

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

GWG HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

26-2222607

(I.R.S. Employer Identification Number)

220 South Sixth Street, Suite 1200
Minneapolis, Minnesota 55402
(612) 746-1944
Fax: (612) 746-0445

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jon R. Sabes
Chief Executive Officer
220 South Sixth Street, Suite 1200
Minneapolis, Minnesota 55402
(612) 746-1944

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:
Paul D. Chestovich, Esq.
Martin R. Rosenbaum, Esq.
Maslon Edelman Borman & Brand, LLP
3300 Wells Fargo Center
Minneapolis, Minnesota 55402
Telephone: (612) 672-8200
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Approximate date of commencement of proposed sale to the public: as soon as practicable after the effective date.

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

CALCULATION OF REGISTRATION FEE

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

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

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

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

SUBJECT TO COMPLETION, DATED JUNE 14, 2011

Offering Amount \$250,000,000

GWG HOLDINGS, INC.



a Delaware corporation

Secured Debentures

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

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

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

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

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

Investing in our debentures may be considered speculative and involves a high degree of risk, including the risk of losing your entire investment. See “[Risk Factors](#)” beginning on page 14 to read about the risks you should consider before buying our debentures. You should carefully consider the risk factors set forth in this prospectus. An investment in our debentures is not suitable for all investors. The debentures are only suitable for persons with substantial financial resources and with no need for liquidity in this investment. See “Suitability Standards” for information on the suitability standards that investors must meet in order to purchase the debentures.

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

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

The date of this prospectus is _____, 2011

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The debentures will be offered and sold on a best-efforts basis by our selling group consisting of broker-dealers registered with the Financial Industry Regulatory Authority (“FINRA”). Arque Capital, Ltd., a member of FINRA, will act as managing broker-dealer, or the “dealer manager.” The dealer manager will enter into agreements with participating members of the selling group and will receive a managing broker-dealer fee ranging from 0.25% to 1.30% of the principal amount of debentures sold, depending on the debentures’ maturity date. The remaining members of the selling group, including wholesale brokers, will receive selling commissions ranging from 0.50% to 10.95% of the principal amount of the debentures sold, and a non-accountable marketing and due-diligence allowance of up to 1.25% of the principal amount of the debentures sold, depending on the debentures’ maturity date. Certain of our employees who are also registered representatives of Arque Capital may receive selling commissions for selling debentures as a member of the selling group. The total amount of the managing broker-dealer fee, selling commission, and non-accountable expense allowance paid to the dealer manager and selling group on each debenture will not exceed 13.50% of the principal amount of the debenture sold. In addition, we may issue warrants for our equity securities to selling group members and the dealer manager. See “Plan of Distribution” and “Use of Proceeds” for further information.

The offering expenses and other expenses incurred in connection with this offering are not expected to exceed \$500,000. Such expenses will be charged against initial proceeds.

	Price to Investors	Dealer Manager Fee, Selling Commissions, and Allowance (1) (2)	Proceeds to the Company (3)
Minimum Investment Offering	\$ 25,000 \$250,000,000	\$ 1,750 \$ 17,500,000	\$ 23,250 \$232,500,000

- (1) Assumes an average sales commission of 5.00%, average non-accountable marketing and due-diligence expenses of 1.00%, and an average dealer manager fee of 1.00%. As indicated above, actual sales commissions, non-accountable marketing and due-diligence allowances, and dealer manager fees will vary based on a range that relates to the maturity of the debentures sold. The total amount of non-accountable expense allowance, commissions and fees to the dealer manager and the selling group paid on each debenture will not exceed 13.50% of the principal amount of the debenture sold.
- (2) The dealer manager has agreed to offer the debentures on an agency and “best efforts” basis. The dealer manager may also sell debentures as part of the selling group, thereby becoming entitled to selling commissions.
- (3) Proceeds we receive are calculated after deducting the dealer manager fee, assumed average selling commissions, fees and allowance, but before deducting offering expenses and other expenses incurred in connection with the offering. If the maximum offering were sold and the maximum allowance, commissions and fees were paid, the proceeds to us would be \$215,750,000, less the amount of offering expenses and other expenses incurred in connection with the offering.

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

ABOUT THIS PROSPECTUS

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

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

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

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

The debentures will be issued under an indenture. This prospectus is qualified in its entirety by the terms of that indenture filed with SEC as an exhibit to the registration statement of which this prospectus is a part. To the extent there is any inconsistency between this prospectus and the indenture, the indenture shall prevail. You may obtain a copy of the indenture upon written request to us or online at www.sec.gov.

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

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

SUITABILITY STANDARDS

The following are our suitability standards for investors that are required by the Omnibus Guidelines published by the North American Securities Administrators Association in connection with our continuous offering of debentures under this registration statement.

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

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

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

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

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

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

INDUSTRY AND MARKET DATA

The industry, market and data used throughout this prospectus have been obtained from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Although we believe that each of these studies and publications is reliable, we have not independently verified such data and make no representations as to the accuracy of such information. Similarly, we believe our internal research is reliable but it has not been verified by any independent sources.

HOW TO PURCHASE DEBENTURES

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

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

Wire Instructions

GWG Holdings, Inc.—Indenture Account

Routing:

Bank Name:

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

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

PROSPECTUS SUMMARY

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

Our Company

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

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

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

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

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

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

market. As of March 31, 2011, we owned approximately \$417 million in face value of life insurance policy benefits with an aggregate cost basis of approximately \$95 million. To date, we have financed the acquisition of this portfolio through the issuance of secured notes by our direct wholly owned subsidiary GWG Life Settlements, LLC, and the use of a senior revolving credit facility, our “revolving credit facility,” benefitting our indirect wholly owned subsidiary GWG DLP Funding II, LLC, which subsidiary owns title to the majority of our life insurance policy assets. For more information on our corporate structure, please refer to the caption “— Corporate Organization” below.

A summary of our portfolio of life insurance policies as of March 31, 2011 is set forth in the table below:

Life Insurance Portfolio Summary (as of March 31, 2011)

Total portfolio face value of policy benefits	\$417,643,414
Average face value per policy *	\$ 2,694,474
Average face value per insured life *	\$ 2,880,299
Average age of insured (yrs)	80.37
Average life expectancy estimate (yrs) *	8.33
Total number of policies	155
Demographics	56.7% Males; 43.3% Females
Number of smokers	No insureds are smokers
Largest policy as % of total portfolio	2.39%
Average policy as % of total portfolio	0.65%

* Averages presented in the table are weighted averages.

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

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

We believe that our business model provides significant advantages to potential investors. First, our earnings from life insurance policies are non-correlated to traditional external market influences such as real estate, equity markets, fixed income markets, currency, and commodities. Second, life insurance policy benefits are the most senior in rank within an insurance company’s capital structure, senior even to secured debt holders, with some amounts further protected under state guaranteed funds (typically limited to \$200,000). Third, our assets provide diversification from many other investment opportunities. In addition, the policies within the life insurance portfolio are diversified as well, with no single insurance company making up more than 20% of the total face value of insurance policy benefits.

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

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

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

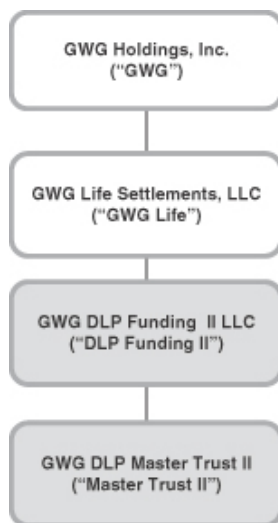
- *Industry Experience:* We have actively participated in the development of the secondary market of life insurance as a principal purchaser and financier since 2006. Our position within the marketplace has allowed us to evaluate over 30,000 life insurance policies for possible purchase, thereby gaining a deep understanding of the variety of issues involved when purchasing life insurance policies in the secondary market. We have participated in the leadership of various industry associations and forums, including the Life Insurance Settlement Association and the Insurance Studies Institute. Our experience gives us the confidence in building a portfolio of life insurance policies that will perform to our expectations.
- *Operational Platform:* We have built an operational platform and systems for efficiently tracking, processing, and servicing life insurance policies that we believe provide competitive advantages when purchasing policies in the secondary marketplace, and servicing the policies once acquired.
- *Origination and Underwriting Practices:* We purchase life insurance policies that meet published guidelines on what policies would be accepted in a rated securitization. We purchase only permanent life insurance policies we consider to be non-contestable and that meet stringent underwriting criteria and reviews.
- *Origination Relationships:* We have established origination relationships with over 300 life insurance policy brokers and insurance agents who submit policies for our purchase or financing. Our referral base knows our underwriting standards for purchasing life insurance policies in the secondary market, which provides confidence in our bidding and closing process and streamlines our own due-diligence process.
- *Life Expectancy Methodology:* We rely on at least two life expectancy reports from independent third-party medical actuary underwriting firms such as 21st Services, AVS Underwriting, Fasano Associates, and ISC Services to develop our life expectancy estimate.
- *Pricing Software and Methodology:* We use actuarial pricing methodologies and software tools that are built and supported by leading independent actuarial service firms such as Milliman USA and Modeling Actuarial Pricing Systems, Inc. ("MAPS") for calculating our expected returns.
- *Diversified Funding:* We have actively developed diversified sources for accessing capital markets in support of our buy and hold strategy for our portfolio of life insurance policies, ranging from institutional bank financing and global capital markets, to a network of broker-dealers registered with the Financial Industry Regulatory Authority ("FINRA") who have participated in our subsidiary secured notes financing.

Corporate Organization

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

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



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

The Offering

Issuer	GWG Holdings, Inc.
Indenture Trustee	Bank of Utah, National Association
Paying Agent	Bank of Utah, National Association
Securities Offered	We are offering up to \$250,000,000 in principal amount of our Secured Debentures, or the “debentures.” The debentures are being sold on a continuous basis.
Method of Purchase	Prior to your purchase of debentures, you will be required to complete a Subscription Agreement setting forth the principal amount of your purchase, the term of the debentures, the interest payment frequency and certain other information regarding your ownership of the debentures, and tender the purchase price for the debentures. The form of Subscription Agreement is filed as an exhibit to the registration statement of which this prospectus is a part. We will mail you written confirmation that your subscription has been accepted. For more information, see “Plan of Distribution.”
Denomination	The minimum purchase of debentures is \$25,000 in principal amount. Additional debentures in excess of \$25,000 may be purchased in increments of \$1,000.
Offering Price	100% of the principal of the debenture.
Limited Rescission Right	If your Subscription Agreement is accepted at a time when we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the SEC, but such post-effective amendment has not yet been declared effective, you will have a limited time within which to rescind your investment subject to the conditions set forth in this prospectus. See “Description of the Debentures—Limited Rescission Right” for additional information.
Maturity	You may generally choose maturities for your debentures of 6 months or 1, 2, 3, 4, 5, 7 or 10 years. Nevertheless, depending on our capital requirements, we may not offer and sell debentures of all maturities at all times during this offering.
Interest Rates	The interest rate of the debentures will be established at the time of your purchase, or at the time of renewal, based upon the rates we are offering in this prospectus or our latest interest rate supplement to this prospectus (i.e., any prospectus supplement containing interest rate information for debentures of different maturities), and will remain fixed throughout the term of the debenture. We may offer higher rates of interest to investors with larger aggregate debenture portfolios, as set forth in the then-current interest rate supplement.

Interest Payments

We will pay interest on the debentures based on the terms you choose, which may be monthly, annually or at maturity. Interest will accrue from the effective date of the debenture. Interest payments will generally be made on the tenth day immediately following the last day of the month to the debenture holder of record as of the last day of that month. Interest will be paid without any compounding, unless you choose to be paid interest at maturity, or reinvest your interest for another term. Your first payment of interest will include interest for the partial month in which the purchase occurred.

Principal Payments

The maturity date for the debentures will be the last day of the month during which the debenture matures. We are obligated to pay the principal on the debenture on the last day of the month next following its maturity (or the first business day following the end of the month).

Payment Method

Principal and interest payments will be made by direct deposit to the account you designate in your Subscription Agreement

Renewal or Redemption at Maturity

Upon maturity, the debentures will be automatically renewed for the same term at the interest rate we are offering at that time to other investors with similar aggregate debenture portfolios for debentures of the same maturity, unless repaid upon maturity at our or your election. In this regard, we will notify you at least 30 days prior to the maturity date of your debentures. In the notice, we will advise you if we intend to repay the debentures or else remind you that your debentures will be automatically renewed unless you exercise your option, within 15 days, to elect to have your debentures repaid.

If we determine that a post-effective amendment to the registration statement covering the offer and sale of debentures must be filed during your 15-day repayment election period, we will extend your election period until the amendment we file becomes effective. If debentures with similar terms are not being offered at the time of renewal, the interest rate upon renewal will be (a) the rate specified by us in writing on or before the maturity date or (b) if no such rate is specified, the rate of your existing debentures. Accordingly, you should understand that the interest rate offered upon renewal may differ from the interest rate applicable to your debentures prior to maturity. See “Description of the Debentures—Renewal or Redemption on Maturity.”

Prepayment or Early Redemption

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

Ranking	<p>The secured debentures will constitute the senior secured debt of GWG Holdings. The payment of principal and interest on the debentures will be:</p> <ul style="list-style-type: none">• pari passu with respect to collateral securing the approximately \$55.7 million in principal amount of subsidiary secured notes previously issued by our subsidiary GWG Life (see the caption “—Collateral Security” below);• structurally junior to the present and future obligations owed by our subsidiary DLP Funding II under the revolving credit facility with Autobahn/DZ Bank (including the approximately \$42 million presently outstanding under such facility); and• structurally junior to the present and future claims of other creditors of our subsidiaries, other than GWG Life, including trade creditors. <p>See “Description of the Debentures—Ranking” for further information.</p>
Guarantee	<p>The payment of principal and interest on the debentures is fully and unconditionally guaranteed by GWG Life. This guarantee (and accompanying grant of a security interest in all of the assets of GWG Life) makes the debentures pari passu, with respect to collateral, with the approximately \$55.7 million of subsidiary secured notes previously issued by GWG Life.</p>
Collateral Security	<p>The debentures are secured by the assets of GWG Holdings, Inc. We will grant a security interest in all of our assets to the indenture trustee for the benefit of the debenture holders. Our assets consist primarily of any cash proceeds we receive from life insurance policy assets of our subsidiaries, and all other cash and investments we hold in various accounts.</p> <p>The majority of our life insurance policy assets are held in our subsidiary DLP Funding II, LLC. The debentures’ security interest will be structurally subordinate to the security interest in favor of the lender under DLP Funding II’s revolving credit facility. The assets of GWG Life, including proceeds it receives as distributions from DLP Funding II and derived from the insurance policies owned by DLP Funding II, are collateral for GWG Life’s guarantee of the repayment of principal and interest on the debentures. This security interest will be pari passu to other debt issued and outstanding by GWG Life. The debentures are also secured by a pledge of a majority of our outstanding common stock from our largest stockholders, which pledge is pari passu with the pledge of the common stock to the holders of secured notes issued by GWG Life.</p>
Indenture Covenants	<p>The indenture governing the debentures places restrictive covenants and affirmative obligations on us. For example:</p> <ul style="list-style-type: none">• our debt coverage ratio may not exceed 90%; and

- our subordination ratio may not exceed 50% for the first four years after our initial sale of debentures.

The indenture defines the debt coverage ratio as a percentage calculated by the ratio of (A) obligations owing by us and our subsidiaries on all outstanding debt for borrowed money (including the debentures), over (B) the net present asset value of all life insurance policy assets we own, directly or indirectly, plus any cash held in our accounts. For this purpose, the net present asset value of our life insurance assets is equal to the present value of the cash flows derived from the face value of policy benefit assets we own, discounted at a rate equal to the weighted average cost of capital for all our indebtedness for the prior month.

The indenture defines the subordination ratio as a percentage calculated as a ratio of (A) the principal amount owing by us or any of our subsidiaries that is either senior in rank to the debentures or secured by the life insurance policy assets owned by us or our subsidiaries, over (B) the net present asset value of all life insurance policy assets we own, directly or indirectly, plus any cash held in our accounts. For this purpose, the net present asset value of our life insurance assets is equal to the present value of the cash flows derived from the face value of policy benefit assets we own, discounted at a rate equal to the weighted-average cost of capital for all our indebtedness for the prior month.

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

The indenture also places limitations on our ability to engage in a merger or sale of all of our assets. See “Description of the Indentures—Events of Default” and “—Consolidation Mergers or Sales” for more information.

