Life Insurance Company	A+
$5,000,000	M	84	84.1	Lincoln National Life Insurance Company	AA-
$1,365,000	F	83	112.2	Transamerica Life Insurance Company	AA-
$1,000,000	F	83	111.2	ING Life Insurance and Annuity Company	A-
$2,000,000	M	83	85.5	Transamerica Life Insurance Company	AA-
$2,000,000	M	83	54.9	Jefferson-Pilot Life Insurance Company	AA-
$3,000,000	F	83	118.2	Transamerica Life Insurance Company	AA-
$ 750,000	M	83	38.8	ING Life Insurance and Annuity Company	A-
$ 750,000	M	83	38.8	ING Life Insurance and Annuity Company	A-
$1,800,000	M	83	58.8	John Hancock Variable Life Insurance Company	AA-
$2,000,000	M	83	81.5	AXA Equitable Life Insurance Company	AA-
$1,750,000	M	83	81.5	AXA Equitable Life Insurance Company	AA-
$2,000,000	M	83	48.5	Transamerica Life Insurance Company	AA-
$1,500,000	M	82	70.1	Transamerica Life Insurance Company	AA-
$1,500,000	F	82	123.3	Lincoln Benefit Life Company	A+
$3,750,000	M	82	97.3	AXA Equitable Life Insurance Company	AA-
$1,000,000	M	82	64.9	John Hancock Life Insurance Company (U.S.A)	AA-
$2,000,000	F	82	103.2	AXA Equitable Life Insurance Company	AA-
$1,000,000	M	82	89.2	ING Life Insurance and Annuity Company	A-
$3,000,000	F	82	102.9	Sun Life Assurance Company of Canada (U.S.)	BBB+
$ 829,022	F	82	37.5	Hartford Life and Annuity Insurance Company	BBB+
$1,500,000	M	82	75.3	AXA Equitable Life Insurance Company	AA-
$5,000,000	M	82	92.8	ING Life Insurance and Annuity Company	A-

$1,500,000	M	82	72.4	ING Life Insurance and Annuity Company	A-
$1,500,000	M	82	72.4	ING Life Insurance and Annuity Company	A-
$ 500,000	M	82	63.0	Genworth Life Insurance Company	A
$1,000,000	M	82	51.2	John Hancock Life Insurance Company (U.S.A)	AA-
$4,000,000	F	82	65.5	ING Life Insurance and Annuity Company	A-
$5,000,000	F	82	129.8	American General Life Insurance Company	A+
$3,500,000	F	82	117.4	Lincoln Benefit Life Company	A+
$5,000,000	F	81	119.3	AXA Equitable Life Insurance Company	AA-
$1,000,000	F	81	101.3	John Hancock Life Insurance Company (U.S.A)	AA-
$6,000,000	F	81	121.2	American General Life Insurance Company	A+
$ 500,000	F	81	120.4	AXA Equitable Life Insurance Company	AA-
$4,200,000	F	81	150.4	Transamerica Life Insurance Company	AA-
$ 750,000	M	81	119.4	West Coast Life Insurance Company	AA-
$4,000,000	M	81	57.5	John Hancock Life Insurance Company (U.S.A)	AA-
$1,000,000	M	81	89.9	John Hancock Life Insurance Company (U.S.A)	AA-
$2,000,000	F	81	131.2	Lincoln Benefit Life Company	A+
$5,000,000	M	81	75.9	Jefferson-Pilot Life Insurance Company	AA-
$2,700,000	M	81	72.0	John Hancock Life Insurance Company (U.S.A)	AA-
$7,600,000	F	81	119.7	Transamerica Life Insurance Company	AA-
$2,500,000	F	81	83.7	American General Life Insurance Company	A+
$2,000,000	M	81	84.9	Pacific Life Insurance Company	A+
$10,000,000	F	81	77.4	American National Insurance Company	A
$ 500,000	M	81	60.9	West Coast Life Insurance Company	AA-
$5,000,000	M	81	96.3	AXA Equitable Life Insurance Company	AA-
$3,500,000	F	80	113.7	Jefferson-Pilot Life Insurance Company	AA-
$ 500,000	M	80	117.4	Metropolitan Life Insurance Company	AA-
$3,000,000	M	80	71.5	U.S. Financial Life Insurance Company	AA-
$1,900,000	M	80	66.1	American National Insurance Company	A
$ 500,000	M	80	61.7	New York Life Insurance Company	AA+
$ 500,000	M	80	61.7	New York Life Insurance Company	AA+
$ 250,000	M	80	51.6	Jackson National Life Insurance Company	AA
$1,500,000	M	80	126.5	Jefferson-Pilot Life Insurance Company	AA-
$3,500,000	F	80	98.2	AXA Equitable Life Insurance Company	AA-
$5,000,000	F	80	99.1	Sun Life Assurance Company of Canada (U.S.)	BBB+
$ 750,000	M	80	71.1	John Hancock Life Insurance Company (U.S.A)	AA-
$4,500,000	M	80	80.6	AXA Equitable Life Insurance Company	AA-
$1,250,000	F	80	97.9	Columbus Life Insurance Company	AA+
$3,500,000	M	80	91.2	AXA Equitable Life Insurance Company	AA-
$5,403,000	F	80	115.6	Phoenix Life Insurance Company	BB-
$2,000,000	F	80	110.2	Jefferson-Pilot Life Insurance Company	AA-
$3,000,000	M	79	80.1	Protective Life Insurance Company	AA-
$2,000,000	F	79	126.3	Transamerica Life Insurance Company	AA-
$1,500,000	M	79	75.2	Pacific Life Insurance Company	A+
$1,995,000	F	79	94.1	Transamerica Life Insurance Company	AA-
$4,000,000	M	79	93.1	Jefferson-Pilot Life Insurance Company	AA-
$5,000,000	M	79	84.4	Transamerica Life Insurance Company	AA-
$2,000,000	M	79	97.2	Ohio National Life Assurance Corporation	AA
$1,000,000	M	79	97.2	Ohio National Life Assurance Corporation	AA
$ 350,000	M	79	73.7	Reassure America Life Insurance Company	AA-
$5,000,000	M	78	121.6	AXA Equitable Life Insurance Company	AA-
$8,000,000	M	78	104.2	AXA Equitable Life Insurance Company	AA-
$ 550,000	M	78	132.3	Genworth Life Insurance Company	A
$1,680,000	F	78	90.4	AXA Equitable Life Insurance Company	AA-
$1,000,000	M	78	117.4	AXA Equitable Life Insurance Company	AA-
$1,250,000	F	78	95.1	Principal Life Insurance Company	A+
$1,000,000	M	78	61.5	AXA Equitable Life Insurance Company	AA-