Use of Proceeds

If all the debentures are sold, we would expect to receive up to approximately \$232 million of net proceeds from this offering after paying estimated offering and related expenses, expected average commissions, dealer manager fees and non-accountable expense allowances. If the maximum offering were sold and the maximum commissions, fees and allowances were paid, the proceeds to us would be approximately \$215 million. There is no minimum amount of debentures that must be sold before we access investor funds. The exact amount of proceeds we receive may vary considerably depending on a variety of factors, including how long the debentures are offered.

We intend to use the net proceeds of this offering primarily for the purposes of purchasing and servicing life insurance policy and related assets (e.g., policy premiums, principal and interest on debt

obligations, indenture trustee fees, and hedging instruments). We may use some of the net proceeds from this offering to repurchase some or all of the subsidiary secured notes previously issued by GWG Life, of which approximately \$55.7 million in principal amount is currently outstanding, along with approximately \$0.94 million in accrued but unpaid interest as of March 31, 2011. See “Use of Proceeds” for additional information.

No Market for Debentures and Restrictions on Transfers

There is no existing market for the debentures and we do not anticipate that a secondary market for the debentures will develop. We do not intend to apply for listing of the debentures on any securities exchange or for quotation of the debentures in any automated dealer quotation system. You will be able to transfer or pledge the debentures only with our prior written consent. See “Description of the Debentures—Transfers.”

Book Entry

The debentures will be issued in book entry or uncertificated form only. Except under limited circumstances, the debentures will not be evidenced by certificates or negotiable instruments. See “Description of the Debentures—Book Entry Registration and Exchange.”

RISK RELATING TO FORWARD-LOOKING STATEMENTS

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

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

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

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

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are only estimates and predictions. Actual results could differ materially from those anticipated in the forward-looking statements due to risks, uncertainties or actual events differing from the assumptions underlying these statements. These risks, uncertainties and assumptions include, but are not limited to, those discussed in this prospectus.

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

RISK FACTORS

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

Risks Related to Our Business and Our Industry

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

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

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

We are a company with a limited history, which makes it difficult to accurately forecast our earnings and cash flows. We have incurred losses in the past. In addition, our lack of a significant history and the evolving nature of our market make it likely that there are risks inherent in our business and the performance characteristics for portfolios of life insurance policies that are as yet recognized by us or others, or not fully appreciated, and that could result in earning less on our life insurance policies than we anticipate or even suffering further losses. As a result of the foregoing, an investment in our debentures necessarily involves uncertainty about the stability of our earnings, cash flows and, ultimately, our ability to service and repay our debt.

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

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

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The fair value measurement of Level 3 assets is inherently uncertain and creates additional volatility in our financial statements that are not necessarily related to the performance of the underlying assets. As of March 31, 2011, we estimate the fair value discount rate for our portfolio to be 13.31%. If we determine in the future that fair value requires a higher discount rate for a similarly situated portfolio of life insurance policies, we would experience significant losses materially affecting our results of operations. It is also possible that significant losses of this nature could at some point cause us to fall out of compliance with certain borrowing covenants contained in our revolving credit facility.

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

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

Our business model relies on achieving actual results that are in line with the results we expect to attain from our investments in life insurance policy assets. In this regard, we believe that the larger portfolio we own, the greater likelihood we will achieve our expected results. To our knowledge, rating agencies generally suggest that portfolios of life insurance policies consist of at least 300 lives to be diversified enough to achieve actuarial stability in receiving expected cash flows from underlying mortality. As of March 31, 2011, we own approximately \$417 million in face value of life insurance policies covering 155 lives. Accordingly, while there is risk with any portfolio of policies that our actual yield may be less than expected, we believe that the risk we face is presently more significant given the relative lack of diversification in our current portfolio as compared to rating agency recommendations.

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

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

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

To date, we have chosen to finance our business almost entirely through the issuance of debt, including debt incurred by our subsidiary DLP Funding II, LLC under a senior revolving credit facility provided by Autobahn/DZ Bank (which we refer to throughout this prospectus as our “revolving credit facility”). This revolving credit facility is secured by all of the assets of DLP Funding II, has a maximum amount of \$100 million, and the outstanding balance at March 31, 2011 was approximately \$42 million. Obligations under the revolving credit

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facility have a scheduled maturity date of July 15, 2013. Our business model expects that we will have continued access to financing in order to purchase a large and diversified portfolio of life insurance policies, pay the attendant premiums and costs of maintaining the portfolio, all while satisfying our current interest and principal repayment obligations under our revolving credit facility, our other indebtedness and the debentures. Accordingly, until we achieve cash flows derived from the portfolio of life insurance policy benefits, we expect to rely on debt to satisfy our ongoing financing and liquidity needs, including the costs associated with the offer and sale of the debentures. Nevertheless, continued access to financing and liquidity under the revolving credit facility is not guaranteed. If we are unable to borrow under the revolving credit facility for any reason, our business may be adversely impacted as well as our ability to repay our obligations under the debentures.

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

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

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

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

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

When we purchase a life insurance policy, we are subject to state insurance regulations. Over the past three years, we have seen a dramatic increase in the number of states that have adopted legislation and regulations from a model law promulgated by either the National Association of Insurance Commissioners (NAIC) or by the National Conference of Insurance Legislators (NCOIL). These laws are essentially consumer protection statutes

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responding to abuses that arose early in the development of our industry. Today, almost every state has adopted some version of either the NAIC or NCOIL model laws, which generally require the licensing of purchasers of and brokers for life insurance policies, the filing and approval of purchase agreements, disclosure of transaction fees, require various periodic reporting requirements and prohibit certain business practices deemed to be abusive.

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

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

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

Some states and the SEC have, on occasion, attempted to regulate the purchase of non-variable universal life insurance policies as transactions in securities under federal or state securities laws. In July 2010, the SEC issued a Staff Report of its Life Settlement Task Force. In that report, the Staff recommended that certain types of purchased life insurance policies be classified as securities. The SEC has not taken any position on the Staff Report, and there is no indication if the SEC will take or advocate for any action to implement the recommendations of the Staff Report. In addition, there have been several federal court cases in which transactions involving the purchase and fractionalization of life insurance contracts have been held to be transactions in securities under the federal Securities Act of 1933. We believe that the matters discussed in the Staff Report, and existing caselaw, do not impact our current business model since our purchases of life settlements are distinguishable from those cases that have been held by courts, and advocated by the Staff Report, to be transactions in securities. For example, we are not involved in fractionalization of any life insurance policies.

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

As a practical matter, the widespread application of securities laws to our purchases of life insurance policies, either through the expansion of the definition of what constitutes a security, the expansion of the types of transactions in life insurance policies that would constitute transactions in securities, or the elimination or limitation of available exemptions and exceptions (whether by statutory change, regulatory change, or administrative or court interpretation) could burden us as well as other companies operating in the life insurance secondary market through the imposition of additional processes in the purchase of life insurance policies or the

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imposition of additional corporate governance and operational requirements through the application of the federal Investment Company Act of 1940. Any such burdens could be material. Among the particular repercussions for us would be a violation of existing covenants under our revolving credit facility requiring us to not be an “investment company” under the Investment Company Act of 1940, which could in the short or long term affect our liquidity and increase our cost of capital and operational expenses, all of which would adversely affect our operating results. It is possible that such an outcome could threaten the viability of our business and our ability to satisfy our obligations as they come due, including obligations under our debentures.

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

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

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

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

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

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

Changes in general economic conditions could adversely impact our business.

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

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

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

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

We rely on estimated rates of mortality for the actuarial assumptions we use when valuing life insurance policies and the expected performance of our portfolio. If our estimates prove to be incorrect, it could materially and adversely affect our ability to satisfy our debt service and repayment obligations, including our obligations under the debentures.

If we assume we will receive cash inflows from policies sooner than we actually do, we may not be able to make payment on the obligations, including the debentures, in a timely manner, or at all. Moreover, a significant discovery that results in mortality improvements among seniors above historically predicted rates by medical actuaries providing life expectancies could have a material adverse effect on the life insurance policy investments. For example, we have in fact experienced fewer mortalities than originally projected in the early stages of life insurance policy ownership, which has increased the capital we have needed for premium payments and reduced our anticipated return on those investments. While we intend to purchase insurance policies with improved mortality assumptions, we may be unable to do so. Any change to these pricing models, premium forecasting assumptions, the methodology utilized thereof, or the mortality assumptions accompanied therewith that increase the projected cost of insurance premiums or decrease the probability of mortality could have a material and adverse impact on our results of operations and cash flows. Ultimately, this could adversely affect our ability to meet our debt service and repayment obligations, including our obligations under the debentures.

Risks Related to This Offering and Our Company

We may not be able to raise all of the capital that we are seeking in this offering, and may be unable to meet our immediate business objectives with proceeds from the sale of debentures.

Arque Capital serves as our managing broker-dealer (managing placement agent), but this is not an underwritten offering. And, while Arque Capital and the other broker-dealer members of the selling group will use their best efforts in the placement of the debentures, investors should understand that (i) there is no minimum

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aggregate principal amount of debentures that we must sell prior to accessing investor funds, and (ii) we may be unable to sell all of the debentures that we are seeking to sell in this offering. Consequently, some or all of the additional capital we are seeking may not be available.

While we plan to continue the offering in support of our overall business objectives, if we are unable to continue the offering for any reason, we expect that our business will be materially adversely affected and that we will need to seek capital from other sources. In the event that we are unable to continue this offering or are unsuccessful in finding alternative sources of capital, we may be forced to sell our investments in life insurance policies in order to service or satisfy our debt-related obligations. If we are forced to sell investments in life insurance policies, we may be unable to sell them at prices we believe are appropriate. In any such event, our business may be materially and adversely impacted.

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

GWG Holdings is a holding company. As a holding company, we conduct our operations through our operating subsidiaries, and our only significant assets are the capital stock of our subsidiaries. Accordingly, our ability to meet our cash obligations, including our obligations under the debentures, depends in part upon the ability of our subsidiaries to make cash distributions to us. The ability of our subsidiaries to make distributions to us is, and will continue to be, restricted by certain negative covenants relating to our revolving credit facility. DLP Funding II is the borrower under our revolving credit facility. See note 8 to our consolidated financial statements. The significant majority of insurance policies owned by the Company are subject to a collateral arrangement with the agent to our revolving credit lender, as described in note 2 to the consolidated financial statements. Under this arrangement, collection and escrow accounts are used to fund purchases and premiums of the insurance policies and to pay interest and other charges under its revolving credit facility. The lender and its agent must authorize all disbursements from these accounts, including any distributions to GWG Life. Distributions are limited to an amount that would result in the borrowers realizing an annualized rate of return on the equity funded amount for such assets of not more than 18%, as determined by the agent. After such amount is reached, the credit agreement requires that excess funds be used to fund repayments or a reserve account in certain amount, before any additional distributions may be made.

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

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

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

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

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- a prohibition on filing a bankruptcy or insolvency case against us or our affiliates for at least one year plus one day after the revolving credit facility lender has been paid in full.

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

Other provisions of the indenture permit the trustee to take action to enforce the right of debenture holders to payment after 179 days have passed since the trustee's receipt of notice of default from the senior lender, but in such case any funds paid as a result of any such suit or enforcement action shall be applied toward the senior credit facility until the facility is indefeasibly paid in full before being applied to the debentures. These subordination provisions present the risk that, upon any default by us on obligations owed under our senior debt, the holders of the debentures will be unable to enforce their right to payment.

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

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

The debentures will also be effectively subordinate to all senior secured debt we have or may incur, to the extent of the value of the assets securing that debt. The indenture governing the debentures does not limit the amount of debt that we or our subsidiaries can incur, and it permits us and our subsidiaries to incur secured debt. As of December 31, 2010, we had approximately \$42 million of outstanding secured indebtedness under our revolving credit facility that is senior to the debentures. For a description of the ranking of the debentures, see "Description of Debentures—Ranking" in this prospectus. Because of the fact that the majority of our valuable operating assets are held in our DLP Funding II subsidiary, and all of those assets serve as collateral security for our obligations under the revolving credit facility, debenture holders risk the possibility that the collateral security we have granted for our obligations under the debentures may be insufficient to repay the debentures upon an event of default.

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

Our direct and wholly owned subsidiary, GWG Life, has issued and outstanding approximately \$55.7 million in subsidiary secured notes. By virtue of GWG Life's full and unconditional guarantee of obligations under the debentures, and other agreements contained in or made in connection with the indenture, the

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debentures are pari passu in right of payment and collateral with such subsidiary secured notes. The indenture for the debentures, and the note issuance and security agreement for the subsidiary secured notes, each provide for cross defaults upon an event of default under the provisions of the other agreement (i.e., an event of default under the note issuance and security agreement will constitute an event of default under the indenture for the debentures, and vice versa). We expect to use a portion of the proceeds from this offering to repay all or a portion of the subsidiary secured notes; however, we do not plan to immediately retire all of such notes. See “Use of Proceeds” for more information in this regard. If investors holding existing indebtedness with short-term maturities do not elect to renew and we have not, at such time, raised sufficient capital through the sale of debentures, we may need to liquidate some of our investments in life insurance policies earlier than anticipated. In such an event, we may be unable to sell those life insurance policies at prices we believe are fair or otherwise appropriate, and such sales could have a material and adverse impact on our results of operations.

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

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

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

We will have no obligation, and debenture holders will have no right to require us, to prepay any debenture prior to its maturity date. The only exceptions exist for situations in which an individual natural person investor suffers a total permanent disability, a bankruptcy or dies. In such an event, we will be required to repurchase the debenture of such person so long as certain procedural requirements are met. Outside these narrow exceptions, we may nonetheless agree, in our sole and absolute discretion, to accommodate requests to prepay or repurchase a debenture prior to its maturity in other cases. If we do agree to prepay or repurchase debentures, we will assess a 6% repurchase fee for redeeming the debentures. For more information, see “Description of the Debentures—Redemption or Repurchase Prior to Stated Maturity (Prepayment).” As a result, any investment in a debenture should be considered illiquid and unable to be redeemed until its stated maturity.

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

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

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GWG Life was insolvent on the date on which it guaranteed the debentures, or that the guarantee constituted a fraudulent transfer on other legal grounds, the claims of creditors of GWG Life would effectively have priority with respect to GWG Life's assets and earnings over the claims of the holders of the debentures.

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

Our Chief Executive Officer, Jon R. Sabes and Chief Operating Officer, Steven F. Sabes, who together beneficially own approximately 95.6% of our common stock are subject to litigation relating to claims by a bankruptcy trustee for loan payments made to an affiliate, Opportunity Finance, LLC. Such payments may ultimately be deemed to be avoidable transfers under preference or other legal theories. Case No. 08-45257 (U.S. Bankruptcy Court District of Minnesota). In addition, GWG Holdings invested \$1 million in Opportunity Finance, LLC in 2006 and was repaid and received \$176,948 of interest income from that investment in 2007. To date, no claim has been made against GWG Holdings.

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

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

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

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

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

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

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

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

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

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

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

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

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

USE OF PROCEEDS

If all of the debentures are sold, we expect to receive up to approximately \$232 million of net proceeds from this offering after paying estimated offering and related expenses of approximately \$500,000 and after paying our estimated average selling commissions (including wholesale broker commissions), dealer manager fees and non-accountable expense allowances. These estimated average commissions, dealer manager fees and non-accountable expense allowances aggregate to approximately \$17.5 million based on expected average selling commissions of \$12.5 million (5.00%), dealer manager fees of \$2.5 million (1.00%), and non-accountable expense allowances of \$2.5 million (1.00%), assuming the sale of all of the debentures. As explained elsewhere in this prospectus, the maximum amount of commissions, fees and allowances is limited to 13.50% of the amount of debentures sold. Therefore, if all of the debentures were sold and the maximum commissions, fees and allowances were paid, we estimate that the net proceeds to us, after paying estimated offering and related expenses of \$500,000, would be approximately \$215 million. For more information about dealer manager fees, selling commissions and non-accountable expense allowances payable to our selling group in connection with the sale of debentures, please see “Plan of Distribution.”

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

We intend to use the net proceeds from this offering primarily to:

- purchase life insurance policies in the secondary market and pay expenses relating to the acquisition of such policies;
- pay premiums on life insurance policy assets we own;
- pay principal, interest and fees to our lenders, including under our revolving credit facility, the subsidiary secured notes, and the debentures; and the trustees of certain trusts associated with our subsidiary secured notes and the debentures;
- provide funds for portfolio operations, such as obtaining life expectancy estimates, mortality tracking and collection expenses;
- pay fees in connection with, and associated with maintaining the life insurance policies and accounts under the arrangements required by, our revolving credit facility, our subsidiary secured notes and the indenture;
- pay tax liabilities; and
- purchase interest rate caps, swaps or hedging instruments for the portfolio or our indebtedness.

As indicated above, we expect that we will use some of the net proceeds from this offering to pay principal amounts owing under our subsidiary secured notes. In addition to paying such amounts upon maturity, we may under certain circumstances seek to retire certain of our subsidiary secured notes prior to maturity. In general, we expect to retire subsidiary secured notes with remaining terms of one year or less, as opposed to more recently issued subsidiary secured notes or notes with longer terms. In the event that we sell all of the debentures offered, we expect that approximately one-half of the subsidiary secured notes would be retired. We may also offer exchanges of maturing subsidiary secured notes for new debentures. However, we would receive no new proceeds from any such exchange transactions. As a result, and because any such exchange transaction would involve the payment of fees, commissions and non-accountable expense allowances, we do not expect to offer such exchanges in a widespread manner. Instead, we expect to offer such exchanges on a case-by-case basis and generally only to holders of subsidiary secured notes with remaining terms of one year or less, as opposed to more recently issued subsidiary secured notes or notes with longer terms.

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

Since we do not know the total principal amount of debentures that will be ultimately sold, we are unable to accurately forecast the total net proceeds that will be generated by this offering.

CAPITALIZATION

The following table sets forth, as of March 31, 2010, our consolidated debt and stockholders' equity on an actual basis and as adjusted to give effect to the sale of the maximum amount of debentures offered hereby and an assumed application of approximately 11% of our net proceeds to repay outstanding amounts owed under our subsidiary secured notes. You should read this table in conjunction with our consolidated financial statements and the notes thereto which are incorporated herein by this reference.

	At March 31, 2011	
	Actual	As Adjusted
	(Dollars in thousands, except per share amounts) (Unaudited)	
Debt:		
Debentures offered hereby	—	250,000
Subsidiary secured notes (1)	55,727	27,864
Revolving credit line (2)	41,548	41,548
Total debt	<u>\$ 97,275</u>	<u>\$ 319,412</u>
Stockholders' equity:		
Common stock (par value \$0.001 per share; shares authorized 250,000,000; shares issued 4,500,000)	5	5
Additional paid-in capital		
Retained earnings	5,692	5,692
Other	(2,306)	(2,306)
Total stockholders' equity	<u>3,391</u>	<u>3,391</u>
Total debt and stockholders' equity	<u>\$ 100,666</u>	<u>\$ 322,803</u>

- (1) The total outstanding face amount of subsidiary secured notes outstanding at March 31, 2011 was \$56,533,753, less unamortized selling costs of \$1,791,880, plus subscriptions receivable of \$985,000. The weighted average interest rate of our outstanding subsidiary secured notes at March 31, 2011 was approximately 8.01%, and the weighted average maturity was approximately 1.87 years.
- (2) The interest rate of our revolving credit line floats in conjunction with advances made thereunder. The weighted average interest rate payable under our revolving credit line at March 31, 2011 was approximately 2.14%. Amounts owing under our revolving credit line come due on July 15, 2013.

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

SUMMARY FINANCIAL INFORMATION

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

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

BALANCE SHEET DATA:

	December 31, 2010	December 31, 2009	March 31, 2011 (Unaudited)
Total Assets	\$ 91,050,758	\$ 24,090,614	\$ 102,030,858
Investment in Portfolio	82,717,562	12,908,172	95,731,212
Cash and Cash Equivalents	1,758,230	1,180,850	273,972
Restricted Cash	5,219,009	5,751,115	4,961,338
Total Debt	90,889,411	22,365,538	98,639,310
Revolving Credit Facility	37,085,452	4,987,425	41,547,952
Subsidiary Secured Notes	51,798,992	13,570,983	55,726,873
Stockholder Equity	670,473	2,195,512	3,391,548

INCOME STATEMENT DATA:

	Year Ended		Three Months Ended (Unaudited)	
	December 31, 2010	December 31, 2009	March 31, 2011	March 31, 2010
Total Revenue	\$8,898,947	\$ 1,347,123	\$5,387,797	\$(2,443,850)
Gain on Life Insurance Contracts	8,658,874	808,944	5,357,641	(2,485,629)
Interest Expense	3,683,733	593,101	1,090,772	447,830
Net Income (Loss)	(230,395)	(4,833,413)	3,230,201	(3,786,173)

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

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

Business Overview

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

Corporate Conversion

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

Public Company Expenses

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

Critical Accounting Policies

Critical Accounting Estimates

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

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

Ownership of Life Insurance Policies—Fair Value Option

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

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

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

Valuation of Insurance Policies

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

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

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

<u>March 31, 2011</u>	<u>March 31, 2010</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
13.31%	14.21%	13.36%	14.24%

Fair Value Measurement Guidance

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

Principal Revenue and Expense Items

Components of Revenue

We earn revenues from two primary sources.

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

Change in Fair Value of Life Insurance Policies. We have elected to carry our investments in life insurance policies at fair value in accordance with ASC 325-30, *Investments in Life Insurance Contracts*. Accordingly, we value our investments in life insurance policies each reporting period in accordance with the fair value principles discussed herein, which includes the payment of premiums for such period.

Components of Expenses

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

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

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

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

Results of Operations

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

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Revenue. Recognized revenue includes an increase in the fair value of life insurance policies in the amount of \$5,357,641 for the three months ended March 31, 2011, compared to a decline of \$(2,485,629) for the same period in 2010. We initially record our investments in life insurance policies at the total purchase price paid for policies. We recorded change in fair value gains of \$5,357,641 during the three months ended March 31, 2011 due to the evaluation of the fair value of the total portfolio of life insurance policies at the end of the reporting period. The increases in fair value were due to improved policy purchasing at lower prices, increasing demand for the types of policies we purchase, the aggregated value of a portfolio of policies over a single policy, the increasing ages and declining life expectancies of insureds, the ratings of insurance companies, and the actuarial tables and life expectancy estimates we use. The discount rate used for the fair value of the life insurance policies was 13.31% for the period ending March 31, 2011, compared to 14.21% for the same period in 2010.

Expenses. Interest expense was \$1,090,772 for the three months ended March 31, 2011, compared to \$477,830 for the same period in 2010, an increase of \$612,942. The increase in interest expense was due to the increase in the issuance of debt outstanding to purchase life insurance policies. Selling, general and administrative expenses were \$873,407 for the three months ended March 31, 2011, compared to \$806,269 for the same period in 2010, an increase of \$67,130. This increase was due to an increase in travel and marketing activities related to the issuance of indebtedness. Amortization of deferred issuance costs was \$193,417 for the three months ended March 31, 2011, compared to \$58,224 for the same period in 2010, an increase of \$135,193. This increase resulted from the increase in the issuance of indebtedness in 2010.

2010 Compared to 2009

Revenue. Recognized revenue from the receipt of policy benefits was \$157,552 in 2010, compared to no revenue from the receipt of policy benefits during 2009. Revenue recognized from the change in fair value of our life insurance policies was \$8,501,322 in 2010 compared to \$808,994 in 2009. We initially record these investments at the total purchase price paid for policies. We recorded change in fair value gains of \$8,501,322 in 2010 due to the evaluation of the fair value of the total portfolio of life insurance policies at the end of the reporting period. The increases in fair value were due to our improved policy purchasing at lower prices, increasing demand for the types of policies we purchase, the aggregated value of a portfolio of policies over a single policy, the increasing ages and declining life expectancies of insureds, the ratings of insurance companies, and the actuarial tables and life expectancy estimates we use. The discount rate used for the fair value of the life insurance policies we own was 13.36% for the period ending December 31, 2010 compared to 14.24% for the same period ending in 2009.

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

Liquidity and Capital Resources

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

The origination fee we charge is generally one to four percent of the face value of a life insurance policy's benefit and is charged and received by us when we acquire the related policy. The origination fee we charge is calculated into the total purchase price we pay for a life insurance policy. In 2010, we generated \$6,048,493 origination fees that covered our operational expenditures. Origination fees are not reflected on our income statement due to the fact that fees received by us are offset by the purchase price of related life insurance policies. As such, the origination fees we collect are reflected in our statement of cash flows. See the subcaption "—Cash Flows" below for further information. In 2010, we used origination fees earned in 2010 to repay approximately \$1,446,825 in unsecured operating working capital loans, along with \$90,900 in accrued interest from those loans. The loans were made to us by Insurance Strategies Fund, LLC, a Delaware limited liability company controlled by Jon R. Sabes and Steven F. Sabes, our Chief Executive Officer and Chief Operating Officer, respectively, in 2009. The agreement with Insurance Strategies Fund under which the working capital loans were made remains in effect so that additional working capital loans may in the future be made as our Board of Directors determines to be necessary. See "Management—Related-Party Transactions."

To date, we have financed our policy acquisition, servicing and related financing expenditures primarily through restricted borrowings made directly by our subsidiaries. In particular, DLP Funding II has entered into a \$100 million revolving credit facility with Autobahn/DZ Bank and GWG Life has issued secured notes (referred to throughout this prospectus as the "subsidiary secured notes"). At March 31, 2011, we owed approximately \$42 million in principal amount on our revolving credit facility. Interest accrues on amounts borrowed under the revolving credit facility at a floating rate the weighted average of which was 2.14% per annum at March 31, 2011. We have the ability to borrow up to \$58 million, subject to us having a sufficient borrowing base and other limitations set forth in the revolving credit facility. At March 31, 2011 we estimate our borrowing base made available to us an additional \$11.17 million under the revolving credit facility. On that same date, we had approximately \$55.7 million in principal amount of subsidiary secured notes outstanding. The weighted-average interest rate of our outstanding subsidiary secured notes at that date was 8.01%, and the weighted-average maturity at that date was 1.87 years. The subsidiary secured notes outstanding have renewal features similar to those of the debentures. Of the subsidiary secured notes sold that have matured through March 31, 2011, approximately 77.04% of such notes (in principal) have been renewed.

As of March 31, 2011, we had approximately \$16.13 million in available cash and available borrowing capacity under our revolving credit facility for the purpose of purchasing of additional life insurance policies, paying premiums on existing policies, paying portfolio servicing expenses, and paying of principal and interest on our outstanding financing obligations. As of March 31, 2011, we also had approximately \$2.44 million in outstanding unsecured notes receivable from certain of our equity owners, as described in note 6 to the consolidated financial statements. Because management believes the ability to collect the amounts due is directly linked to future profits, the Company has classified these receivables as members' equity on its consolidated balance sheets.

We expect to meet our ongoing operational capital needs through origination fees and our unsecured working capital loans. We expect to meet our policy acquisition, servicing, and financing capital needs from the net proceeds from our offering of debentures, and our revolving credit facility. We expect to begin receiving insurance benefit payments on our portfolio of life insurance policies as the average age of the insureds increase and mortality events occur over time—beginning in 2012 and steadily increasing until 2018. In addition, despite recent capital market conditions including a credit crisis, we demonstrated continued access to credit and financing markets. As a result, we estimate that our liquidity and capital resources are sufficient for our current and projected financial needs.

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

Debt Financings Summary

We had the following outstanding debt balances as of March 31, 2011:

<u>Issuer/Borrower</u>	<u>Principal Amount Outstanding at March 31, 2011 (\$)</u>	<u>Weighted Average Interest Rate (%)</u>
GWG Holdings, Inc.	\$ 0	—
GWG Life Settlements, LLC	\$ 56,533,753	8.01%
GWG DLP Funding II, LLC	\$ 41,547,952	2.14%
Total	\$ 98,081,705	5.57%

Our total credit facility and other indebtedness balance as of \$98,081,705 was used to purchase and finance our portfolio of life insurance policies. The fair value of our investments in life insurance policies of \$95,731,212, plus our restricted cash balance of \$4,961,338 totaled \$100,692,550, representing an excess of assets over indebtedness of \$2,610,845 at March 31, 2011.

Cash Flows

The payment of premiums and servicing costs to maintain life insurance policies represents our most significant requirement for cash disbursement. When a policy is purchased, we are able to calculate the minimum premium payments required to maintain the policy in-force. Over time as the insured ages, premium payments will increase, however the probability of actually needing to pay the premiums decreases since mortality becomes more likely. These scheduled premiums and associated probabilities are factored into our expected internal rate of return and cash-flow modeling. Beyond premiums, we incur policy servicing costs, including annual trustee and tracking costs, and debt servicing costs, including principal and interest payments. Until we receive proceeds from the policy benefits, we intend to pay these costs from our credit facility and through the issuance of debt. We presently expect that by 2014, the cash inflows from the receipt of policy benefits will exceed the premium obligations on the remaining life insurance policies held within the portfolio. 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 significant majority of insurance policies owned by the Company are subject to a collateral arrangement with the agent to our revolving credit lender, as described in notes 2 and 8 to the consolidated financial statements. Under this arrangement, collection and escrow accounts are used to fund purchases and premiums of the insurance policies and to pay interest and other charges under its revolving credit facility. The lender and its agent must authorize all disbursements from these accounts, including any distributions to GWG Life, which is the guarantor subsidiary under the secured debentures offered hereby. Distributions are limited to an amount that would result in the borrowers realizing an annualized rate of return on the equity funded amount for such assets of not more than 18%, as determined by the agent. After such amount is reached, the credit agreement requires that excess funds be used to fund repayments or a reserve account in certain amount, before any additional distributions may be made. In the future, these arrangements may restrict the cash flows available for payment of principal and interest on the secured debentures offered hereby.

Inflation

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

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Credit Risk

We review our portfolio of life insurance policies to determine their adequacy of bad debt reserves for losses on life insurance policy benefits, and other assets. We expect to maintain the reserves for losses on policies at an amount estimated to be sufficient to absorb future losses, net of recoveries, inherent in the policies. In evaluating the adequacy of the bad debt reserves, we consider insurance company solvency, credit risk indicators, economic conditions, on-going credit evaluations, reserve account balances if any, and company positions. We attempt to manage our credit risk related to life insurance policies typically by purchasing policies issued only from companies with an investment grade credit rating by either Standard & Poor's, Moody's, or A.M. Best Company. As of March 31, 2011, 98.7% of our life insurance policies were issued by companies rated "A" or better by Standard & Poor's. Our overall credit risk is subject to rapid changes that may be unforeseen and could result in immediate increased losses and material adjustments to the allowance or actual losses.

Interest Rate Risk

Our credit facility is floating rate financing. In addition, our ability to offer interest rates that attract capital (including in the offer and sale of debentures) is generally impacted by prevailing interest rates. Furthermore, while our other indebtedness provides us with fixed-rate financing, our debt coverage ratio is calculated in relation to our total cost of financing. Therefore, fluctuations in interest rates impact our business by increasing our borrowing costs, and reducing availability under our debt financing arrangements. Furthermore, we calculate our portfolio earnings based upon the spread generated between the return on our life insurance portfolio and the cost of our financing. As a result, increases in interest rates will reduce the earnings we expect to achieve from our investments in life insurance policies. While we expect to manage this volatility with interest rate hedges to mitigate our exposure to changes in interest rates, our income and business may nonetheless be impacted by changes in interest rates.

Non-GAAP Financial Measures

We use non-GAAP financial measures when evaluating our financial results, for planning and forecasting purposes, and for maintaining compliance with covenants contained in our borrowing agreements. Non-GAAP financial measures disclosed by management are provided as additional information to investors in order to provide them with an alternative method for assessing our financial condition and operating results. These non-GAAP financial measures are not in accordance with GAAP and may be different from non-GAAP measures used by other companies, including other companies within our industry. This presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for comparable amounts prepared in accordance with GAAP.

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

GAAP-based fair value accounting imports subjective financial market volatility into our financial reporting by requiring management to estimate the value of our assets as if they were sold in an orderly transaction between market participants at the measurement date based upon prevailing conditions supported by little or no market activity that is readily observable. However, we believe one of the key attractions for purchasing life insurance policies is the non-correlated nature of the returns to be derived from such policies. Therefore, in contrast to a GAAP-based fair valuation, we can accrue for the actuarial gain occurring within life insurance policies at the expected internal rate of return based on statistical mortality probabilities for an insured (using primarily the insured's age, sex and smoking status). The expected internal rate of return tracks actuarial gain occurring within the policies according to mortality tables as the ages of insureds increase. By comparing the

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actuarial gain accruing within our life insurance policies against our costs in the same period, we manage and evaluate the financial profitability of our business. We use this information to balance our life insurance policy purchasing and manage our capital structure, including the issuance of debt under our revolving credit agreement and utilization of our other sources of capital, and to monitor our compliance with borrowing covenants. We believe that these non-GAAP financial measures provide information that is useful for investors to understand period-over-period operating results separate and apart from fair value items that may, or could, have a disproportionately positive or negative impact on results in any particular period.