$3,000,000	M	78	112.9	John Hancock Life Insurance Company (U.S.A)	AA-
$2,000,000	M	78	103.3	Jefferson-Pilot Life Insurance Company	AA-
$5,000,000	M	78	64.3	AXA Equitable Life Insurance Company	AA-
$ 250,000	M	78	84.1	American General Life Insurance Company	A+
$10,000,000	M	78	113.9	John Hancock Life Insurance Company (U.S.A)	AA-
$3,000,000	M	78	132.7	Principal Life Insurance Company	A+
$3,000,000	F	78	123.2	West Coast Life Insurance Company	AA-
$4,000,000	M	77	107.8	Jefferson-Pilot Life Insurance Company	AA-
$ 130,000	M	77	74.6	Genworth Life Insurance Company	A
$1,000,000	M	77	142.9	Empire General Life Assurance Corporation	AA-
$2,000,000	F	77	110.2	Pacific Life Insurance Company	A+
$4,300,000	F	77	127.9	American National Insurance Company	A
$2,000,000	F	77	132.3	Transamerica Life Insurance Company	AA-
$5,000,000	M	77	95.9	AXA Equitable Life Insurance Company	AA-
$5,000,000	M	77	95.9	AXA Equitable Life Insurance Company	AA-
$ 500,000	M	77	90.0	Transamerica Life Insurance Company	AA-
$3,601,500	M	76	103.0	Transamerica Life Insurance Company	AA-
$1,000,000	M	76	92.2	Sun Life Assurance Company of Canada (U.S.)	BBB+
$5,000,000	M	76	113.5	Principal Life Insurance Company	A+
$1,009,467	M	76	60.2	John Hancock Life Insurance Company (U.S.A)	AA-
$5,000,000	M	76	85.4	John Hancock Life Insurance Company (U.S.A)	AA-
$2,250,000	M	76	81.9	Massachusetts Mutual Life Insurance Company	AA+
$1,000,000	M	76	111.4	Metropolitan Life Insurance Company	AA-
$ 750,000	M	76	85.4	Lincoln National Life Insurance Company	AA-
$3,000,000	M	76	115.2	Principal Life Insurance Company	A+
$5,000,000	M	75	115.7	Jefferson-Pilot Life Insurance Company	AA-
$5,000,000	M	75	98.3	John Hancock Life Insurance Company (U.S.A)	AA-
$ 500,000	M	75	79.0	John Hancock Life Insurance Company (U.S.A)	AA-
$1,000,000	M	75	123.6	Metropolitan Life Insurance Company	AA-
$4,000,000	M	75	92.0	MetLife Investors USA Insurance Company	AA-
$2,500,000	M	75	106.7	Massachusetts Mutual Life Insurance Company	AA+
$2,500,000	M	75	106.7	Massachusetts Mutual Life Insurance Company	AA+
$ 500,000	F	75	115.5	Columbus Life Insurance Company	AA+
$1,750,000	M	75	93.4	John Hancock Life Insurance Company (U.S.A)	AA-
$5,000,000	M	75	117.5	Transamerica Life Insurance Company	AA-
$3,750,000	M	75	83.0	AXA Equitable Life Insurance Company	AA-
$2,000,000	F	75	67.3	Transamerica Life Insurance Company	AA-
$ 750,000	M	74	136.8	U.S. Financial Life Insurance Company	AA-
$ 600,000	M	74	108.0	Protective Life Insurance Company	AA-
$ 850,000	M	73	91.6	New York Life Insurance Company	AA+
$5,000,000	M	73	93.7	West Coast Life Insurance Company	AA-
$ 200,000	M	72	120.7	ING Life Insurance and Annuity Company	A-
$8,000,000	M	72	112.3	Metropolitan Life Insurance Company	AA-
$5,000,000	M	72	60.1	Lincoln Benefit Life Company	A+
$2,000,000	M	72	115.7	U.S. Financial Life Insurance Company	AA-
$3,000,000	F	72	116.8	General American Life Insurance Company	AA-
$1,000,000	M	71	114.8	United of Omaha Life Insurance Company	A+
$2,850,000	M	71	79.2	Massachusetts Mutual Life Insurance Company	AA+
$2,000,000	M	71	144.5	American General Life Insurance Company	A+
$ 500,000	M	70	82.7	Midland National Life Insurance Company	A+
$3,000,000	M	70	117.6	AXA Equitable Life Insurance Company	AA-
$2,500,000	M	69	129.1	American General Life Insurance Company	A+
$1,500,000	M	69	126.8	Metropolitan Life Insurance Company	AA-
$ 500,000	M	67	115.0	Transamerica Life Insurance Company	AA-
$ 156,538	F	65	127.6	New York Life Insurance Company	AA+
$515,661,619					

(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.

FINANCIAL INFORMATION

GWG HOLDINGS, INC.
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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Cash and cash equivalents	$ 18,264,139	$ 1,878,349
Restricted cash	1,424,466	4,794,302
Investment in life settlements, at fair value	147,828,800	122,168,524
Other assets	884,631	548,100
TOTAL ASSETS	$ 168,402,036	$ 129,389,275
LIABILITIES & EQUITY (DEFICIT)		
LIABILITIES		
Revolving credit facility	$ 66,000,000	$ 60,000,000
Series I Secured notes payable	39,221,704	48,179,271
Renewable secured debentures	32,112,270	-
Interest payable	2,870,900	1,887,835
Accounts payable and accrued expenses	2,243,000	1,404,107
Deferred taxes, net	4,411,929	4,308,217
TOTAL LIABILITIES	146,859,803	115,779,430
CONVERTIBLE, REDEEMABLE PREFERRED STOCK		
(par value $0.001; shares authorized 40,000,000; shares issued and outstanding 3,339,484 and 1,881,329; liquidation preference of $25,046,000 (unaudited) and $14,110,000, respectively)	23,391,533	12,661,276
EQUITY (DEFICIT)		
Common stock (par value $0.001: shares authorized 210,000,000; shares issued and outstanding is 9,989,000 on both September 30, 2012 (unaudited) and December 31, 2011)	9,989	9,989
Additional paid-in capital	7,335,887	8,169,303
Accumulated deficit	(9,195,176)	(7,230,723)
TOTAL EQUITY (DEFICIT)	(1,849,300)	948,569
TOTAL LIABILITIES & EQUITY (DEFICIT)	$ 168,402,036	$ 129,389,275

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

GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2012	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
REVENUE				
Gain on life settlements, net	$ 4,788,291	$ 3,857,131	$ 10,257,537	$ 14,151,240
Interest and other income	5,681	9,280	54,576	41,250
TOTAL REVENUE	4,793,972	3,866,411	10,312,113	14,192,490
EXPENSES				
Employee compensation and benefits	745,386	461,824	1,862,469	1,403,844
Legal and professional fees	250,648	286,681	952,051	597,230
Interest expense	2,803,185	2,830,689	7,621,177	6,141,901
Investment banking services	-	3,595,027	-	3,595,027
Other expenses	474,504	375,892	1,737,157	944,409
TOTAL EXPENSES	4,273,723	7,550,113	12,172,854	12,682,411
INCOME (LOSS) BEFORE INCOME TAXES	520,249	(3,683,702)	(1,860,741)	1,510,079
INCOME TAX EXPENSE (BENEFIT)	633,572	(1,417,649)	103,712	2,363,851
NET (LOSS)	$ (113,323)	$ (2,266,053)	$ (1,964,453)	$ (853,772)
(LOSS) PER SHARE				
Basic	$ (0.01)	$ (0.23)	$ (0.20)	$ (0.09)
Diluted	$ (0.01)	$ (0.23)	$ (0.20)	$ (0.09)
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	9,989,000	9,870,750	9,989,000	9,293,440
Diluted	9,989,000	9,870,750	9,989,000	9,293,440

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

PROFORMA INFORMATION AS IF THE COMPANY HAD BEEN A CORPORATION DURING THE:	**Three Months Ended September 30, 2011**	**Nine Months Ended September 30, 2011**
INCOME BEFORE INCOME TAXES	$ (3,683,702)	$ 1,510,079
INCOME TAX EXPENSE (BENEFIT)	(1,447,695)	595,273
NET INCOME (LOSS)	$ (2,236,007)	$ 914,806
PROFORMA EARNINGS PER SHARE ATTRIBUTABLE TO CONTROLLING INTERESTS		
BASIC	$ (0.23)	$ 0.10
FULLY DILUTED	$ (0.23)	$ 0.10
PROFORMA WEIGHTED AVERAGE SHARES OUTSTANDING		
BASIC	9,870,750	9,293,440
FULLY DILUTED	9,870,750	9,293,440

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

GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss)	$ (113,323)	$ (2,266,053)	$ (1,964,453)	$ (853,772)
Adjustments to reconcile net (loss) to net				
cash flows from operating activities:				
Gain on life settlements	(8,881,542)	(7,236,462)	(19,871,791)	(23,875,055)
Amortization of deferred financing and issuance costs	394,438	1,432,625	1,303,895	1,549,073
Investment banking services	-	3,595,027	-	3,595,027
Deferred income taxes	633,572	(1,415,149)	103,712	2,363,851
Convertible, redeemable preferred stock dividends payable	215,059	44,669	636,069	44,669
(Increase) decrease in operating assets:				
Other assets	(115,761)	(434,341)	941,525	(986,346)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	791,825	(436,987)	1,450,958	(631,830)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(7,075,732)	(6,716,671)	(17,400,085)	(18,794,383)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in life settlements	(5,361,540)	(1,377,026)	(7,983,570)	(10,500,756)
Proceeds from settlement of life settlements	-	-	416,665	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(5,361,540)	(1,377,026)	(7,566,905)	(10,500,756)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from revolving credit facility	-	7,510,001	6,000,000	18,599,549
Proceeds from issuance of Series I Secured notes payable	-	(3,216,821)	50,000	8,126,034
Payments for redemption of Series I Secured notes payable	(1,843,032)	3,280,899	(5,311,989)	(1,006,680)
Proceeds from issuance of renewable secured debentures	17,878,571	-	33,635,657	-
Payments for redemption and issuance of renewable secured debentures	(914,880)	-	(1,627,467)	-
Proceeds from restricted cash	3,427,198	774,560	3,369,837	2,422,118
Issuance of common stock	-	4,973	-	4,973
Issuance of convertible, redeemable preferred stock	500,000	1,670,010	6,287,375	1,670,010
Payments of issuance cost for convertible, redeemable preferred stock	558,729	(956,851)	(1,050,633)	(956,851)
Proceeds from notes receivable from related parties	-	2,306,068	-	2,306,068
Common stock dividends	-	(2,306,068)	-	(2,306,068)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	19,606,586	9,066,771	41,352,780	28,859,153
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,169,314	973,074	16,385,790	(435,986)
CASH AND CASH EQUIVALENTS				
BEGINNING OF PERIOD	11,094,825	349,170	1,878,349	1,758,230
END OF PERIOD	$ 18,264,139	$ 1,322,244	$ 18,264,139	$ 1,322,244

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

GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – CONTINUED
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Interest paid	$ 1,839,000	$ 1,090,000	$ 4,958,000	$ 3,505,000
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Convertible, redeemable preferred stock:				
Non-cash conversion of Series I secured notes	$ -	$ 7,189,000	$ 4,220,000	$ 7,189,000
Non-cash conversion of accrued interest payable on Series I secured notes	$ -	$ 202,000	$ 8,000	$ 202,000
Non-cash conversion of dividends payable	$ 160,000	$ -	$ 408,000	$ -
Warrants issued to purchase common stock	$ 2,000	$ -	$ 41,000	$ -
Non-cash conversion of accrued interest payable on Series I secured notes to principal	$ 43,000	$ 106,000	$ 80,000	$ 106,000
Conversion from LLC to corporation	$ -	$ -	$ -	$ 6,871,000
Investment in life settlements included in accounts payable	$ 340,000	$ 701,000	$ 501,000	$ 701,000

The accompanying notes are an integral part of these Condensed 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 Trust (Trust), GWG DLP Funding II, LLC (DLP II) and its wholly owned subsidiary, GWG DLP Master Trust II (the Trust II). Holdings 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 and its subsidiaries finance the acquisition of life insurance policies and pay policy premiums through funds available on its line of credit and proceeds from other debt and equity securities as well as from revenues from maturities of life insurance policies. GWG Broker Services, LLC (Broker Services) a wholly owned subsidiary was formed to earn fees for brokering policy transactions between market participants. GWG Member, LLC a wholly owned subsidiary formed November 2010 to facilitate the acquisition of policies, has not commenced operations as of September 30, 2012. The entities were legally organized in Delaware and are collectively referred herein to as GWG, or the Company.

Basis of presentation - The condensed consolidated balance sheet as of September 30, 2012, the condensed consolidated statements of operations for the three months and nine months ended September 30, 2012 and 2011, and the condensed consolidated statements of cash flows for the three months and nine months ended September 30, 2012 and 2011, and the related information presented in these notes, have been prepared by management in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, without audit. To the extent that information and notes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements are contained in or are consistent with the consolidated audited financial statements presented in the Company's Form 10-K for the year ended December 31, 2011, such information and notes have not been duplicated herein. In the opinion of management, all adjustments considered necessary for a fair presentation of results have been included. The condensed consolidated balance sheet at December 31, 2011 was derived from the audited consolidated financial statements as of that date. Operating results for the three and nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Special Financial Report on Form 10-K for the year ended December 31, 2011.

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 estimates with regard to these consolidated financial statements relate to (1) the determination of the assumptions used in estimating the fair value of the investment in life insurance policies, and (2) the valuation of deferred tax assets.

Operating agreement – 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 conversion, 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 below). Common stock dividends distributed subsequent to the conversion will be recorded as a reduction of paid in capital until the Company reflects accumulated positive earnings.

On July 31, 2011, the Company began a private placement offering for the sale of up to 3,333,333 shares of Series A 10% convertible, redeemable preferred stock at an offering price of $7.50 per share. The offering of Series A concluded on September 2, 2012, and resulted in the sale of 3,279,000 shares of Series A and issuance of an additional 60,000 shares as dividends in-kind to shareholders (see note 10). The Company provided for an overallotment of 666,667 shares, allowing for total offering of 4,000,000 shares. As of September 30, 2012 we have issued 3,339,000 shares.

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

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 investments in life settlements.

The Company recognizes the difference between the policy benefits received and carrying values of the respective life insurance policy when an insured event has occurred and the Company determines that settlement and ultimate collection of the policy benefits is realizable and reasonably assured. Revenue from a transaction must meet both criteria in order to be recognized. The Company recognizes these realized gains (revenue) from life settlement contracts upon one of the two following events:

1) Receipt of mortality 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, but not yet settled, 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. Amortization of deferred financing costs related to the revolving credit facility was $58,000 for the three months ended September 30, 2012 and 2011. Amortization of deferred financing costs related to the revolving credit facility was $175,000 for each of the nine months ended September 30, 2012 and 2011 and is included in interest expense in the statement of operations. The expected amortization expense is $58,000 and $97,000 for the three months ending December 31, 2012 and the year ending December 31, 2013, respectively.

The Series I Secured note obligations, as described in note 7, 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. The renewable secured debentures, as described in note 8, 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.

The Series A convertible, redeemable preferred stock, as described in note 10, is reported net of issuance costs, sales commissions, and other direct expenses. The discount is amortized directly to equity using the interest method over the three year redemption period to the redemption amount.

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) per share has been restated to reflect the equivalent common stock per share amounts as of the earliest period reported. Basic per share earnings (loss) is calculated using the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated based on the potential dilutive impact, if any, of the Company's preferred stock and outstanding warrants. The Company has 831,909 warrants and 5,009,225 shares of Convertible Redeemable Preferred Stock (equivalent common shares if Convertible Redeemable Preferred Stock were converted into common stock) outstanding as of September 30, 2012. The Convertible Redeemable Preferred Stock and warrants are anti-dilutive for the three and nine months ended September 30, 2012 and 2011.