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

Excess Spread. Our revolving credit facility requires us to maintain a 2.00% “excess spread” between our weighted-average expected internal rate of return and the credit facility’s interest rate. A presentation of our excess spread and our total excess spread is set forth below. Management uses the “total excess spread” to gauge expected profitability of our investments, and uses the “excess spread” to monitor compliance with our borrowing covenants.

	As of March 31, 2011	As of March 31, 2010	At December 31, 2010	At December 31, 2009
Weighted-average expected IRR (1)	13.38%	12.02%	12.87%	15.41%
Weighted-average revolving credit facility interest rate (2)	2.14%	2.61%	2.14%	2.16%
Excess spread (3)	11.24%	8.81%	10.73%	13.25%
Total weighted-average interest rate on indebtedness for borrowed money (4)	5.52%	6.39%	5.54%	6.12%
Total excess spread	7.86%	5.03%	7.33%	9.29%

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

	As of March 31, 2011	As of March 31, 2010	As of December 31, 2010	As of December 31, 2009
GAAP fair value	\$ 95,731,212	\$ 20,074,182	\$ 82,717,562	\$ 12,908,173
Unrealized fair value loss/(gain) (A)	(14,667,907)	1,676,684	(9,310,266)	(808,944)
Adjusted cost basis increase/(decrease) (B)	13,263,742	2,787,023	11,195,989	1,556,803
Investment cost basis (C)	<u>94,327,047</u>	<u>24,537,889</u>	<u>84,603,285</u>	<u>13,656,032</u>

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

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

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

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

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- (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 March 31, 2011	As of March 31, 2010	As of December 31, 2010	As of December 31, 2009
Revolving credit facility	\$41,547,952	\$ 9,892,124	\$37,085,452	\$ 4,987,425
Subsidiary secured notes	\$56,533,753	\$31,802,641	\$53,292,714	\$13,220,983
Total	\$98,081,705	\$41,694,765	\$90,378,166	\$18,208,408

Interest Rates on Indebtedness:

Revolving credit facility	2.14%	2.61%	2.14%	2.16%
Subsidiary secured notes	8.01%	7.57%	7.90%	7.62%
Weighted-average interest rates on indebtedness	5.52%	6.39%	5.54%	6.12%

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

	As of March 31, 2011	As of March 31, 2010	As of December 31, 2010	As of December 31, 2009
GAAP net worth (1)	\$ 3,391,548	\$ (2,312,548)	\$ 161,347	\$ 1,725,076
Less intangible assets	(2,370,256)	(1,806,049)	(619,008)	(824,381)
GAAP tangible net worth	<u>1,021,292</u>	<u>(4,118,597)</u>	<u>(457,661)</u>	<u>900,695</u>
Unrealized fair value loss/(gain) (2)	(14,667,907)	1,676,684	(9,310,266)	(808,944)
Adjusted cost basis increase/(decrease) (3)	13,263,742	2,787,023	11,195,989	1,556,803
Accrual of unrealized actuarial gain (4)	12,820,488	2,190,198	9,977,051	479,365
Adjusted non-GAAP tangible net worth	<u>12,437,615</u>	<u>2,535,308</u>	<u>11,405,113</u>	<u>2,127,919</u>
Accrual of unrealized gain of portfolio sold (5)	—	58,962,062	—	52,871,708
Total adjusted non-GAAP tangible net worth (6)	<u>12,437,615</u>	<u>61,497,370</u>	<u>11,405,113</u>	<u>54,999,627</u>

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

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

	<u>January 1, 2011 to March 31, 2011</u>	<u>January 1, 2010 to March 31, 2010</u>	<u>January 1, 2010 to December 31, 2010</u>	<u>January 1, 2009 to December 31, 2009</u>
GAAP net income before tax	\$ 3,230,201	\$ (3,786,173)	\$ (230,395)	\$ (4,833,413)
Unrealized fair value loss/(gain) (1)	(5,357,641)	(426,282)	(8,501,322)	(808,944)
Adjusted cost basis increase/(decrease) (2)	2,000,772	1,096,017	9,675,064	1,556,803
Accrual of unrealized actuarial gain (3)	2,843,436	624,970	6,246,378	479,366
Adjusted non-GAAP income before tax	<u>2,716,768</u>	<u>(2,491,468)</u>	<u>7,189,725</u>	<u>(3,606,188)</u>
Adjusted non-GAAP income (loss) of portfolio sold (4)	<u>—</u>	<u>5,135,412</u>	<u>24,837,599</u>	<u>10,001,433</u>
Total adjusted non-GAAP income before tax (5)	<u>2,716,768</u>	<u>2,643,944</u>	<u>32,027,324</u>	<u>6,395,245</u>

- (1) Reversal of unrealized fair value gain or loss of life insurance policies for current period.
- (2) Adjusted cost basis is increased to include those acquisition and servicing expenses which are not capitalized by GAAP.
- (3) Accrual of actuarial gain at expected internal rate of return based on Investment Cost Basis for the period.
- (4) Represents adjusted non-GAAP income from the life insurance portfolio sold on November 1, 2010 owned by GWG DLP Funding, LLC and financed by WestLB AG. This entity was deconsolidated in our GAAP financial statements, but consolidated for our total adjusted non-GAAP Income measurement.
- (5) We must maintain a positive consolidated net income, calculated on a non-GAAP basis, to maintain compliance with our revolving credit facility with DZ Bank/Autobahn.

BUSINESS

Overview

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

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

As of March 31, 2010, we owned \$417 million in face value of life insurance policy benefits with an aggregate cost basis of \$95 million. We have acquired this portfolio through a combination of the sale of secured notes by a subsidiary and our revolving credit facility. Since 2006, we have acquired over \$1.4 billion in face value of life insurance policy benefits and have established ourselves as an active purchaser and financier of life insurance policies in the secondary market. Our objective is to earn returns from the life insurance policies we purchase in the secondary market which are greater than the costs necessary to purchase and finance those policies to their maturity. We expect to accomplish our objective by:

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

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

We intend to apply the proceeds of this offering, along with approximately \$59 million potentially available to DLP Funding II under the revolving credit facility with Autobahn/DZ Bank, to expand the portfolio of insurance policies we own, and finance those policies until their maturity.

Industry Background

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

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

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

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

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

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

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

Company History

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

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

Our Business Model

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

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

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

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

Our Strategy and Competitive Strengths

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

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

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

- *Industry Experience:* We have actively participated in the development of the secondary market of life insurance as a principal purchaser and financier since 2006. Our position within the marketplace has allowed us to evaluate over 30,000 life insurance policies for possible purchase, thereby gaining a deep understanding of the variety of issues involved when purchasing life insurance policies in the secondary market. We have participated in the leadership of various industry associations and forums, including the Life Insurance Settlement Association and the Insurance Studies Institute. Our experience gives us the confidence in building a portfolio of life insurance policies that will perform to our expectations.
- *Operational Platform:* We have built an operational platform and systems for efficiently tracking, processing, and servicing life insurance policies that we believe provide competitive advantages when purchasing policies in the secondary marketplace, and servicing the policies once acquired.
- *Origination and Underwriting Practices:* We purchase life insurance policies that meet published guidelines on what policies would be accepted in a rated securitization. We purchase only non-contestable permanent life insurance policies that meet stringent underwriting criteria and reviews.
- *Origination Relationships:* We have established origination relationships with over four hundred life insurance policy brokers and insurance agents who submit policies for our purchase or financing. Our referral base knows our underwriting standards for purchasing life insurance policies in the secondary market, which provides confidence in our bidding and closing process and streamlines our due-diligence process.
- *Life Expectancy Methodology:* We rely on at least two life expectancy reports from independent third-party medical actuary underwriting firms that include 21st Services, AVS Underwriting, Fasano Associates, and ISC Services to develop our life expectancy estimate.

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- *Pricing Software and Methodology:* We use actuarial pricing methodologies and software tools that have been built and are supported by leading independent actuarial service firms, such as Milliman USA and Modeling Actuarial Pricing Systems, Inc. (“MAPS”) for calculating our expected returns.
- *Diversified Funding:* We have actively developed diversified sources for accessing capital markets in support of our buy and hold strategy for our portfolio of life insurance policies, ranging from institutional bank financing and global capital markets, to a network of broker-dealers registered with the Financial Industry Regulatory Authority (“FINRA”) who have participated in our subsidiary secured notes financing.

Our Portfolio and Operations

Our Portfolio

Our portfolio of life insurance policy portfolio as of March 31, 2011 is summarized and set forth below:

Life Insurance Portfolio Summary (as of March 31, 2011)

Total portfolio face value of policy benefits	\$417,643,414
Average face value per policy *	\$ 2,694,474
Average face value per insured life *	\$ 2,880,299
Average age of insured (yrs)	80.37
Average life expectancy estimate (yrs) *	8.33
Total number of policies	155
Demographics	56.7% Males; 43.3% Females
Number of smokers	No insureds are smokers
Largest policy as % of total portfolio	2.39%
Average policy as % of total portfolio	0.65%

* Averages presented in the table are weighted averages.

Life Insurance Portfolio Detail (as of March 31, 2011)

Face Value Ben. Amt. (\$)	Sex	Insured Current Age (years) (1)	Est. Life Expectancy (months) (2)	Insurance Company	Ins. Co. S&P Rating
\$5,000,000	F	87	86.6	American Gen. Life Ins. Co.	A+
2,000,000	F	87	45.0	Pruco Life Ins. Co.	AA-
1,000,000	F	87	38.6	Protective Life Ins. Co.	AA-
5,000,000	M	86	64.5	John Hancock Life Ins. Co. (U.S.A)	AA-
5,000,000	F	86	54.3	John Hancock Life Ins. Co. (U.S.A)	AA-
3,500,000	F	85	85.9	John Hancock Life Ins. Co. (U.S.A)	AA-
2,500,000	F	85	89.3	AXA Equitable Life Ins. Co.	AA-
2,500,000	F	85	89.3	AXA Equitable Life Ins. Co.	AA-
3,000,000	F	85	69.8	Jefferson-Pilot Life Ins. Co.	AA-
5,000,000	F	85	87.4	ING Life Ins. and Ann. Co.	A
5,000,000	F	85	58.1	Lincoln National Life Ins. Co.	AA-
715,000	F	85	97.0	Jefferson-Pilot Life Ins. Co.	AA-
1,203,520	M	85	71.4	Columbus Life Ins. Co.	AA+
1,350,000	F	85	90.8	Jefferson-Pilot Life Ins. Co.	AA-
2,000,000	F	85	56.0	American Gen. Life Ins. Co.	A+
600,000	F	85	86.4	Columbus Life Ins. Co.	AA+
3,333,333	M	85	77.0	Metropolitan Life Ins. Co.	AA-
5,000,000	F	84	70.0	Massachusetts Mutual Life Ins. Co.	AA+
2,500,000	F	84	85.1	American Gen. Life Ins. Co.	A+
2,500,000	M	84	72.7	Pacific Life Ins. Co.	A+
5,000,000	M	84	97.7	AXA Equitable Life Ins. Co.	AA-
4,500,000	F	84	79.3	John Hancock Life Ins. Co. (U.S.A)	AA-
1,500,000	M	84	71.1	John Hancock Life Ins. Co. (U.S.A)	AA-
1,500,000	M	84	71.1	John Hancock Life Ins. Co. (U.S.A)	AA-
500,000	M	84	84.4	Lincoln National Life Ins. Co.	AA-
4,785,380	F	84	74.4	John Hancock Life Ins. Co. (U.S.A)	AA-
1,803,455	F	84	85.3	Metropolitan Life Ins. Co.	AA-
1,529,270	F	84	85.3	Metropolitan Life Ins. Co.	AA-
5,000,000	M	84	75.1	John Hancock Life Ins. Co. (U.S.A)	AA-
2,225,000	F	84	108.4	Transamerica Life Ins. Co.	AA-
3,000,000	F	84	113.4	Massachusetts Mutual Life Ins. Co.	AA+
1,500,000	M	84	65.7	Union Central Life Ins. Co.	A+
3,500,000	F	84	87.5	Lincoln National Life Ins. Co.	AA-
500,000	F	83	78.2	Sun Life Assurance Co. of Canada (U.S.)	AA-
5,000,000	F	83	69.3	Transamerica Life Ins. Co.	AA-

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Face Value Ben. Amt. (\$)	Sex	Insured Current Age (years) (1)	Est. Life Expectancy (months) (2)	Insurance Company	Ins. Co. S&P Rating
4,000,000	F	83	108.4	Transamerica Life Ins. Co.	AA-
1,600,000	F	83	59.4	ING Life Ins. and Ann. Co.	A
1,000,000	F	83	90.4	New York Life Ins. Co.	AAA
5,000,000	F	83	86.4	Penn Mutual Life Ins. Co.	AA-
2,500,000	M	83	83.7	Transamerica Life Ins. Co.	AA-
800,000	M	83	87.3	National Western Life Ins. Co.	A
200,000	M	83	75.4	Lincoln Ben. Life Co.	A+
4,445,467	M	83	85.9	Penn Mutual Life Ins. Co.	AA-
7,500,000	M	83	66.7	Jefferson-Pilot Life Ins. Co.	AA-
3,600,000	F	83	110.4	AXA Equitable Life Ins. Co.	AA-
2,000,000	M	83	72.1	John Hancock Life Ins. Co. (U.S.A)	AA-
1,000,000	M	82	89.0	John Hancock Life Ins. Co. (U.S.A)	AA-
2,000,000	M	82	89.0	John Hancock Life Ins. Co. (U.S.A)	AA-
5,000,000	M	82	78.4	Jefferson-Pilot Life Ins. Co.	AA-
1,200,000	M	82	106.4	Transamerica Life Ins. Co.	AA-
1,000,000	F	82	126.4	ING Life Ins. and Ann. Co.	A
8,500,000	M	82	99.2	Massachusetts Mutual Life Ins. Co.	AA+
1,000,000	M	82	69.4	American Gen. Life Ins. Co.	A+
1,365,000	F	81	126.9	Transamerica Life Ins. Co.	AA-
3,750,000	M	81	112.0	AXA Equitable Life Ins. Co.	AA-
2,000,000	M	81	99.2	Transamerica Life Ins. Co.	AA-
1,000,000	M	81	77.6	John Hancock Life Ins. Co. (U.S.A)	AA-
2,000,000	M	81	67.9	Jefferson-Pilot Life Ins. Co.	AA-
1,500,000	M	81	84.8	ING Life Ins. and Ann. Co.	A
1,500,000	M	81	84.8	ING Life Ins. and Ann. Co.	A
3,000,000	F	81	133.8	Transamerica Life Ins. Co.	AA-
750,000	M	81	50.1	ING Life Ins. and Ann. Co.	A
750,000	M	81	50.1	ING Life Ins. and Ann. Co.	A
1,000,000	M	81	62.9	John Hancock Life Ins. Co. (U.S.A)	AA-
1,800,000	M	81	71.5	John Hancock Variable Life Ins. Co.	AA-
5,000,000	F	81	145.4	American Gen. Life Ins. Co.	A+
2,000,000	M	81	95.1	AXA Equitable Life Ins. Co.	AA-
1,750,000	M	81	95.1	AXA Equitable Life Ins. Co.	AA-
2,000,000	M	81	61.1	Transamerica Life Ins. Co.	AA-
5,000,000	F	80	134.6	AXA Equitable Life Ins. Co.	AA-
1,000,000	F	80	116.8	John Hancock Life Ins. Co. (U.S.A)	AA-