Recently adopted pronouncements – In May 2011, the FASB issued ASU No. 2011-04, "*Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*," which amends disclosure requirements related to categorization within the fair value hierarchy. This update results in common principles and requirements for measuring fair value and disclosing information about fair value measurements in accordance with GAAP and International Financial Reporting Standards. The guidance became effective January 1, 2012. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Other pronouncements issued by the FASB 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 the acquisition, pay annual premiums of insurance policies, pay interest and other charges under its revolving credit facility, and collect policy benefits. DZ Bank AG, as agent for Autobahn Funding Company, LLC, the lender for the revolving credit facility as described in note 6, authorizes the disbursements from these accounts. At September 30, 2012 and December 31, 2011 there was a balance of $1,424,000, and $4,794,000, 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 unobservable inputs that are 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 the 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 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 premium an investor in the policy would require. As a result of management's analysis, discount rates of 13.29% and 13.41% were applied to the portfolio as of September 30, 2012 and December 31, 2011, respectively.

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

	As of September 30, 2012			As of December 31, 2011		
Years Ending December 31,	**Number of Contracts**	**Estimated Fair Value**	**Face Value**	**Number of Contracts**	**Estimated Fair Value**	**Face Value**
2012	-	$ -	$ -	-	$ -	$ -
2013	-	-	-	-	-	-
2014	-	-	-	1	535,000	1,000,000
2015	5	2,868,000	5,329,000	5	4,636,000	9,329,000
2016	11	12,936,000	28,885,000	10	12,930,000	34,835,000
2017	28	26,627,000	67,748,000	29	24,144,000	71,998,000
2018	33	24,361,000	73,008,000	34	23,500,000	81,858,000
Thereafter	119	81,037,000	340,692,000	96	56,424,000	277,385,000
Totals	196	$ 147,829,000	$ 515,662,000	175	$ 122,169,000	$ 476,405,000

The Company recognized $494,000 of policy benefit income during the nine months period ended September 30, 2011. The Company received cash from policy benefits of $4,500,000 in April 2012, resulting in a gain of $4,083,000.

Reconciliation of gain on life settlements:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Change in fair value	$ 8,881,000	$ 7,526,000	$ 18,249,000	$ 23,736,000
Premiums and other annual fees	(4,093,000)	(4,163,000)	(12,074,000)	(10,079,000)
Policy maturities	-	494,000	4,083,000	494,000
Gain on life settlements, net	$ 4,788,000	$ 3,857,000	$ 10,258,000	$ 14,151,000

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,	
Three months ending December 31, 2012	$ 4,190,000
2013	16,831,000
2014	18,050,000
2015	19,438,000
2016	21,051,000
	$ 79,560,000

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 as well as from cash proceeds from maturities of life insurance policies. The proceeds of these capital sources are also intended to be used for the purchase, financing, and maintenance of additional life insurance policies.

(4) Fair value definition and hierarchy

ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring assets and 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 degree of market price observability and a lesser degree of judgment used in measuring fair value. ASC 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. 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 financial instruments recorded at fair value on a recurring basis. The following table reconciles the beginning and ending fair value of the Company's Level 3 investments in life insurance policies for the following periods:

	Three month ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Beginning balance	$ 133,848,000	$ 108,480,000	$ 122,169,000	$ 82,718,000
Purchases	5,100,000	5,594,000	7,827,000	10,844,000
Maturities (cost basis)	-	(344,000)	(416,000)	(344,000)
Net change in fair value	8,881,000	3,363,000	18,249,000	23,875,000
Ending balance (September 30)	$ 147,829,000	$ 117,093,000	$ 147,829,000	$ 117,093,000

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 model that incorporates life expectancy assumptions. Life expectancy reports are obtained from independent, third-party widely accepted life expectancy providers at policy acquisition. The life expectancy values of each policy holder, as determined at policy acquisition, are rolled down monthly for the passage of time by the MAPS actuarial software the Company uses for ongoing valuation of its portfolio of life insurance policies. 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 premium an investor in the portfolio of life insurance policies would require.

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

	As of September 30, 2012	As of December 31, 2011
Weighted average age of insured	81.2	80.9
Weighted average life expectancy, months*	88.1	93.6
Average face amount per policy	$ 2,630,927	$ 2,722,315
Discount rate	13.29%	13.41%

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

These assumptions are, by their nature, inherently uncertain and the effect of changes in estimates may be significant. The techniques used in estimating the present value of estimated cash flows are derived from valuation techniques generally used in the industry that include inputs for the asset that are not based on 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. If the life expectancies were increased or decreased by 4 months on each outstanding policy and the discount factors were increased or decreased by 1% while all other variables are held constant, the fair value of the investment in life insurance policies would increase or (decrease) by the amounts summarized below:

	Change in life expectancy	
	plus 4 months	**minus 4 months**
Investment in life policies		
September 30, 2012	$ (10,936,000)	$ 11,241,000
December 31, 2011	$ (9,660,000)	$ 9,951,000

	Change in discount rate	
	plus 1%	**minus 1%**
Investment in life policies		
September 30, 2012	$ (7,367,000)	$ 7,992,000
December 31, 2011	$ (6,665,000)	$ 7,254,000

Carrying value of receivables, prepaid expenses, accounts payable and accrued expenses approximate fair value due to their short term maturities and low credit risk. The estimated fair value of the Company's Series I Secured notes payable is approximately $40,492,000 based on a weighted average market interest rate of 7.3%. The Company began issuing Renewable Secured Debentures in the first quarter of 2012. The current interest rates on the Renewable Secured Debentures approximate market rates. The carrying value of the revolving credit facility reflects interest charged at the commercial paper rate plus an applicable margin. The margin represents our credit risk, and the strength of the portfolio of life insurance policies collateralizing the debt. Management believes this margin has not changed over time. The overall rate reflects market, and the carrying value of the revolver approximates fair value.

The Company has issued warrants to purchase common stock in connection with the issuance of its preferred stock. The fair value measurements associated with the warrants, measured at issuance represent level 3 instrument.

Month issued	Warrants issued	Fair value per share	Risk free rate	Volatility
12/31/11	137,874	$ 0.11	0.42%	25.25%
03/31/12	76,260	$ 0.26	0.38%	36.20%
06/30/12	323,681	$ 0.58	0.41%	47.36%
07/31/12	289,093	$ 0.58	0.41%	47.36%
09/30/12	5,000	$ 0.36	0.31%	40.49%
	831,908			

The Company has not changed its methodology in estimating fair value from prior periods.

(5) Notes receivable from related parties

Notes receivable from related parties consisted of various unsecured notes receivable. These notes were due from shareholders of the Company, with interest rates ranging from 4.2% to 5%, payable annually and were paid in full July 27, 2011. Interest income from related parties totaled $24,000 during the nine months ended September 30, 2011. As a part of the Company's compensation plan 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 statement of operations for the nine months ended September 30, 2011. On July 27, 2011, the Company paid dividends to the shareholders in the amount of their respective note receivable balances. They immediately repaid their balance due on each note and the related accrued interest in full.

As of September 30, 2012, and December 31, 2011, the Company had receivables totaling $5,000,000 due from an affiliate, Opportunity Finance, LLC, that were fully reserved. Opportunity Finance ceased operations in 2008.

(6) Credit facilities

Revolving credit facility – Autobahn Funding Company LLC

On July 15, 2008, DLP II and United Lending entered into a revolving credit facility pursuant to a Credit and Security Agreement (Agreement) with 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 September 30, 2012 and December 31, 2011, was $66,000,000 and $60,000,000, respectively.

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 2.13% and 2.25% at September 30, 2012 and December 31, 2011, respectively. The weighted average effective interest rate (excluding the unused line fee) was 2.17% and 2.15% for the nine months ended September 30, 2012 and 2011, respectively, and 2.15% and 2.17% for the three months ended September 30, 2012 and 2011, respectively. The Agreement also requires payment of an unused line fee on the unfunded amount under the revolving credit facility. The note is secured by substantially all of DLP II and United Lending assets which consist primarily of life settlement policies.

The Agreement has certain financial and nonfinancial covenants. The Company is in compliance with these covenants at September 30, 2012. The Agreement generally prohibits the Company from:

- changing its corporate name, offices, and jurisdiction of incorporation
- changing any deposit accounts or payment instructions to insurers;
- changing any operating policies and practices such that it would be reasonably likely to adversely affect the collectability of any asset in any material respect;
- merging or consolidating with, or selling all or substantially all of its assets to, any third party;
- selling any collateral or creating or permitting to exist any adverse claim upon any collateral;
- engaging in any other business or activity than that contemplated by the Agreement;
- incurring or guaranteeing any debt for borrowed money;
- amending the Company's certificate of incorporation or bylaws;making any loans or advances to, investments in, or paying any dividends to, any person unless both before and after any such loan, advance, investment or dividend there exists no actual event of default, potential event of default or termination event;
- removing an independent director on the board of directors except for cause or with the consent of the lender; or
- making payment on or issuing any subsidiary secured notes or debentures, or amending any agreements respecting such notes or debentures, if an event of default, potential event of default or termination event exists or would arise from any such action.

In addition, the Company has agreed to maintain (i) a positive consolidated net income (as defined and calculated under the Agreement) for each complete fiscal year and (ii) a tangible net worth (again, as defined and calculated under the Agreement) of not less than $5 million. Consolidated net income and tangible net worth for nine months ended September 30, 2012, as calculated under the agreement, was $2,078,000 and $48,014,000 respectively.

Advances under the Agreement are subject to a borrowing base formula, which limits the availability of advances on the borrowing base calculation based on attributes of policies pledged to the facility. Over-concentration of policies by insurance carrier, and over-concentration of policies by insurance carriers with ratings below a AA- rating are the two primary factors with the potential of limiting availability of funds on the facility. Total funds available for additional borrowings under the borrowing base formula criteria at September 30, 2012 and December 31, 2011, were $12,276,000 and $7,691,000 respectively.

Holdings is not obligated under this credit facility to guarantee loan or interest payments to Autobahn: however, Holdings is obligated under a performance guaranty to provide servicing for policies held by DLP II.

Lending agreement with affiliate

The Company entered into an Investment Agreement with an affiliate Insurance Strategies Fund, LLC (ISF) on September 3, 2009. Under the terms of this agreement, ISF will provide working capital loans to the Company for general working capital needs and expenses. The Company does not expect to take working capital loans under this agreement during the foreseeable future.

(7) Series I Secured notes payable

Series I Secured notes payable have been issued in conjunction with the GWG Series I Secured notes private placement memorandum dated August 25, 2009 (last revised November 15, 2010). On June 14, 2011 the Company closed the offering to additional investors, however, existing investors may elect to continue advancing amounts outstanding upon maturity subject to the Company’s option. 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 September 30, 2012 and December 31, 2011 the weighted average interest rates of Series I Secured notes were 8.20%, and 8.04% respectively. The notes are secured by assets of GWG Life. The principal amount outstanding under these Series I Secured notes was $40,025,000 and $49,332,000 at September 30, 2012, and December 31, 2011, respectively. The difference between the amount outstanding on the Series I Secured notes and the carrying amount on the consolidated balance sheet is due to netting of unamortized deferred issuance costs. Overall, interest expense includes amortization of deferred financing and issuance costs of $947,000 and $1,374,000 for the nine months ended September 30, 2012 and 2011, respectively, and $200,000 and $594,000 for the three months ended September 30, 2012 and 2011, respectively. Future expected amortization of deferred financing costs is $803,000.

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 was 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, (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, and (12) Pay offering expenses.

On November 1, 2011, GWG entered into a Third Amended and Restated Note Issuance and Security Agreement with Lord Securities Corporation after receiving majority approval from the holders of Series I Secured Notes. Among other things, the amended and restated agreement modified the use of proceeds and certain provisions relating to the distribution of collections and subordination of cash flow. Under the amended and restated agreement, GWG is no longer restricted as to its use of proceeds or subject to restrictions on certain distributions of collections and subordination of cash flows.

Future maturities of Series I Secured notes payable at September 30, 2012 are as follows:

Years Ending December 31,	
2012	$ 6,112,000
2013	15,380,000
2014	8,437,000
2015	4,102,000
2016	1,155,000
Thereafter	4,839,000
	$ 40,025,000

(8) Renewable secured debentures

The Company has registered with the Securities and Exchange Commission, effective January 2012, the offer and sale of $250,000,000 of secured debentures. Renewable Secured Debentures have maturity dates ranging from six months to seven years with fixed interest rates varying from 4.75% to 9.50% depending on the term of the note. Interest is payable monthly, annually or at maturity depending on the terms of the debenture. At September 30, 2012, the weighted average interest rate of Renewable Secured Debentures was 7.58%. The debentures are secured by assets of GWG Life and GWG Holdings. The amount outstanding under these Renewable Secured Debentures was $32,685,000 at September 30, 2012. The difference between the amount outstanding on the Renewable Secured Debentures and the carrying amount on the consolidated balance sheet is due to netting of unamortized deferred issuance costs and cash receipts for new issuances in process at September 30, 2012. Amortization of deferred issuance costs was $135,000 and $182,000 for the three and nine months ended September 30, 2012, respectively. Future expected amortization of deferred financing costs is $1,580,000. Subsequent to September 30, 2012, the Company has issued approximately an additional $9,348,000 in principal amount of these secured debentures.

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

Future maturities of Renewable Secured Debentures at September 30, 2012 are as follows:

Years Ending December 31,	
2012	$ 1,208,000
2013	5,931,000
2014	6,009,000
2015	9,510,000
2016	917,000
Thereafter	9,110,000
	$ 32,685,000

The Company entered into an Indenture effective October 19, 2011 with Holdings as obligor, GWG Life as guarantor, and Bank of Utah as trustee for the benefit of the debenture holders. The Indenture has certain financial and nonfinancial covenants. The Company is in compliance with these covenants at September 30, 2012.

(9) 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 income tax returns. Subsequent to the Company’s conversion to a corporation from a limited liability company, the Company will file and pay taxes based upon its reported income. In 2012 there is a significant permanent difference between income before income taxes and taxable income. This permanent difference results from the inclusion of convertible redeemable preferred stock as an interest expense, however such dividends are not deductable for income tax reporting purposes. The dividends charged to interest expense were $675,000 and $1,654,000 for the three and nine months ended September 30, 2012, respectively.

The most significant temporary differences between GAAP net income and tax net income are the treatment of interest costs and revenue recognition on the portfolio of life insurance policies.

(10) Convertible, redeemable preferred stock

The Company began offering 3,333,333 shares of convertible redeemable preferred stock (Series A preferred stock) for sale to accredited investors in a private placement on July 31, 2011. The offering of Series A preferred stock concluded on September 2, 2012 and resulted in 3,279,000 shares being sold for gross consideration of $24,591,000. As of September 30, 2012, 60,000 shares were issued as a result of conversion of dividends into shares of Series A preferred stock for gross consideration of $425,000. The Series A preferred stock was sold at an offering price of $7.50 per share. Series A preferred stock has a preferred yield of 10% per annum, and each share has the right to convert into 1.5 shares of the Company's common stock. The Company may elect to automatically convert the Series A preferred stock to common stock as described below. Series A preferred shareholders received three-year warrants to purchase, at an exercise price per share of $6.25, one share of common stock for every 20 shares of Series A preferred stock purchased. The warrants are exercisable immediately. In the Certificate of Designations for the Series A preferred stock dated July 31, 2011, the Company has agreed to permit preferred shareholders to sell their shares back to the Company for the stated value of $7.50 per share, plus accrued dividends, according to the following schedule:

- Up to 33% of the holder's unredeemed shares one year after issuance:
- Up to 66% of the holder's unredeemed shares two years after issuance; and
- Up to 100% of the holder's unredeemed shares three years after issuance.