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Face Value Ben. Amt. (\$)	Sex	Insured Current Age (years) (1)	Est. Life Expectancy (months) (2)	Insurance Company	Ins. Co. S&P Rating
6,000,000	F	80	136.4	American Gen. Life Ins. Co.	A+
1,500,000	M	80	83.2	Transamerica Life Ins. Co.	AA-
1,500,000	F	80	138.6	Lincoln Ben. Life Co.	A+
4,000,000	M	80	70.1	John Hancock Life Ins. Co. (U.S.A)	AA-
1,000,000	M	80	103.7	John Hancock Life Ins. Co. (U.S.A)	AA-
2,000,000	F	80	146.6	Lincoln Ben. Life Co.	A+
2,700,000	M	80	85.0	John Hancock Life Ins. Co. (U.S.A)	AA-
829,022	F	80	48.7	Hartford Life and Ann. Ins. Co.	A
5,000,000	M	80	106.9	ING Life Ins. and Ann. Co.	A
7,600,000	F	80	134.6	Transamerica Life Ins. Co.	AA-
2,500,000	F	80	97.8	American Gen. Life Ins. Co.	A+
4,000,000	F	80	79.0	ING Life Ins. and Ann. Co.	A
3,500,000	F	80	132.6	Lincoln Ben. Life Co.	A+
500,000	F	79	135.5	AXA Equitable Life Ins. Co.	AA-
500,000	M	79	132.0	Metropolitan Life Ins. Co.	AA-
4,200,000	F	79	166.1	Transamerica Life Ins. Co.	AA-
750,000	M	79	133.7	West Coast Life Ins. Co.	AA-
5,000,000	M	79	89.7	Jefferson-Pilot Life Ins. Co.	AA-
1,500,000	M	79	139.1	Jefferson-Pilot Life Ins. Co.	AA-
3,500,000	F	79	113.3	AXA Equitable Life Ins. Co.	AA-
4,500,000	M	79	94.1	AXA Equitable Life Ins. Co.	AA-
2,000,000	M	79	98.4	Pacific Life Ins. Co.	A+
2,000,000	F	79	125.8	Jefferson-Pilot Life Ins. Co.	AA-
10,000,000	F	79	90.6	American National Ins. Co.	A+
500,000	M	79	73.2	West Coast Life Ins. Co.	AA-
5,000,000	M	79	111.0	AXA Equitable Life Ins. Co.	AA-
3,500,000	F	78	128.2	Jefferson-Pilot Life Ins. Co.	AA-
1,500,000	M	78	87.9	Pacific Life Ins. Co.	A+
1,900,000	M	78	78.5	American National Ins. Co.	A+
500,000	M	78	73.8	New York Life Ins. Co.	AAA
500,000	M	78	73.8	New York Life Ins. Co.	AAA
250,000	M	78	63.9	Jackson National Life Ins. Co.	AA
5,000,000	F	78	114.2	Sun Life Assurance Co. of Canada (U.S.)	AA-
750,000	M	78	83.9	John Hancock Life Ins. Co. (U.S.A)	AA-
1,995,000	F	78	108.4	Transamerica Life Ins. Co.	AA-
1,250,000	F	78	112.1	Columbus Life Ins. Co.	AA+

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Face Value Ben. Amt. (\$)	Sex	Insured Current Age (years) (1)	Est. Life Expectancy (months) (2)	Insurance Company	Ins. Co. S&P Rating
5,403,000	F	78	130.1	Phoenix Life Ins. Co.	BB-
5,000,000	M	78	97.8	Transamerica Life Ins. Co.	AA-
350,000	M	78	85.7	Reassure America Life Ins. Co.	A+
3,000,000	M	77	93.2	Protective Life Ins. Co.	AA-
2,000,000	F	77	141.6	Transamerica Life Ins. Co.	AA-
5,000,000	M	77	135.9	AXA Equitable Life Ins. Co.	AA-
550,000	M	77	147.2	Genworth Life Ins. Co.	A
1,680,000	F	77	104.1	AXA Equitable Life Ins. Co.	AA-
1,250,000	F	77	110.1	Principal Life Ins. Co.	A
2,000,000	M	77	117.4	Jefferson-Pilot Life Ins. Co.	AA-
5,000,000	M	77	77.2	AXA Equitable Life Ins. Co.	AA-
10,000,000	M	77	128.7	John Hancock Life Ins. Co. (U.S.A)	AA-
3,000,000	F	77	138.3	West Coast Life Ins. Co.	AA-
8,000,000	M	76	117.9	AXA Equitable Life Ins. Co.	AA-
1,000,000	M	76	74.3	AXA Equitable Life Ins. Co.	AA-
3,000,000	M	76	127.8	John Hancock Life Ins. Co. (U.S.A)	AA-
250,000	M	76	97.4	American Gen. Life Ins. Co.	A+
3,000,000	M	76	147.7	Principal Life Ins. Co.	A
5,000,000	M	76	110.1	AXA Equitable Life Ins. Co.	AA-
5,000,000	M	76	110.1	AXA Equitable Life Ins. Co.	AA-
4,000,000	M	75	122.6	Jefferson-Pilot Life Ins. Co.	AA-
3,601,500	M	75	117.1	Transamerica Life Ins. Co.	AA-
1,000,000	M	75	158.0	Empire Gen. Life Assurance Corporation	AA-
500,000	M	75	103.2	Transamerica Life Ins. Co.	AA-
5,000,000	M	74	112.8	John Hancock Life Ins. Co. (U.S.A)	AA-
1,000,000	M	74	106.0	Sun Life Assurance Co. of Canada (U.S.)	AA-
870,000	M	74	80.4	Pruco Life Ins. Co.	AA-
1,009,467	M	74	71.8	John Hancock Life Ins. Co. (U.S.A)	AA-
4,000,000	M	74	105.4	MetLife Investors USA Ins. Co.	AA-
2,500,000	M	74	121.4	Massachusetts Mutual Life Ins. Co.	AA+
2,500,000	M	74	121.4	Massachusetts Mutual Life Ins. Co.	AA+
5,000,000	M	74	98.6	John Hancock Life Ins. Co. (U.S.A)	AA-
2,250,000	M	74	95.2	Massachusetts Mutual Life Ins. Co.	AA+
3,750,000	M	74	96.8	AXA Equitable Life Ins. Co.	AA-
1,000,000	M	74	125.8	Metropolitan Life Ins. Co.	AA-

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Face Value Ben. Amt. (\$)	Sex	Insured Current Age (years) (1)	Est. Life Expectancy (months) (2)	Insurance Company	Ins. Co. S&P Rating
500,000	M	73	91.8	John Hancock Life Ins. Co. (U.S.A)	AA-
1,000,000	M	73	138.3	Metropolitan Life Ins. Co.	AA-
500,000	F	73	129.9	Columbus Life Ins. Co.	AA+
750,000	M	73	151.7	U.S. Financial Life Ins. Co.	AA-
2,000,000	F	73	80.0	Transamerica Life Ins. Co.	AA-
600,000	M	72	121.9	Protective Life Ins. Co.	AA-
5,000,000	M	72	107.1	West Coast Life Ins. Co.	AA-
5,000,000	M	71	72.8	Lincoln Ben. Life Co.	A+
850,000	M	71	104.9	New York Life Ins. Co.	AAA
200,000	M	70	135.8	ING Life Ins. and Ann. Co.	A
2,000,000	M	70	130.0	U.S. Financial Life Ins. Co.	AA-
500,000	M	69	95.7	Midland National Life Ins. Co.	A+
2,000,000	M	69	159.7	American Gen. Life Ins. Co.	A+
\$417,643,414					

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

(2) The insured's life expectancy estimate is the average of two life expectancy estimates provided by independent third-party medical actuarial underwriting firms.

Obtaining Life Insurance Policies

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

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

Life Insurance Policy Underwriting and Purchasing Process

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

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

Life Insurance Policy Characteristics

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

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

Pricing Life Insurance Policies

Pricing involves an analysis of both the policy and the insured. An analysis of the insurance policy starts with an illustration obtained from the insurance company providing a schedule of level premium payments until the insured reaches age 125. Then, utilizing pricing software originally developed by Milliman USA, a leading actuarial firm, and now owned by Modeling Actuarial Pricing Systems, Inc. ("MAPS"), we reverse engineer the premium schedule of the policy to determine an "optimized" premium schedule. An analysis of the insured involves an actuarial evaluation of the insured's probable mortality at different points in the future—the mortality curve. This analysis covers the insured's entire projected lifespan using estimates generated by third-party medical actuarial underwriting firms ("life expectancy reports").

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

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

Portfolio Administration

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

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

Portfolio Management

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

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

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investment in life insurance policy assets and the ability to predict the portfolio's value over time. Research by A.M. Best and others indicates that, as the number of insured lives increase within a portfolio of life insurance policies, there is a decrease in the standard deviation of the value of the portfolio—i.e., the stability of longevity risk increases with an increase in the number of insured lives.

In a study published in 2009, A.M. Best concluded that at least 300 lives are necessary to narrow the band of cash flow volatility in the Monte Carlo simulations, i.e., the same methodology we use to evaluate our portfolios. However, our internal analysis of our portfolio, which currently consists of 155 policies, results in a standard deviation that is comparable with the A.M. Best measurement for a portfolio of 200 lives. We believe this result is due to the specific portfolio make up of our portfolio relative to the variation in underlying life expectancy estimates. Further, A.M. Best suggests that no one life should comprise more than 3.33% of the face value of an entire portfolio or collateral pool. As of March 31, 2011, the largest face value policy in our portfolio represented approximately 2.4% of the total portfolio. We intend to maintain a well diversified and relatively stable portfolio as we continue to expand our purchases of life insurance policies.

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

Portfolio Credit Risk Management

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

The possible insolvency or loss by a life insurance company is a significant risk to our business. In order to manage this risk, our purchasing policy is that, unless the benefits of a particular policy fall within applicable state minimum guarantees, 90% of life insurance companies insuring the policies in our portfolio hold an investment grade rating from either A.M. Best, Moody's or Standard & Poor's. This policy also comprises a covenant under the borrowing documents relating to our subsidiary secured notes. To further mitigate risk, our purchasing policy is to limit the face amount of policies issued by any one life insurance company within the total portfolio to 20%. State guaranty funds generally guaranty policy benefits less than \$200,000. In addition, to assure diversity and stability in our portfolio, we regularly review the various metrics of our portfolio relating to credit risk. We track industry rating agency reports and industry journals and articles in order to gain insight into possible financial problems of life insurance companies. Recently, some of the credit ratings on insurance companies were downgraded and we will no longer consider purchasing policies issued by these insurance companies. Finally, we will only purchase those life insurance policies that meet the financial requirements and underwriting standards established in the indenture.

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Of the 31 insurance companies that insure the policies we own, ten companies insure approximately 81.38% of total face value of insurance benefits and the remaining 21 insurance companies insure the remaining approximately 18.62% of total face value of insurance benefits. We seek to have not more than 20% of our total insured benefits insured by any one company. All of the companies are rated "A" or better from Standard & Poor's. The concentration risk of our ten largest insurance company holdings as of March 31, 2011, is set forth in the table below.

Rank	Face Value Benefit Amt. (\$)	Percentage of Total Portfolio Face Value Benefit Amt. (%)	Insurance Company	Ins. Co. S&P Rating
1	\$ 74,030,000	17.73%	AXA Equitable Life Ins. Co.	AA-
2	71,744,847	17.18%	John Hancock Life Ins. Co. (U.S.A)	AA-
3	51,686,500	12.38%	Transamerica Life Ins. Co.	AA-
4	37,565,000	8.99%	Jefferson-Pilot Life Ins. Co.	AA-
5	26,250,000	6.29%	American Gen. Life Ins. Co.	A+
6	23,750,000	5.69%	Massachusetts Mutual Life Ins. Co.	AA+
7	21,300,000	5.10%	ING Life Ins. and Ann. Co.	A
8	12,200,000	2.92%	Lincoln Ben. Life Co.	A+
9	11,900,000	2.85%	American National Ins. Co.	A+
10	9,445,467	2.26%	Penn Mutual Life Ins. Co.	AA-

Servicing Agents

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

Competition

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

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

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

Government Regulation

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

Governments at both the federal and state levels have continued to review the impact of the business on the life insurance industry. Moreover, recent federal government actions with respect to insurance companies have increased the federal government's role in regulating the insurance industry. These efforts may affect the number of life insurance policies available for purchase and their attractiveness.

State Life Settlement License Requirements

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

Health Insurance Portability and Accountability Act

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

Regulatory Matters

In 2007, the Florida Department of Insurance issued us an order to desist and refrain from further operating as a life settlement provider unless and until qualification had been made under the Florida law, or unless exempt. In April 2009, without admitting any wrongdoing, we settled the matter with the Department of Insurance. We believe that we are in compliance with all applicable laws and that this offering is not impacted by the Florida order. In April 2011, without admitting any wrongdoing, we entered into a settlement agreement with the Nevada Secretary of State, Securities Division, for alleged failures to register as a broker-dealer of life insurance settlement transactions and to file a notice of exempt offering for the sale of subsidiary secured notes to residents of that state in 2009-2010.

Employees

We employ approximately 22 employees.

Properties

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

Legal Proceedings

Our Chief Executive Officer, Jon R. Sabes and Chief Operating Officer, Steven F. Sabes, who together beneficially own approximately 95.6% of our common stock are subject to litigation relating to claims by a bankruptcy trustee for loan payments to an affiliate, Opportunity Finance, LLC, received, and such payments may ultimately be deemed to be avoidable transfers under preference or other legal theories. Case No. 08-45257 (U.S. Bankruptcy Court District of Minnesota). In addition, GWG Holdings invested \$1 million in Opportunity Finance, LLC in 2006 and was repaid and received \$176,948 of interest income from that investment in 2007. To date, no claim has been made against us.

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

MANAGEMENT

Directors and Executive Officers

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

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

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

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

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

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programs for educational institutions; incorporation of financial analysis disciplines in life insurance and estate planning; and strategizing of key-man insurance plans and life insurance in business continuation planning for corporations and senior executives. From 1979 to 1986, Mr. Siegert was nationally recognized as a tax and estate planning expert. In 1999 Mr. Siegert retired from active business to engage in various personal financial and investment endeavors. In 2004, he founded Great West Growth, LLC, a Nevada limited liability company and a predecessor to GWG Life, to purchase life insurance policies. In his capacities with GWG Life, he created an insurance policy valuation and pricing model, created life insurance policy purchase documentation, undertook state licensing and compliance and developed operating and marketing systems. Mr. Siegert currently serves as the President and Chief Executive Officer of the Insurance Studies Institute, which he founded in 2007. Mr. Siegert currently serves as President, Director and Chairman of the Board of GWG Holdings, Inc. He has been active in a variety of charities and foundations, including Rotary International.

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

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

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

Kenneth Chaim Fink is President and Chief Executive Officer of Tamar-Fink, Inc. and Family Wealth Counselors, LLC, representing family offices for estate and wealth counseling services. Since 1999, Mr. Fink has led Tamar-Fink, Inc. to become a leading life insurance agency, transacting over \$1 billion of insurance sales transactions. Mr. Fink is a lifetime and qualifying member of the Million Dollar Round Table, the nation's leading life insurance sales organization. He is a member of the prestigious International Forum and Top of the Table organizations, which are limited to approximately 500 of the leading insurance agents in the world. Mr. Fink is also a member of the Planned Giving Counsel, Minnesota Life Underwriters, National Association of Insurance and Financial Advisors, and the Association for Advanced Life Underwriting. Mr. Fink is a member of the National Association of Family Wealth Counselors and was named the 1998 Family Wealth Counselor of the Year after creating and implementing plans that would generate more than \$700 million dollars for charities. Recently, Mr. Fink designed a plan that resulted in a \$42 million dollar gift to the United Hospitals in Cleveland,

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

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

Indemnification of Directors and Executive Officers

Section 145 of the Delaware General Corporation Law provides for, under certain circumstances, the indemnification of our officers, directors, employees and agents against liabilities that they may incur in such capacities. A summary of the circumstances in which such indemnification provided for is contained herein, but that description is qualified in its entirety by reference to the relevant Section of the Delaware General Corporation Law.

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

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

Indemnification in connection with a proceeding by or in the right of GWG Holdings, Inc. in which the director, officer, employee or agent is successful is permitted only with respect to expenses, including attorneys' fees actually and reasonably incurred in connection with the defense. In such actions, the person to be indemnified must have acted in good faith, in a manner believed to have been in our best interest and must not have been adjudged liable to us unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expense

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which the Court of Chancery or such other court shall deem proper. Indemnification is otherwise prohibited in connection with a proceeding brought on behalf of GWG Holdings, Inc. in which a director is adjudged liable to us, or in connection with any proceeding charging improper personal benefit to the director in which the director is adjudged liable for receipt of an improper personal benefit.

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

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

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

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

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

EXECUTIVE COMPENSATION**Summary Compensation Table**

The following table sets forth the cash and non-cash compensation awarded to or earned by: (i) each individual who served as the principal executive officer and principal financial officer of GWG Holdings during the year ended December 31, 2010; and (ii) each other individual that served as an executive officer of either GWG Holdings or GWG Life Settlements, Inc. at the conclusion of the year ended December 31, 2010 and who received more than \$100,000 in the form of salary and bonus during such fiscal year. For purposes of this report, these individuals are collectively the “named executives” of the Company.