The Company's obligation to redeem Series A preferred shares will terminate upon the Company completing a registration of its common stock with the SEC. The Company may redeem the Series A preferred shares at a price equal to 110% of their liquidation preference ($7.50 per share) at any time after December 15, 2012.

At the election of the Company, the Series A preferred shares may be automatically converted into the common stock of the Company in the event of either (1) a registered offering of the Company's common stock with the SEC aggregating gross proceeds of at least $5.0 million at a price equal to or greater than $5.50 per share of common stock, or (2) the consent of shareholders holding at least a majority of the then-outstanding shares of Series A preferred stock. As of September 30, 2012, the Company had issued 3,339,000 preferred shares resulting in gross consideration of $25,016,000 (including cash proceeds, conversion of Series I Secured notes and accrued interest on Series I notes, and preferred dividends). The Company incurred Series A preferred stock issuance costs of $2,838,000, of which $440,000 and $1,214,000 was amortized to additional paid in capital during the three and nine months ended September 30, 2012, respectively, resulting in a net preferred stock capital balance of $23,392,000.

The Company determined that the grant date fair value of the outstanding warrants attached to the Series A preferred stock was $170,000 and $377,000 for warrants issued through the three and nine month periods ending September 30, 2012 and $22,000 for warrants issued through December 31, 2011. The Company may redeem outstanding warrants prior to their expiration, at a price of $0.01 per share upon 30 days written notice to the investors at any time after (i) the Company has completed a registration of its common stock with the SEC and (ii) the volume of weighted average sale price per share of common stock equals or exceeds $7.00 per share for ten consecutive trading days ending on the third business day prior to proper notice of such redemption. Total warrants outstanding as of September 30, 2012, were 831,909 with a weighted average remaining life of 2.59 years. Total warrants outstanding at December 31, 2011, were 139,417 with a weighted average remaining life of 2.76 years.

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

The Company declared and accrued dividends of $675,000 and $1,654,000 for the three and nine months ended September 30, 2012, respectively. Cash dividends of $906,000 were paid on or before October 13, 2012. 58,296 shares of Series A preferred stock were issued in lieu of cash dividends, pursuant to a board resolution declaring the dividend. The shares issued in lieu of cash dividends were issued at $7.00 per share.

(11) Commitments

The Company entered into an office lease with U.S. Bank National Association as the landlord. The lease was effective April 22, 2012 with a term through August 31, 2015. The lease is for 8,881 square feet of office space located at 220 South Sixth Street, Minneapolis, Minnesota. The Company is obligated to pay base rent plus common area maintenance and a share of the building operating costs. Minimum lease payments under the lease are as follows:

2012 (remaining)	$	18,318
2013	$	74,752
2014	$	78,452
2015	$	53,288
Total	$	224,810

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

(13) Guarantees of secured debentures

Holdings has registered with the Securities and Exchange Commission the offer and sale $250,000,000 of secured debentures as described in note 8. The secured debentures are secured by the assets of Holdings as described in note 8 and a pledge of all the common stock by the largest shareholders. Obligations under the debentures are guaranteed by Holding's subsidiary GWG Life. This guarantee involves 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 Company's life insurance policies are held by DLP II, a wholly owned subsidiary of GWG Life, however, the policies held by DLP II are not collateral for the debenture obligations as such policies are collateral for the credit facility.

The condensed 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 3. The significant majority of insurance policies owned by the Company are subject to a collateral arrangement with DZ Bank AG described in notes 3 and 6. 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 (GWG DLP Funding II, LLC, GWG Life Settlements, LLC, and GWG Holdings, Inc) 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 for repayments of borrowings before any additional distributions may be made.

The following represents condensed consolidating financial information as of September 30, 2012 and December 31, 2011, with respect to the financial position, and for the three and nine months ended September 30, 2012 and 2011 with respect to results of operations and cash flows of Holdings and its subsidiaries. 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 and Trust under the equity method. The non-guarantor subsidiaries column presents the financial information of all non-guarantor subsidiaries including DLP II and Trust.

Condensed Consolidating Balance Sheets

September 30, 2012	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 16,325,020	$ 1,939,119	$ -	$ -	$ 18,264,139
Restricted cash	-	26,000	1,398,466	-	1,424,466
Investment in life settlements, at fair value	-	-	147,828,800	-	147,828,800
Other assets	52,982	175,340	656,309	-	884,631
Investment in subsidiaries	43,175,407	83,480,002	-	(126,655,409)	-
TOTAL ASSETS	$ 59,553,409	$ 85,620,461	$ 149,883,575	$ (126,655,409)	$ 168,402,036
LIABILITIES & OWNERS' EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$ -	$ -	$ 66,000,000	$ -	$ 66,000,000
Series I Secured notes payable	-	39,221,704	-	-	39,221,704
Secured renewable debentures	32,112,270	-	-	-	32,112,270
Interest	443,120	2,296,506	131,274	-	2,870,900
Accounts payable and accrued expenses	1,043,857	1,004,476	194,667	-	2,243,000
Deferred taxes	4,411,929	-	-	-	4,411,929
TOTAL LIABILITIES	38,011,176	42,522,686	66,325,941	-	146,859,803
CONVERTIBLE, REDEEMABLE PREFERRED STOCK	23,391,533	-	-	-	23,391,533
EQUITY (DEFICIT)					
Member capital	-	43,097,775	83,557,634	(126,655,409)	-
Common stock	9,989	-	-	-	9.989
Additional paid-in capital	7,335,887	-	-	-	7,335,887
Accumulated deficit	(9,195,176)	-	-	-	(9,195,176)
TOTAL EQUITY (DEFICIT)	(1,849,300)	43,097,775	83,557,634	(126,655,409)	(1,849,300)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 59,553,409	$ 85,620,461	$ 149,883,575	$ (126,655,409)	$ 168,402,036

Condensed Consolidating Balance Sheets (continued)

December 31, 2011	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 1,746,456	$ 131,893	$ -	$ -	$ 1,878,349
Restricted cash	-	822,227	3,972,075	-	4,794,302
Investment in life settlements, at fair value	-	4,876,389	117,292,135	-	122,168,524
Other assets	34,817	170,346	342,937	-	548,100
Investment in subsidiaries	17,026,465	61,326,724	-	(78,353,189)	-
TOTAL ASSETS	$ 18,807,738	$ 67,327,579	$ 121,607,147	$ (78,353,189)	$ 129,389,275
LIABILITIES & OWNERS' EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$ -	$ -	$ 60,000,000	$ -	$ 60,000,000
Series I Secured notes payable	-	48,179,271	-	-	48,179,271
Interest	-	1,779,796	108,039	-	1,887,835
Accounts payable and accrued expenses	889,676	507,015	7,416	-	1,404,107
Deferred taxes	4,308,217	-	-	-	4,308,217
TOTAL LIABILITIES	5,197,893	50,466,082	60,115,455	-	115,779,430
CONVERTIBLE, REDEEMABLE PREFERRED STOCK	12,661,276	-	-	-	12,661,276
EQUITY (DEFICIT)					
Member capital	-	16,861,497	61,491,692	(78,353,189)	-
Common stock	9,989	-	-	-	9,989
Additional paid-in capital	8,169,303	-	-	-	8,169,303
Accumulated deficit	(7,230,723)	-	-	-	(7,230,723)
TOTAL EQUITY (DEFICIT)	948,569	16,861,497	61,491,692	(78,353,189)	948,569
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 18,807,738	$ 67,327,579	$ 121,607,147	$ (78,353,189)	$ 129,389,275

Condensed Consolidating Statements of Operations

For the nine months ended September 30, 2012	**Parent**	**Guarantor Subsidiary**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
REVENUE					
Contract servicing fees	$ -	$ 1,184,627	$ -	$ (1,184,627)	$ -
Gain on life settlements, net	-	-	10,257,537	-	10,257,537
Interest and other income	8,650	222,863	42,734	(219,671)	54,576
TOTAL REVENUE	8,650	1,407,490	10,300,271	(1,404,298)	10,312,113
EXPENSES					
Origination and servicing fees	-	-	1,184,627	(1,184,627)	-
Employee compensation and benefits	-	1,862,469	-	-	1,862,469
Legal and professional fees	851,954	86,927	13,170	-	952,051
Interest expense	2,555,271	3,770,808	1,295,098	-	7,621,177
Other expenses	703,373	996,284	257,171	(219,671)	1,737,157
TOTAL EXPENSES	4,110,598	6,716,488	2,750,066	(1,404,298)	12,172,854
INCOME (LOSS) BEFORE EQUITY IN LOSS OF SUBSIDIARIES	(4,101,948)	(5,308,998)	7,550,205	-	(1,860,741)
EQUITY IN LOSS OF SUBSIDIARY	2,241,207	7,637,541	-	(9,878,748)	-
NET INCOME (LOSS) BEFORE INCOME TAXES	(1,860,741)	2,328,543	7,550,205	(9,878,748)	(1,860,741)
INCOME TAX EXPENSE	103,712	-	-	-	103,712
NET INCOME (LOSS)	$ (1,964,453)	$ 2,328,543	$ 7,550,205	$ (9,878,748)	$ (1,964,453)

For the nine months ended September 30, 2011	**Parent**	**Guarantor Subsidiary**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
REVENUE					
Contract servicing fees	$ -	$ 2,409,825	$ -	$ (2,409,825)	$ -
Gain on life settlements, net	-	7,240	14,144,000	-	14,151,240
Interest and other income	3,488	34,171	3,591	-	41,250
TOTAL REVENUE	3,488	2,451,236	14,147,591	(2,409,825)	14,192,490
EXPENSES					
Origination and servicing fees	-	6,000	2,403,825	(2,409,825)	-
Employee compensation and benefits	-	1,403,844	-	-	1,403,844
Legal and professional fees	297,865	296,365	3,000	-	597,230
Interest expense	49,369	5,079,971	1,012,561	-	6,141,901
Investment banking services	3,595,027	-	-	-	3,595,027
Other expenses	186,815	719,593	38,001	-	944,409
TOTAL EXPENSES	4,129,076	7,505,773	3,457,387	(2,409,825)	12,682,411
INCOME (LOSS) BEFORE EQUITY IN LOSS OF SUBSIDIARIES	(4,125,588)	(5,054,537)	10,690,204	-	1,510,079
EQUITY IN LOSS OF SUBSIDIARY	5,635,667	10,777,541	-	(16,413,208)	-
NET INCOME BEFORE INCOME TAXES	1,510,079	5,723,004	10,690,204	(16,413,208)	1,510,079
INCOME TAX EXPENSE	2,363,851			-	2,363,851
NET INCOME (LOSS)	$ (853,772)	$ 5,723,004	$ 10,690,204	$ (16,413,208)	$ (853,772)

For the three months ended September 30, 2012	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$ -	$ 746,377	$ -	$ (746,377)	$ -
Gain on life settlements, net	-	(229,277)	5,017,568	-	4,788,291
Interest and other income	5,601	219,670	81	(219,671)	5,681
TOTAL REVENUE	5,601	736,770	5,017,649	(966,048)	4,793,972
EXPENSES					
Origination and servicing fees	-	6,500	739,877	(746,377)	-
Employee compensation and benefits	-	745,386	-	-	745,386
Legal and professional fees	196,354	41,124	13,170	-	250,648
Interest expense	1,287,059	1,074,260	441,866	-	2,803,185
Other expenses	169,274	292,730	232,171	(219,671)	474,505
TOTAL EXPENSES	1,652,687	2,160,000	1,427,084	(966,048)	4,273,723
INCOME (LOSS) BEFORE EQUITY IN LOSS OF SUBSIDIARIES	(1,647,086)	(1,423,230)	3,590,565	-	520,249
EQUITY IN LOSS OF SUBSIDIARY	2,167,335	3,619,677	-	(5,787,012)	-
NET INCOME BEFORE INCOME TAXES	520,249	2,196,447	3,590,565	(5,787,012)	520,249
INCOME TAX EXPENSE	633,572	-	-	-	633,572
NET INCOME (LOSS)	$ (113,323)	$ 2,196,447	$ 3,590,565	$ (5,787,012)	$ (113,323)

For the three months ended September 30, 2011	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$ -	$ 409,900	$ -	$ (409,900)	$ -
Gain on life settlements, net	-	52,567	3,804,564	-	3,857,131
Interest and other income	3,488	5,787	5		9,280
TOTAL REVENUE	3,488	468,254	3,804,569	(409,900)	3,866,411
EXPENSES					
Origination and servicing fees	-	-	409,900	(409,900)	-
Employee compensation and benefits	-	461,824	-	-	461,824
Legal and professional fees	219,958	66,723	-	-	286,681
Interest expense	49,369	2,409,814	371,506	-	2,830,689
Investment banking services	3,595,027	-	-	-	3,595,027
Other expenses	139,100	224,291	12,501	-	375,892
TOTAL EXPENSES	4,003,454	3,162,652	793,907	(409,900)	7,550,113
INCOME (LOSS) BEFORE EQUITY IN LOSS OF SUBSIDIARIES	(3,999,966)	(2,694,398)	3,010,662	-	(3,683,702)
EQUITY IN LOSS OF SUBSIDIARY	316,264	3,039,774	-	(3,356,038)	-
NET INCOME (LOSS) BEFORE INCOME TAXES	(3,683,702)	345,376	3,010,662	(3,356,038)	(3,683,702)
INCOME TAX EXPENSE	(1,417,649)	-	-	-	(1,417,649)
NET INCOME (LOSS)	$ (2,266,053)	$ 345,376	$ 3,010,662	$ (3,356,038)	$ (2,266,053)

Condensed Consolidating Statements of Cash Flows

For the nine months ended September 30, 2012	**Parent**	**Guarantor Sub**	**Non-Guarantor Sub**	**Eliminations**	**Consolidated**
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (1,964,453)	$ 2,328,543	$ 7,550,205	$ (9,878,748)	$ (1,964,453)
Adjustments to reconcile net income (loss) to cash:					
(Equity) loss of subsidiaries	(2,241,206)	(7,637,542)	-	9,878,748	-
(Gain) loss on life settlements	-	999,677	(20,871,468)	-	(19,871,791)
Amortization of deferred financing and issuance costs	182,410	946,813	174,672	-	1,303,895
Deferred income taxes	103,712	-	-	-	103,712
Accrued convertible, redeemable preferred stock dividends	636,069	-	-	-	636,069
(Increase) decrease in operating assets:					
Other assets	(19,717,082)	(20,256,072)	(146,874)	41,061,553	941,525
Increase (decrease) in operating liabilities:					
Accounts payable and accrued expenses	334,182	1,092,292	24,484	-	1,450,958
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(22,666,368)	(22,526,289)	(13,268,981)	41,061,553	(17,400,085)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements	-	-	(7,986,570)	-	(7,983,570)
Proceeds from settlement of life settlements	-	-	416,665	-	416,665
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	-	(7,566,905)	-	(7,566,905)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility	-	-	6,000,000	-	6,000,000
Proceeds from issuance of Series I Secured notes payable	-	50,000	-	-	50,000
Payments for redemption of Series I Secured notes payable	-	(5,311,989)	-	-	(5,311,989)
Proceeds from issuance of debentures	33,635,657	-	-	-	33,635,657
Payments for issuance of debentures	(1,627,467)	-	-	-	(1,627,467)
Proceeds (payments) from restricted cash	-	796,227	2,573,610	-	3,369,837
Issuance of member capital	-	28,799,277	12,262,276	(41,061,553)	-
Issuance of preferred stock	6,287,375	-	-	-	6,287,375
Payments for issuance of preferred stock	(1,050,633)	-	-	-	(1,050,633)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	37,244,932	24,333,515	20,835,886	(41,061,553)	41,352,780
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,578,564	1,807,226	-	-	16,385,790
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE YEAR	1,746,456	131,893	-	-	1,878,349
END OF THE YEAR	$ 16,325,020	$ 1,939,119	$ -	$ -	$ 18,264,139