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

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

Employment Agreements and Change-in-Control Provisions

In June 2011, we entered into employment agreements with each of Messrs. Jon R. Sabes, Steven F. Sabes, Paul Siegert and Jon Gangelhoff. Mr. Jon R. Sabes is our Chief Executive Officer; Mr. Steven F. Sabes is our Chief Operating Officer and Secretary; Mr. Siegert is our President (and also our Chairman of the Board); and Mr. Gangelhoff is our Chief Financial Officer. These employment agreements establish key employment terms (including reporting responsibilities, base salary, discretionary and bonus opportunity and other benefits), provide for severance benefits in certain situations, and contain non-competition, non-solicitation and confidentiality covenants.

Under their respective employment agreements, Mr. Jon R. Sabes receives an annual base salary of \$200,000, Messrs. Steven F. Sabes and Paul A. Siegert receive an annual base salary of \$150,000, and Mr. Gangelhoff receives an annual base salary of \$120,000. The employment agreements contain customary provisions prohibiting the executives from soliciting our employees for one year after any termination of employment, and from competing with the Company for either two years (if the executive is terminated for good cause or if he resigns without good reason) or one year (if we terminate the executive’s employment without good cause or if he resigns with good reason). If an executive’s employment is terminated by us without “good cause” or if the executive voluntarily resigns with “good reason,” then the executive will be entitled to (i) severance pay for a period of 12 months and (ii) reimbursement for health insurance premiums for his family if he elects continued coverage under COBRA.

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

All of the executive employment agreements include a provision allowing us to reduce their severance payments and any other payments to which the executive becomes entitled as a result of our

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change in control to the extent needed for the executive to avoid paying an excise tax under Code Section 280G, unless, the named executive officer is better off, on an after-tax basis, receiving the full amount of such payments and paying the excise taxes due.

Prior to entering into the executive employments with Messrs. Jon R. Sabes, Paul A. Siegert and Steven F. Sabes, those individuals received loan advances that accrued interest at rates ranging from 4.2% to 5.0% per annum. Under this arrangement, made during the time when GWG Holdings was a limited liability company, these advance amounts were to be repaid upon or in connection with operating distributions made by us. Effective June 13, 2011 and in connection with our conversion to a Delaware corporation, we memorialized the agreements of the individuals to repay us the aggregate amount advanced, together with interest accruing thereon at the rate of 3% per annum, in the executive employment agreement we reached with each such individual. Under the prior arrangements and through June 13, 2011, advances aggregating approximately \$981,167 were made to Jon R. Sabes with cumulative interest owed of \$114,496, \$287,500 to Paul A. Siegert with cumulative interest owed of \$22,708, and \$861,976 to Steven F. Sabes with cumulative interest owed of \$94,438. As indicated in footnote (1) to the Summary Compensation Table, Mr. Jon R. Sabes received \$162,500 of these advances during 2010. In addition, each of Mr. Paul A. Siegert and Mr. Steven F. Sabes received \$150,000 of advances during 2010.

The employment agreements provide that monthly payments of \$5,000, \$2,000 and \$5,000 are to be withheld from salary payments made to Jon R. Sabes, Paul A. Siegert and Steven F. Sabes, respectively, in satisfaction of the repayment of advance amounts owed by these individuals. The executive employment agreements provide that a balloon payment satisfying the remaining amount owed is to be made in July 2020. The balloon payment for each individual is \$812,789 in the case of Mr. Jon R. Sabes, \$157,003 in the case of Mr. Paul A. Siegert, and \$629,906 in the case of Mr. Steven F. Sabes. Nevertheless, the executive employment agreements provide that all or any portion of such balloon payments may be forgiven by the Company, upon the approval of the disinterested directors serving on the board, after June 30, 2012.

Outstanding Equity Awards at Fiscal Year End

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

Compensation of Directors

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

Related-Party Transactions

As explained above under “—Employment Agreements and Change-in-Control Provisions,” we were party to an arrangement with each of Jon R. Sabes, Paul A. Siegert and Steven F. Sabes whereby those individuals received loan advances that accrued interest at rates ranging from 4.2% to 5.0% per annum. Under this arrangement, made during the time when GWG Holdings was a limited liability company, these advance amounts were to be repaid upon or in connection with operating distributions made by us. From inception through June 13, 2011, advances aggregating approximately \$981,167 were made to Jon R. Sabes with cumulative interest owed of \$114,496, \$287,500 to Paul A. Siegert with cumulative interest owed of \$22,708, and \$861,976 were made to Steven F. Sabes with cumulative interest owed of \$94,438. As indicated in footnote (1) to the Summary Compensation Table above, Mr. Jon R. Sabes received \$162,500 of these advances during 2010. In addition, each of Mr. Paul A. Siegert and Mr. Steven F. Sabes received \$150,000 of advances during 2010.

In June 2011 and in connection with our conversion to a Delaware corporation, we entered into executive employment agreements with these individuals setting forth, among other things, their promise to repay us the aggregate amount advanced, together with interest accruing thereon at the rate of 3% per annum. The agreements

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provide that monthly payments of \$5,000 are to be withheld from salary payments to these individuals in satisfaction of the repayment of advance amounts owed by them. The agreements also provide that a balloon payment satisfying the remaining amount owed is to be made in July 2020. The balloon payment for each individual is \$812,789 in the case of Mr. Jon R. Sabes, \$157,003 in the case of Mr. Paul A. Siegert, and \$629,906 in the case of Mr. Steven F. Sabes. However, as explained above, all or any portion of such balloon payments may be forgiven by the Company, upon the approval of the disinterested directors serving on the board, after June 30, 2012.

Due to the fact that the executive employment agreements provide that, subject to the conditions identified above, we will forgive the balloon payments, we have not presented the amounts owed to us by these individuals as assets on our balance sheet, but rather contra-equity accounts.

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

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

As of the close of business on June 13, 2011, we had outstanding one class of voting securities—common stock, of which there were 4,500,000 shares issued and outstanding. Each share of capital stock is currently entitled to one vote on all matters put to a vote of our stockholders. The following table sets forth the number of common shares, and percentage of outstanding common shares, beneficially owned as of June 10, 2010, by:

- each person known by us to be the beneficial owner of more than five percent of our outstanding common stock
- each of our current directors
- each our current executive officers and any other persons identified as a “named executive” in the Summary Compensation Table above, and
- all current executive officers and directors as a group.

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

<u>Name and Address</u>	<u>Common Shares Beneficially Owned (1)</u>	<u>Percentage of Common Shares</u>
Jon R. Sabes (2)	2,182,852	48.5%
Steven F. Sabes (3)	2,116,704	47.0%
Paul A. Siegert (4)	200,444	4.5%
Jon Gangelhoff (5)	0	*
Brian Tyrell (6)	0	*
Laurence Zipkin (7)	0	*
Kenneth Chaim Fink (8)	0	*
All current directors and officers as a group (9)	4,500,000	100%

* less than one percent.

- (1) Beneficial ownership is determined in accordance with the rules of the SEC, and includes general voting power and/or investment power with respect to securities. Shares of common stock issuable upon exercise of options or warrants that are currently exercisable or exercisable within 60 days of the record date, and shares of common stock issuable upon conversion of other securities currently convertible or convertible within 60 days, are deemed outstanding for computing the beneficial ownership percentage of the person holding such securities but are not deemed outstanding for computing the beneficial ownership percentage of any other person. Under the applicable SEC rules, each person’s beneficial ownership is calculated by dividing the total number of shares with respect to which they possess beneficial ownership by the total number of outstanding shares of the Company. In any case where an individual has beneficial ownership over securities that are not outstanding, but are issuable upon the exercise of options or warrants or similar rights within the next 60 days, that same number of shares is added to the denominator in the calculation described above. Because the calculation of each person’s beneficial ownership set forth in the “Percentage of Common Shares” column of the table may include shares that are not presently outstanding, the sum total of the percentages set forth in such column may exceed 100%.
- (2) Mr. Sabes is our Chief Executive Officer and a director of the Company. Shares reflected in the table include 200,445 shares held individually, 1,737,863 shares held by Mokeson, LLC, a Minnesota limited liability company of which Mr. Sabes is a manager and member, and 489,087 shares held by Opportunity Finance, LLC, a Minnesota limited liability company of which Mr. Sabes is a manager and member.
- (3) Mr. Sabes is our Chief Operating Officer, Secretary and a director of the Company. Shares reflected in the table include 799,777 shares held individually, 489,087 shares held by Opportunity Finance, LLC, a Minnesota limited liability company of which Mr. Sabes is a manager and member, 521,158 shares held by

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SFS Trust 1982, a trust of which Mr. Sabes is the beneficiary, 350,780 shares held by SFS Trust 1982 Esther, a trust of which Mr. Sabes is a beneficiary, and 200,445 shares held by SFS Trust 1976, a trust of which Mr. Sabes is a beneficiary. The trustees of each of the trusts are Robert W. Sabes, Jon R. Sabes and Ross A. Sabes.

- (4) Mr. Siegert is our President and a director of the Company.
- (5) Mr. Gangelhoff is our Chief Financial Officer.
- (6) Mr. Tyrell is a director of the Company.
- (7) Mr. Zipkin is a director of the Company.
- (8) Mr. Fink is a director of the Company.
- (9) Includes the beneficial ownership of Messrs. Jon R. Sabes, Steven F. Sabes, Siegert, Gangelhoff, Tyrell, Zipkin and Fink.

DESCRIPTION OF THE DEBENTURES

General

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

The following is a summary of the material terms associated with the debentures:

- The debentures are general secured obligations of GWG Holdings, Inc. The obligations are secured by a grant of a security interest in all of the assets of GWG Holdings, which assets will serve as collateral for our obligations under the debentures. This grant of a security interest is effected pursuant to a pledge and security agreement attached to the indenture.
- The debentures are fully and unconditionally guaranteed by our wholly owned direct subsidiary, GWG Life, but otherwise are not guaranteed by any other person or entity. The guarantee is backed by a grant of a security interest in all of the assets of GWG Life, which assets will serve as additional collateral for our obligations under the debentures. Chief among these assets is GWG Life's ownership interest in DLP Funding II. This guarantee is effected pursuant to a subsidiary guarantee agreement attached to the indenture.
- The debentures are also secured by a pledge of the equity ownership interests in GWG Holdings, Inc. by its principal stockholders—Jon R. Sabes and Steven F. Sabes—which pledge will be effected pursuant to a pledge and security agreement attached to the indenture.
- The collateral granted for our obligations under the debentures (i.e., the security interest in all of the assets of GWG Holdings, and the guarantee by GWG Life and corresponding security interest in all of its assets including a pledge of the equity ownership interests in DLP Funding II), together with (i) certain covenants contained in the documents relating to our earlier issued series of subsidiary secured notes (of which approximately \$55.7 million is presently outstanding), and (ii) an intercreditor agreement between the trustee (on behalf of the debenture holders) and Lord Securities Corporation (the collateral trustee for our subsidiary secured notes), make the debentures *pari passu* with the subsidiary secured notes with respect to security and collateral. The intercreditor agreement is attached to the indenture.
- The debentures will be junior to the \$100 million revolving credit facility of DLP Funding II with Autobahn/DZ Bank, which currently has an outstanding balance of approximately \$42 million. The debentures will also be junior to any later senior lending facility we may obtain.
- The debentures are not savings accounts, certificates of deposit (CDs) or other forms of "deposits," and are not insured by the FDIC or any other governmental agency.
- The debentures are *not* directly secured by any life insurance policy assets that are not owned by GWG Life. The vast majority of our life insurance policy assets are held by our DLP Funding II subsidiary. Although GWG Life's equity ownership interests in DLP Funding II is an asset in which GWG Life has pursuant to its guarantee granted a security interest to serve as collateral for obligations under the debentures, the payment on such equity interests will be subordinate to the interests of creditors of DLP Funding II, including our senior creditor Autobahn/DZ Bank.
- The debentures do not have the benefit of a "sinking fund" for the retirement of principal.

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

The debentures will be denominated in U.S. dollars and we intend to sell the debentures at 100% of their principal face amount. The minimum investment amount in the debentures will be \$25,000. Above that minimum amount, debentures may be purchased in \$1,000 increments. Subject to the minimum investment amount, you may select the principal amount and term (ranging from six months to 10 years) of the debentures you would like to purchase when you subscribe. The interest rate of your debenture will remain fixed until maturity. Depending on our capital requirements, we may not, however, always offer debentures with the particular terms you seek. See “Description of the Debentures—Interest Rate and Maturity” below.

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

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

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

Denomination

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

Term

We may offer debentures with the following terms to maturity:

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

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

The actual maturity date will be on the last day of the month in which the debenture matures (i.e., in which the debenture's term ends). For example, if you select a one-year term and your debenture becomes effective on January 15, 2011, the actual maturity date will be January 31, 2012. After actual maturity, we will pay the principal and all accrued but unpaid interest on the debenture on or prior to the tenth day of the calendar month next following its maturity (or the first business day following the tenth day of such month). So, in the case of a debenture with a maturity date of January 31, 2012, actual payment will be made on or prior to February 10, 2012 (unless such date is not a business day, in which case actual payment will be made on the next business day).

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

Interest Rate

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

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

Payments on the Debentures; Paying Agent and Registrar

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

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

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

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

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

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

Book-Entry Registration and Exchange

The debentures will be issued in book-entry form, which means that no physical debenture is created. Evidence of your ownership is provided by written confirmation. Except under limited circumstances described below, holders will not receive or be entitled to receive any physical delivery of a certificated security or negotiable instrument that evidences their debentures. The issuance and transfer of debentures will be accomplished exclusively through the crediting and debiting of the appropriate accounts in our book-entry registration and transfer system.

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

On or prior to any interest payment date or upon redemption, we will also provide the trustee with information regarding the total amount of any principal and interest due to holders of debentures. On each interest payment date, we will credit interest due on each account and direct payments to the holders. We will determine the interest payments to be made to the book-entry accounts and maintain, supervise and review any records relating to book-entry beneficial interests in the debentures.

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

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

Limited Rescission Right

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

Renewal or Repayment on Maturity

At least 30 days prior to the maturity of your debenture, we will send you a notice at your registered address, or such other address as you instruct us, indicating that your debenture is about to mature and whether we will allow automatic renewal of your debenture. If we allow you to renew your debenture, we will also send to you the then-current form of prospectus, which will include an interest rate supplement and any other updates to the information contained in this prospectus. The interest rate supplement will set forth the interest rates then in effect. The notice will recommend that you review the then-current prospectus, including any prospectus supplements and the interest rate supplement, prior to exercising one of the below options. If we do not send you a new prospectus because the prospectus has not changed since the delivery of this prospectus in connection with your original subscription or any prior renewal, we will nonetheless send you a new copy of the prospectus upon your request. Unless the election period is extended as described below, you will have until 15 days prior to the maturity date to exercise one of the following options:

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

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

If we notify the holder of our intention to repay a debenture at maturity, or if the holder timely request repayment, we will pay the principal and all accrued but unpaid interest on the debenture on or prior to the tenth day of the calendar month after the maturity date (or the first business day following the tenth day of such month). Thus, in the case of a debenture with a maturity date of January 31, 2012, actual payment will be made on or prior to February 10, 2012 (unless such date is not a business day, in which case actual payment will be made on the next business day). No interest will accrue after the maturity date. You should be aware that because payment is made by ACH transfer, funds may not be received in the holder's account for two to three business days.

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

Redemption or Repurchase Prior to Stated Maturity (Prepayment)

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

Our Voluntary Redemption

We have the right to redeem any debenture at any time prior to its stated maturity upon 30 days written notice to the holder of the debenture. The holder of the debenture being redeemed will be paid a redemption price equal to the outstanding principal amount thereof plus accrued and unpaid interest up to but not including the date of redemption without any penalty or premium. We may use any criteria we choose to determine which debentures we will redeem if we choose to do so. We are not required to redeem debentures on a pro rata basis.

Repurchase Election Upon Death, Bankruptcy or Total Permanent Disability

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

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

Repurchase at Request of Holder

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

Transfers

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

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

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

Quarterly Statements

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

Ranking

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

- pari passu with respect to the collateral securing the approximately \$55.7 million in principal amount of subsidiary secured notes previously issued by our subsidiary GWG Life (see the caption "—Collateral Security" below);

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- structurally junior to the present and future obligations owed by our subsidiary DLP Funding II under the revolving credit facility with Autobahn/DZ Bank (including the approximately \$42 million presently outstanding under such facility); and
- structurally junior to the present and future claims of creditors of our subsidiaries, other than GWG Life, including trade creditors.

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

Guarantee by GWG Life Subsidiary

The payment of principal and interest on the debentures is fully and unconditionally guaranteed by GWG Life. This guarantee, together with (i) the accompanying grant of a security interest in all of the assets of GWG Life, including GWG Life's entire ownership interest in DLP Funding II, (ii) the pledge of ownership interests in GWG Holdings, Inc. by our principal stockholders, and (iii) an intercreditor agreement between the trustee and Lord Securities Corporation (collateral trustee for our subsidiary secured notes), makes the debentures pari passu with respect to the collateral securing the subsidiary secured notes previously issued by GWG Life. There was approximately \$55.7 million in principal amount of subsidiary secured notes outstanding as of March 31, 2011.

Collateral Security

The debentures are secured by the assets of GWG Holdings, Inc. We will grant a security interest in all of the assets of GWG Holdings to the indenture trustee for the benefit of the debenture holders. Prior to this offering, the assets of GWG Holdings consist primarily of (i) any cash proceeds received from its subsidiaries as distributions derived from life insurance policy assets of subsidiaries, (ii) all other cash and investments held in various accounts, (iii) the equity ownership interests in subsidiaries of GWG Holdings, including the equity ownership interest in GWG Life, together with (iv) all proceeds from the foregoing. This collateral security granted by us is referred to as the "GWG Holdings Assets Collateral."

As indicated above, our direct and wholly owned subsidiary, GWG Life, will fully and unconditionally guarantee our obligations under the debentures. This guarantee will be supported by GWG Life's grant of a security interest in all of its assets. Prior to this offering, the assets of GWG Life consist primarily of (i) certain life insurance policy assets, (ii) any cash proceeds received from life insurance policy assets owned by GWG Life or received from its direct subsidiary DLP Funding II as distributions derived from life insurance policies owned by that subsidiary, (iii) all other cash and investments held by GWG Life in its various accounts, (iv) GWG Life's equity ownership interest in its direct subsidiary DLP Funding II, together with (v) all proceeds from the foregoing. The collateral security granted by GWG Life pursuant to its guarantee of our obligations under the debentures is referred to as the "GWG Life Assets Collateral."

In addition, Messrs. Jon R. Sabes and Steven F. Sabes, our principal stockholders beneficially holding approximately 95.6% of the outstanding shares of our common stock, have pledged all of the shares they beneficially own in GWG Holdings to further secure our obligations under the debentures. This collateral security granted by Messrs. Jon R. Sabes and Steven F. Sabes is referred to as the "GWG Holdings Equity Collateral."

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

The guarantee by GWG Life is effected through a "Subsidiary Guarantee Agreement" that is an exhibit to the indenture, and the grant of security interests in the GWG Holdings Assets Collateral, GWG Life Assets Collateral and GWG Holdings Equity Collateral is effected through a "Pledge and Security Agreement" that is

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also an exhibit to the indenture. The grant of collateral security comprising the GWG Life Assets Collateral and GWG Holdings Equity Collateral is designed to afford the holders of debentures with rights to the same payment and collateral as that granted to holders of our subsidiary secured notes on a pari passu basis. To effect this arrangement, the trustee under the indenture, Bank of Utah, National Association (to whom the security grant is made under the Pledge and Security Agreement), will enter into an "Intercreditor Agreement" with GWG Holdings, GWG Life, and Wells Fargo Bank, N.A., the collateral trustee for our subsidiary secured notes. This Intercreditor Agreement is an exhibit to the indenture.

The vast majority of our life insurance policy assets are held in our subsidiary GWG DLP Funding II, LLC, which we refer to throughout this prospectus as "DLP Funding II." The debentures will not be directly secured by any security interest in the assets of DLP Funding II. Instead, the debentures will be secured by a pledge of the equity ownership interests in DLP Funding II owned by GWG Life by virtue of the Subsidiary Guarantee Agreement and associated Pledge and Security Agreement referenced above. An equity ownership interest is, by its very nature, subordinate to the interests of creditors. Therefore, although investors in the debentures will have a security interest in the ownership of DLP Funding II, any claim they may have to the assets owned by such entity will be subordinate to the interests of creditors of that entity, including (i) Autobahn/DZ Bank which is the lender to DLP Funding II under our revolving credit facility, and (ii) all other creditors of DLP Funding II, including trade creditors.

Subordination; Other Indebtedness

Our obligations under the debentures will be subordinate to all our senior debt. For this purpose, "our senior debt" presently includes all indebtedness of our subsidiaries with respect to which the debentures are not pari passu with respect to collateral (i.e., other than our subsidiary secured notes). In this regard, our subsidiary DLP Funding II has, as of March 31, 2011, approximately \$42 million of debt outstanding under our revolving credit facility. With respect to pari passu indebtedness, as of March 31, 2011 our subsidiary GWG Life has approximately \$55.7 million of debt outstanding under our subsidiary secured notes.

The maximum amount of debt, including the debentures, we may issue pursuant to the indenture is an amount such that our debt coverage ratio does not exceed 90%. The indenture defines the debt coverage ratio as a percentage calculated by the ratio of (A) obligations owing by us and our subsidiaries on all outstanding debt for borrowed money (including the debentures), over (B) the net present asset value of all life insurance policy assets we own, directly or indirectly, plus any cash held in our accounts. For this purpose, the net present asset value of our life insurance assets is equal to the present value of the cash flows derived from the face value of policy benefit assets we own, discounted at a rate equal to the weighted average cost of capital for all our indebtedness for the prior month.

The indenture provides that for the first four years after our initial sale of debentures, our subordination ratio may not exceed 50%. The indenture defines the subordination ratio as a percentage calculated as a ratio of (A) the principal amount owing by us or any of our subsidiaries that is either senior in rank to the debentures or secured by the life insurance policy assets owned by us or our subsidiaries, over (B) the net present asset value of all life insurance policy assets we own, directly or indirectly, plus any cash held in our accounts. For this purpose, the net present asset value of our life insurance assets is equal to the present value of the cash flows derived from the face value of policy benefit assets we own, discounted at a rate equal to the weighted-average cost of capital for all our indebtedness for the prior month.

We are required to notify the indenture trustee in the event that we violate one of these restrictive covenants. An "event of default" will exist under the indenture if a violation persists for a period of 30 consecutive calendar days after our initial notice to the trustee. See "Risk Factors" page 18.

The debentures are guaranteed by GWG Life but otherwise are not guaranteed by any of our subsidiaries, affiliates or control persons. The indenture does not prevent holders of debt issued by our subsidiaries from disposing of, or exercising any other rights with respect to, any or all of the collateral securing that debt.

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Accordingly, in the event of a liquidation or dissolution of one of our subsidiaries (other than GWG Life), creditors of that subsidiary that are senior in rank will be paid in full, or provision for such payment will be made, from the assets of that subsidiary prior to distributing any remaining assets to us as an equity owner of that subsidiary.

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

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

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

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

Notwithstanding the foregoing, if any of the blockage events described above have occurred and 179 days have passed since the indenture trustee's receipt of the notice of default without the occurrence of the cure, waiver, termination, or extension of all blockage periods described above, the trustee may thereafter sue on and enforce the indenture and our obligations thereunder and under the debentures as long as any funds paid as a result of any such suit or enforcement action shall be paid toward the senior credit facility until it is indefeasibly paid in full before being applied to the debentures.

No Sinking Fund

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

Restrictive Covenants

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

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

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- to the extent legally permissible, we will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of the indenture;
- our Board of Directors will not adopt a plan of liquidation that provides for, contemplates or the effectuation of which is preceded by (a) the sale, lease, conveyance or other disposition of all or substantially all of our assets, otherwise than (i) substantially as an entirety, or (ii) in a qualified sales and financing transaction, and (b) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition and of our remaining assets to the holders of our capital stock, unless, prior to making any liquidating distribution pursuant to such plan, we make provision for the satisfaction of our obligations under the renewable unsecured subordinated notes;
- our debt coverage ratio may not exceed 90%; and
- for the first four years after our initial sale of debentures, our subordination ratio may not exceed 50%.

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

Importantly, we are not restricted from entering into qualified sale and financing transactions or incurring additional indebtedness, including additional senior debt. See “Risk Factors” page 17.

Consolidation, Mergers or Sales

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

- the resulting or acquiring entity, if other than us, is a United States corporation, limited liability company or limited partnership and assumes all of our responsibilities and liabilities under the indenture, including the payment of all amounts due on the notes and performance of the covenants in the indenture; and
- immediately after the transaction, and after giving effect to the transaction, no event of default shall exist under the indenture.

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

Events of Default and Remedies

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

- the failure to pay interest or principal on any debenture for a period of 30 days after it becomes due and payable

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- a failure to observe or perform any material covenant, condition or agreement in the indenture, but only after notice of failure to the indenture trustee and such failure is not cured within 60 days
- our debt coverage ratio exceeds 90% for a period of 30 consecutive calendar days
- the subordination ratio exceeds 50% for a period of 30 consecutive calendar days during the four-year period after the commencement of the offering of the debentures
- certain events of bankruptcy, insolvency or reorganization with respect to us; or
- the cessation of our business.

In addition, the indenture provides that for so long as any subsidiary secured notes remain outstanding, an event of default under the borrowing agreements relating to the subsidiary secured notes (as the same may from time to time be amended) will constitute an event of default under the indenture.

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

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

Amendment, Supplement and Waiver

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

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

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

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- makes any change to the subordination provisions of the indenture that has a material adverse effect on holders of debentures.

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

- to cure any ambiguity, defect or inconsistency
- to provide for assumption of our obligations to holders of the debentures in the case of a merger, consolidation or sale of all or substantially all of our assets
- to provide for additional uncertificated or certificated debentures
- to make any change that does not materially and adversely affect the legal rights under the indenture of any holder of debentures, including but not limited to an increase in the aggregate dollar amount of debentures which may be outstanding under the indenture
- to modify or eliminate our policy regarding repurchases elected by a holder of debentures prior to maturity, including our obligation to repurchase debentures upon the death, bankruptcy or total permanent disability of any holder of the debentures, but only so long as such modifications do not materially and adversely affect any then-outstanding debentures; or
- to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, or to comply with other applicable federal or state laws or regulations.

Rights of Debenture Holders

As a debenture holder, you have limited rights to vote on our actions. In general, you will have the right to vote on whether or not to approve some amendments to the indenture. For a description of these rights, see “—Amendment, Supplement and Waiver” above. You will also have the right to direct some actions that the trustee takes if there is an event of default with respect to the debentures. For a description of these rights, see above under the caption “—Events of Default.” For a complete description of your rights as a debenture holder, we encourage you to read a copy of the indenture, which is filed as an exhibit to the registration statement of which this prospectus is a part. We will also provide you with a copy of the indenture upon your request.

The trustee and the debenture holders will have the right to direct the time, method and place of conducting any proceeding for some of the remedies available, except as otherwise provided in the indenture. The trustee may require reasonable indemnity satisfactory to the Indenture Trustee from debenture holders before acting at their direction. You will not have any right to pursue any remedy with respect to the indenture or the debentures unless you satisfy the conditions contained in the indenture.

The Indenture Trustee

General

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

Subject to certain exceptions, the holders of a majority in principal amount of the then-outstanding debentures will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee. The indenture provides that if an event of default specified in the indenture shall occur and not be cured, the trustee will be required, in the exercise of its power, to use the degree of care of

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a reasonable person in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of debentures, unless the holder shall have offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

Resignation or Removal of the Trustee

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

Reports to Trustee

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

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

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

Certain Charges

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

Variations in Terms and Conditions

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

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Satisfaction and Discharge of Indenture

The indenture shall cease to be of further effect upon the payment in full of all of the outstanding debentures and the delivery of an officer's certificate to the trustee stating that we do not intend to issue additional debentures under the indenture or, with certain limitations, upon deposit with the trustee of funds sufficient for the payment in full of all of the outstanding debentures.

Reports

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

PLAN OF DISTRIBUTION

We are offering up to \$250,000,000 in principal amount of debentures on a continuous basis. The debentures will be sold at their face value and in amounts of \$25,000 or more in principal. There is no minimum amount of debentures that must be sold before we use the proceeds. The proceeds of new sales of debentures will be paid directly to us promptly following each sale and will not be placed in an escrow account. Even if we sell less than all the \$250,000,000 in debentures being offered, the debentures that we sell will be issued, and the proceeds of those debenture sales will be invested as described in this prospectus.

The debentures will be offered and sold on a best efforts basis by broker-dealers (the “selling group”) registered with the Financial Industry Regulatory Authority (“FINRA”). We may also directly offer and sell debentures apart from the selling group. We and the selling group will offer the debentures to the public on the terms set forth in this prospectus and the prospectus supplements that we file from time to time. Both we and the selling group plan to market the debentures directly to the public primarily through seminar presentations, the Internet, and personal contacts made by us and through the selling group. We may also sell debentures to registered investment advisors. In addition, our selling group will manage certain administrative and customer service functions relating to the debentures, including handling all inquiries from potential investors, mailing investment materials, meeting with investors, processing Subscription Agreements and responding to all written and telephonic questions relating to the debentures. No broker-dealer member of our selling group will have any obligation to take or purchase any debentures. Each broker-dealer member of our selling group is expected to assist in the offering as follows: (1) conducting informational meetings for subscribers and other qualified potential purchasers; (2) keeping records of all subscriptions; and (3) training and educating employees regarding the mechanics and regulatory requirements of the offering process. The broker-dealer members of our selling group will receive sales commissions.

The broker-dealer members of the selling group will only be compensated to the extent that debentures are sold in the offering. The selling group is not obligated, however, to sell any minimum amount of debentures or to purchase any debentures. The table below summarizes the amounts of compensation or reimbursement that we estimate we will pay the selling group, including the dealer-manager, for services rendered in connection with the offer and sale of the debentures. Arque Capital, Ltd., a member of FINRA, will act as managing broker-dealer of the selling group (“dealer manager”), and will receive a dealer manager fee ranging from 0.25% to 1.30% of the principal amount of the debenture sold depending upon the debentures’ maturity date. The selling group, including wholesale brokers, will receive selling commissions ranging from 0.50% to 10.95% of the principal amount of the debenture sold, and a non-accountable marketing and due-diligence allowance of up to 1.50% of the principal amount of the debenture sold depending upon the debentures’ maturity date. Certain employees of GWG Holdings who are also registered representatives of Arque Capital may receive selling commissions for selling debentures as a member of the selling group. In no event will the total selling commissions, dealer manager fees and non-accountable expense allowances exceed 13.50% of the aggregate principal amount of debentures sold. The line items reflected in the table are our current estimates of average dealer manager fees, selling commissions and non-accountable expense allowances that we will pay. Specifically, we estimate that the average dealer manager fee will be 1.00%, the average sales commission will be 5.00%, and the average non-accountable expense allowance will be 1.00%. Actual costs may differ from the percentages and amounts shown in the table below, subject, however, to the 13.50% limitation noted above.

Debentures Sold	Dealer Manager Fees	Selling Commissions	Non-Accountable Expense Allowance
\$ 75,000,000	\$ 750,000	\$ 3,750,000	\$ 750,000
\$125,000,000	\$1,250,000	\$ 6,250,000	\$1,250,000
\$250,000,000	\$2,500,000	\$12,500,000	\$2,500,000

The dealer manager may also sell debentures as part of the selling group, thereby becoming entitled to selling commissions. In addition, we may issue warrants for the purchase of our common stock to members of

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the selling group or the dealer manager. The table above does not reflect other offering and offering-related expense that we expect to incur in connection with the offer and sale of debentures, such as legal, audit, accounting and printing expenses. We presently estimate that these expenses will aggregate to approximately \$500,000.

To memorialize our agreement with the selling group, we have entered into a Managing Broker-Dealer Agreement with Arque Capital. That agreement provides for reciprocal indemnification between us and members of the selling group, including the selling officers, directors and controlling persons of each member of the selling group and of us, against civil liabilities in connection with this offering, including certain liabilities under the Securities Act of 1933. Insofar as indemnification for liabilities arising under the Securities Act may be permitted pursuant to such indemnification provisions, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. The Managing Broker-Dealer Agreement may be terminated by either us or, subject to prior conditions, or Arque Capital upon giving prior notice.

Prior to the offering, there has been no public market for the debentures. We do not intend to list the debentures on any securities exchange or include them on any quotation or listing service. Members of the selling group are not obligated to make a market in the debentures and do not intend to do so. In sum, we do not anticipate that a secondary market for the debentures will develop.

The foregoing is a summary of the material terms relating to the plan of distribution of the notes debentures contained in the Managing Broker-Dealer Agreement. Any amendment to the Managing Broker-Dealer Agreement will be filed as an exhibit to an amendment to the registration statement of which this prospectus is a part.