Consolidating Statements of Cash Flows (continued)

For the three months ended September 30, 2012	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (113,323)	$ 2,196,447	$ 3,590,565	$ (5,787,012)	$ (113,323)
Adjustments to reconcile net income (loss) to cash:					
(Equity) loss of subsidiaries	(2,167,335)	(3,619,677)	-	5,787,012	-
(Gain) loss on life settlements	-	-	(8,881,542)	-	(8,881,542)
Amortization of deferred financing and issuance costs	135,788	200,426	58,224	-	394,438
Deferred income taxes	633,572	-	-	-	633,572
Accrued convertible, redeemable preferred stock dividends	215,059	-	-	-	215,059
(Increase) decrease in operating assets:					
Other assets	(10,792,184)	(9,512,249)	-	20,188,672	(115,761)
Increase (decrease) in operating liabilities:					
Accounts payable and accrued expenses	(272,808)	1,053,205	11,428	-	791,825
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(12,361,231)	(9,681,848)	(5,221,325)	20,188,672	(7,075,732)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements	-	-	(5,361,540)	-	(5,361,540)
Proceeds from settlement of life settlements	-	-	-	-	-
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	-	(5,361,540)	-	(5,361,540)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility	-	-	-	-	-
Proceeds from issuance of Series I Secured notes payable	-	-	-	-	-
Payments for redemption of Series I Secured notes payable	-	(1,843,032)	-	-	(1,843,032)
Proceeds from issuance of debentures	17,878,571	-	-	-	17,878,571
Payments for issuance of debentures	(914,880)	-	-	-	(914,880)
Proceeds (payments) from restricted cash	-	(26,000)	3,453,198	-	3,427,198
Issuance of member capital	-	13,059,005	7,129,667	(20,188,672)	-
Issuance of preferred stock	500,000	-	-	-	500,000
Payments for issuance of preferred stock	558,729	-	-	-	558,729
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	18,022,420	11,189,973	10,582,865	(20,188,672)	19,606,586
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,661,189	1,508,125	-	-	7,169,314
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE QUARTER	10,663,831	430,994	-	-	11,094,825
END OF THE QUARTER	$ 16,325,020	$ 1,939,119	$ -	$ -	$ 18,264,139

Consolidating Statements of Cash Flows (continued)

For the nine months ended September 30, 2011	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (853,772)	$ 5,723,004	$ 10,690,204	$ (16,413,208)	$ (853,772)
Adjustments to reconcile net income (loss) to cash:					
(Gain) on life settlements	-	(337,788)	(23,537,267)	-	(23,875,055)
Amortization of deferred financing and issuance costs	-	1,374,401	174,672	-	1,549,073
Investment banking services	3,595,027	-	-		3,595,027
Deferred income taxes	2,363,851	-	-	-	2,363,851
Convertible, redeemable preferred stock dividends payable	44,669	-	-	-	44,669
(Increase) decrease in operating assets:					
Other assets	(2,889,356)	(15,912,784)	(859,099)	18,674,893	(986,346)
Increase (decrease) in operating liabilities:					
Accrued expenses	504,995	(3,344,913)	4,469,773	(2,261,685)	(631,830)
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,765,414	(12,498,080)	(9,061,717)	-	(18,794,383)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements	-	(12,000)	(10,488,756)	-	(10,500,756)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	-	(12,000)	(10,488,756)	-	(10,500,756)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility	-	-	18,599,549	-	18,599,549
Proceeds from issuance of Series I Secured notes payable	-	8,126,034	-	-	8,126,034
Payments for redemption of Series I Secured notes payable	-	(1,006,680)	-	-	(1,006,680)
Proceeds (payments) from restricted cash	-	3,039,582	(617,464)	-	2,422,118
Issuance of common stock	4,973	-	-	-	4,973
Issuance of preferred stock	1,670,010	-	-	-	1,670,010
Payments for issuance of preferred stock	(956,851)	-	-	-	(956,851)
Proceeds from notes receivable from related parties	-	2,306,068	-	-	2,306,068
Common stock dividends	(2,306,068)	-	-	-	(2,306,068)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	(1,587,936)	12,465,004	17,982,085	-	28,859,153
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,177,478	(45,076)	(1,568,388)	-	(435,986)
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE YEAR	-	189,842	1,568,388	-	1,758,230
END OF THE YEAR	$ 1,177,478	$ 144,766	$ -	$ -	$ 1,322,244

Consolidating Statements of Cash Flows (continued)

For the three months ended September 30, 2011	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (2,266,053)	$ 345,376	$ 3,010,662	$ (3,356,038)	$ (2,266,053)
Adjustments to reconcile net income (loss) to cash:					
(Gain) on life settlements	-	(165,915)	(7,070,547)	-	(7,236,462)
Amortization of deferred financing and issuance costs	-	1,374,401	58,224	-	1,432,625
Investment banking services	3,595,027	-	-	-	3,595,027
Deferred income taxes	(1,415,149)	-	-	-	(1,415,149)
Convertible, redeemable preferred stock dividends payable	44,669	-	-	-	44,669
(Increase) decrease in operating assets:					
Other assets	2,461,049	(910,657)	(473,860)	(1,510,873)	(434,341)
Increase (decrease) in operating liabilities:					
Accrued expenses	279,040	(3,585,432)	(1,997,506)	4,866,911	(436,987)
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,698,583	(2,942,227)	(6,473,027)	-	(6,716,671)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements	-	4,150	(1,381,176)	-	(1,377,026)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	-	4,150	(1,381,176)	-	(1,377,026)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility	-	-	7,510,001	-	7,510,001
Proceeds from issuance of Series I Secured notes payable	-	(3,216,821)	-	-	(3,216,821)
Payments for redemption of Series I Secured notes payable	-	3,280,899	-	-	3,280,899
Proceeds (payments) from restricted cash	-	430,358	344,202	-	774,560
Issuance of common stock	4,973	-	-	-	4,973
Issuance of preferred stock	1,670,010	-	-	-	1,670,010
Payments for issuance of preferred stock	(956,851)	-	-	-	(956,851)
Proceeds from notes receivable from related parties	-	2,306,068	-	-	2,306,068
Common stock dividends	(2.306.068)	-	-	-	(2,306,068)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	(1,587,936)	2,800,504	7,854,203	-	9,066,771
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,110,647	(137,573)	-	-	973,074
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE QUARTER	66,831	282,339	-	-	349,170
END OF THE QUARTER	$ 1,177,478	$ 144,766	$ -	$ -	$ 1,322,244

(14) Concentration

GWG purchases life insurance policies written by life insurance companies having investment grade 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	September 30, 2012 %	December 31, 2011 %
Company A	17.27	17.43
Company B	13.38	15.06
Company C	12.06	12.53
Company D	*	10.09

* - percentage does not exceed 10% of the total face value.

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

State of residence	September 30, 2012 %	December 31, 2011 %
California	29.59	31.43
New York	12.76	13.71
Florida	12.76	11.43

$250,000,000

GWG HOLDINGS, INC.

Renewable Secured Debentures

PROSPECTUS SUPPLEMENT

Dealer Prospectus Delivery Obligation

Until February 12, 2013, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

November 14, 2012