MATERIAL FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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As used in this discussion, the term “U.S. holder” means a holder of a debenture that is:

- (i) for United States federal income tax purposes, a citizen or resident of the United States;
- (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof or other entity characterized as a corporation or partnership for federal income tax purposes;
- (iii) an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- (iv) a trust, the administration of which is subject to the primary supervision of a court within the United States and which has one or more United States persons with authority to control all substantial decisions, or if the trust was in existence on August 20, 1996, and has elected to continue to be treated as a United States trust.

For the purposes of this discussion, a “non-U.S. holder” means any holder of debentures other than a U.S. holder. Any debenture purchaser who is not a U.S. citizen will be required to furnish documentation, on IRS Form W-8BEN, that clearly states whether it is subject to U.S. withholding taxes, in accordance with applicable requirements of the United States taxing authority.

Characterization of the Debentures

The federal income tax consequences of owning debentures depend on characterization of the debentures as debt for federal income tax purposes, rather than as equity interests or a partnership among the holders of the debentures. We believe that the debentures have been structured in a manner that will allow the debentures to be characterized as debt for federal income tax purposes. However, this is only our belief; and no ruling from the IRS or an opinion of counsel has been sought in this regard. Thus, the IRS could successfully challenge this characterization.

If the debentures were treated as equity interests, there could be adverse effects on some holders. For example, payments on the debentures could (1) if paid to non-U.S. holders, be subject to federal income tax withholding; (2) constitute unrelated business taxable income to some tax-exempt entities, including pension funds and some retirement accounts (if the relationship were characterized as a partnership for tax purposes); and (3) cause the timing and amount of income that accrues to holders of debentures to be different from that described below.

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

Taxation of U.S. Holders

Stated Interest

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

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

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

Disposition of Debentures

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

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

Additional Tax on Net Investment Income

For taxable years beginning after December 31, 2012, if you are a U.S. holder other than a corporation, you generally will be subject to a 3.8% additional tax (the "Medicare tax") on the lesser of (1) your "net investment income" for the taxable year, and (2) the excess of your modified adjusted gross income for the taxable year over a certain threshold. Your net investment income generally will include any income or gain recognized by you with respect to our debentures, unless such income or gain is derived in the ordinary course of the conduct of your trade or business (other than a trade or business that consists of certain passive or trading activities).

Considerations for Tax-Exempt Holders of Debentures

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

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

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

Non-U.S. Holders

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

Payments of Interest to Non-U.S. Holders

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

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

Disposition of the Debentures by Non-U.S. Holders

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

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

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

Backup Withholding and Information Reporting

Non-corporate U.S. holders may be subject to backup withholding at a rate of 31% on payments of principal, premium, and interest on, and the proceeds of the disposition of, the debentures. In general, backup withholding will be imposed only if the U.S. holder (1) fails to furnish its taxpayer identification number ("TIN"), which for an individual would be his or her Social Security number; (2) furnishes an incorrect TIN; (3) is notified by the IRS that it has failed to report payments of interest or dividends; or (4) under some circumstances, fails to certify under penalty of perjury that it has furnished a correct TIN and has been notified by the IRS that it is subject to backup withholding tax for failure to report interest or dividend payments. In addition, the payments of principal and interest to U.S. holders generally will be subject to information reporting. You should consult your tax advisors regarding your qualification for exemption from backup withholding and the procedure for obtaining an exemption, if applicable.

Backup withholding generally will not apply to payments made to a non-U.S. holder of a debenture who provides the certification that it is a non-U.S. holder, and the payor does not have actual knowledge that a certificate is false, or otherwise establishes an exemption from backup withholding. Payments by United States office of a broker of the proceeds of a disposition of the debentures generally will be subject to backup withholding at a rate of 31% unless the non-U.S. holder certifies it is a non-U.S. holder under penalties of perjury or otherwise establishes an exemption. In addition, if a foreign office of a foreign custodian, foreign nominee or other foreign agent of the beneficial owner, or if a foreign office of a foreign "broker" pays the proceeds of the sale of a debenture to the seller, backup withholding and information reporting will not apply; provided that the nominee, custodian, agent or broker is not a "United States related person," or a person which derives more than 50% of its gross income for some periods from the conduct of a trade or business in the United States or is a controlled foreign corporation. The payment by a foreign office of a broker that is a United States person or a United States related person of the proceeds of the sale of debentures will not be subject to backup withholding, but will be subject to information reporting unless the broker has documentary evidence in its records that the beneficial owner is not a United States person for purposes of the backup withholding and information reporting requirements and other conditions are met, or the beneficial owner otherwise establishes an exemption.

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

STATE, LOCAL AND FOREIGN TAXES

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

ERISA CONSIDERATIONS

General

Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and Section 4975 of the Code impose restrictions on employee benefit plans that are subject to ERISA, or plans or arrangements that are subject to Code Section 4975, and on persons who are parties in interest or disqualified persons with respect to those plans or arrangements. Some employee benefit plans, like governmental plans and church plans (if no election has been made under Section 410(d) of the Code), are not subject to the restrictions of Title I of ERISA or Code Section 4975, and assets of these plans may be invested in the debentures without regard to the ERISA considerations described below, subject to the Code and other applicable federal and state laws affecting tax-exempt organizations generally. Any plan fiduciary that proposes to cause a plan to acquire any of the debentures should consult with its counsel with respect to the potential consequences under ERISA and the Code of the plan’s acquisition and ownership of the debentures. Investments by plans are also subject to ERISA’s and the Code’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that a plan’s investments be made in accordance with the documents governing the plan.

Prohibited Transactions

General

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

Plan Asset Regulations

Labor has issued regulations concerning the definition of what constitutes the assets of a plan for purposes of ERISA and the prohibited transaction provisions of the Code. The plan asset regulations describe the circumstances where the assets of an entity in which a plan invests will be considered to be “plan assets,” so that any person who exercises control over the assets would be subject to ERISA’s fiduciary standards. Generally, under the plan asset regulation, when a plan invests in another entity, the plan’s assets do not include, solely by reason of the investment, any of the underlying assets of the entity. However, the plan asset regulation provides that, if a plan acquires an “equity interest” in an entity that is neither a “publicly-offered security” nor a security issued by an investment company registered under the Investment Company Act of 1940 the assets of the entity will be treated as assets of the plan investor unless exceptions apply. Under the plan asset regulation the term “equity interest” is defined as any interest in an entity other than an instrument that is treated as indebtedness under “applicable local law” and that has no “substantial equity features.” Although the plan asset regulation is silent with respect to the question of which law constitutes “applicable local law” for this purpose, Labor has stated that these determinations should be made under the state law governing interpretation of the instrument in question. In the preamble to the plan asset regulation, Labor declined to provide a precise definition of what features are equity features or the circumstances under which the features would be considered “substantial,” noting that the question of whether a plan’s interest has substantial equity features is an inherently factual one, but that in making that determination it would be appropriate to take into account whether the equity features are such that a plan’s investment would be a practical vehicle for the indirect provision of investment management services. We believe that the debentures will be classified as indebtedness without substantial equity features for ERISA purposes. Each investor who purchases a debenture will be required to represent and warrant, in the subscription agreement for the investment, whether or not the assets being invested constitute “plan assets” for purposes of ERISA.

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

Depending on the relevant facts and circumstances, prohibited transaction exemptions may apply to the purchase or holding of the debentures. See, for example, Prohibited Transaction Class Exemption ("PTE") 96-23, which exempts some transactions effected on behalf of a plan or by an "in-house asset manager;" PTE 95-60, which exempts some transactions between insurance company general accounts and parties in interest; PTE 91-38, which exempts some transactions between bank collective investment funds and parties in interest; PTE 90-1, which exempts some transactions between insurance company pooled separate accounts and parties in interest; or PTE 84-14, which exempts some transactions effected on behalf of a plan by a "qualified professional asset manager." However, there can be no assurance that any of these exemptions will apply with respect to any plan's investment in the debentures, or that the exemption, if it did apply, would apply to all prohibited transactions that may occur in connection with the investment.

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

LEGAL MATTERS

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

EXPERTS

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

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the debentures to be offered and sold pursuant to the prospectus which is a part of that registration statement. This prospectus does not contain all the information contained in the registration statement. For further information with respect to us and the debentures to be sold in this offering, we refer you to the registration statement, including the agreements, other documents and schedules filed as exhibits to the registration statement.

We file annual, quarterly and current reports, and other information with the SEC. We intend to make these filings available on our website at www.gwglife.com. Information on our website is not incorporated by reference in this prospectus. We maintain an office at 220 South Sixth Street, Suite 1200, Minneapolis, MN 55402 where all records concerning the debentures are to be retained. Debenture holders and their representatives can request information regarding the debentures by contacting our office by mail at our address or by telephone at (612) 746-1944 or by fax at (612) 746-0445. Upon request, we will provide copies of our filings with the SEC free of charge to our investors. Our SEC filings, including the registration statement of which this prospectus is a part, will also be available on the SEC's Internet site at <http://www.sec.gov>. You may read and copy all or any portion of the registration statement or any reports, statements or other information we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. In addition, you may call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. You may receive copies of these documents upon payment of a duplicating fee by writing to the SEC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

/s/ Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
June 13, 2011

GWG HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2010	December 31, 2009	March 31, 2011 (unaudited)
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,758,230	\$ 1,180,850	\$ 273,972
Restricted cash	5,219,009	5,751,115	4,961,338
Bridge loans, net	—	3,226,274	—
Due from related parties	2,415	—	30,129
Investment in life settlements	82,717,562	12,908,172	95,731,212
Deferred financing costs	562,834	795,730	504,609
Other assets	790,708	228,473	529,598
TOTAL ASSETS	<u>\$ 91,050,758</u>	<u>\$ 24,090,614</u>	<u>\$ 102,030,858</u>
<u>LIABILITIES & EQUITY</u>			
LIABILITIES			
Revolving credit facility	\$ 37,085,452	\$ 4,987,425	\$ 41,547,952
Series I Secured notes payable	51,798,992	13,570,983	55,726,873
Accounts payable	710,547	761,859	111,655
Due to related parties	—	2,301,055	—
Accrued expenses			
Interest	975,817	147,089	1,008,444
Other	318,603	597,127	244,386
TOTAL LIABILITIES	<u>90,889,411</u>	<u>22,365,538</u>	<u>98,639,310</u>
REDEEMABLE MEMBER'S INTEREST	(509,126)	(470,436)	—
EQUITY			
Members' capital	2,976,541	3,806,061	5,697,616
Notes receivable from related parties	(2,306,068)	(1,761,134)	(2,306,068)
Total equity attributable to controlling interest	670,473	2,044,927	3,391,548
Noncontrolling interest	—	150,585	—
TOTAL EQUITY	<u>670,473</u>	<u>2,195,512</u>	<u>3,391,548</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 91,050,758</u>	<u>\$ 24,090,614</u>	<u>\$ 102,030,858</u>

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended		Three Months Ended	
	December 31, 2010	December 31, 2009	March 31, 2011 (unaudited)	March 31, 2010
REVENUE				
Contract servicing fees	\$ 142,982	\$ 84,775	\$ —	\$ 19,725
Gain on life settlements, net	8,658,874	808,944	5,357,641	(2,485,629)
Broker fees	—	19,500	—	—
Interest on bridge loans	—	165,538	—	—
Interest and other income	97,091	268,366	30,156	22,054
TOTAL REVENUE	8,898,947	1,347,123	5,387,797	(2,443,850)
EXPENSES				
Employee compensation and benefits	2,230,106	1,910,801	483,270	554,605
Legal and professional fees	1,109,013	1,108,989	160,299	98,365
Interest expense	3,683,733	593,101	1,090,772	477,830
Recovery of losses on related-party notes receivable	(20,425)	(151,520)	—	—
Amortization of deferred financing and issuance costs	743,635	232,896	193,417	58,224
Other expenses	1,383,280	2,486,269	229,838	153,299
TOTAL EXPENSES	9,129,342	6,180,536	2,157,596	1,342,323
NET INCOME (LOSS)	(230,395)	(4,833,413)	3,230,201	(3,786,173)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,277,682	2,059,200	—	1,277,682
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS	1,047,287	(2,774,213)	3,230,201	(2,508,491)
NET (INCOME) LOSS ATTRIBUTABLE TO REDEEMABLE MEMBER'S INTEREST	(46,671)	499,524	(143,948)	451,678
NET (INCOME) LOSS AVAILABLE TO NONREDEEMABLE MEMBER'S INTEREST	\$ 1,000,616	\$ (2,274,689)	\$ 3,086,253	\$ (2,056,813)
BASIC AND DILUTED INCOME (LOSS) PER UNIT	\$ 466.71	\$ (3,103.15)	\$ 1,439.48	\$ (1,117.87)
BASIC AND DILUTED WEIGHTED AVERAGE UNITS OUTSTANDING	2,244	894	2,244	2,244

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Members' Capital		Notes Receivable From Related Parties	Total Equity Attributable to Controlling Interest	Noncontrolling Interest	Total Equity
	Units	Dollars				
Balance, January 1, 2009	344	\$ 660,523	\$(1,408,299)	\$ (747,776)	\$ 6,235,813	\$ 5,488,037
Net loss	—	(2,774,263)	—	(2,774,263)	(2,059,200)	(4,833,413)
Net loss allocated to the redeemable member units		499,524		499,524		499,524
Capital contributions	1,800	4,796,587	—	4,796,587	850,636	5,647,223
Capital distribution (declared) forgiven	—	623,640	—	623,640	(4,876,664)	(4,253,024)
Advances to related parties	—	—	(352,835)	(352,835)	—	(352,835)
Balance, December 31, 2009	2,144	3,806,061	(1,761,134)	2,044,927	150,585	2,195,512
Net income (loss)	—	1,047,287	—	1,047,287	(1,277,682)	(230,395)
Net income allocated to the redeemable member units		(46,671)		(46,671)		(46,671)
Capital contributions	—	—	—	—	680,388	680,388
Redemption of noncontrolling interest in GWG Life Settlements, LLC	—	(1,830,136)	—	(1,830,136)	1,915,497	85,361
Sale of membership interest in Opportunity Bridge Funding, LLC	—	—	—	—	(1,468,788)	(1,468,788)
Advances to related parties	—	—	(544,934)	(544,934)	—	(544,934)
Balance, December 31, 2010	2,144	2,976,541	(2,306,068)	670,473	—	670,473
Net income (unaudited)	—	3,230,201	—	3,230,201	—	3,270,201
Net income allocated to the redeemable member units		(143,948)		(143,948)		(143,948)
Restructuring of redeemable member's interest (unaudited)	100	(365,178)	—	(365,178)	—	(365,178)
Balance, March 31, 2011 (unaudited)	2,244	\$ 5,697,616	\$(2,306,068)	\$ 3,391,548	\$ —	\$ 3,391,548

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended		Three Months Ended	
	December 31, 2010	December 31, 2009	March 31, 2011 (unaudited)	March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	\$ (230,395)	\$ (4,833,413)	\$ 3,230,201	\$ (3,786,173)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:				
(Gain) loss on life settlements	(16,985,394)	(1,283,444)	(8,379,645)	1,237,017
Recovery of losses on notes receivable from related parties	(20,425)	(151,520)	—	—
Capitalized interest on notes receivable from related parties	(82,435)	(65,335)	—	(18,659)
Amortization of deferred financing and issuance costs	746,635	232,896	193,416	58,224
(Increase) decrease in operating assets:				
Due from related parties	(2,415)	—	(27,714)	(106,018)
Other assets	(178,465)	155,300	261,111	(5,075,030)
Increase (decrease) in operating liabilities:				
Due to related party	(610,888)	503,397	—	626,342
Accounts payable and accrued expenses	602,866	1,157,453	(640,482)	(428,430)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(16,760,916)	(4,284,666)	(5,363,113)	(7,492,727)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease in bridge loans	—	(869,275)	—	—
Investment in life settlements	(53,223,996)	(11,624,728)	(4,634,005)	(8,403,027)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(53,223,996)	(12,494,003)	(4,634,005)	(8,403,027)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from revolving credit facility	32,098,027	4,987,425	4,462,500	4,904,699
Proceeds from issuance of Series I Secured notes payable	43,494,690	13,972,508	6,281,039	18,952,158
Payments for redemption of Series I Secured notes payable	(5,780,420)	(401,525)	(2,488,350)	(1,009,097)
Proceeds (payments) from restricted cash	532,106	(5,751,115)	257,671	(8,513,226)
Issuance of member capital	—	4,796,587	—	—
Distributions to preferred member	—	(764,620)	—	—
Advances on notes to related parties	(462,499)	(287,500)	—	(125,000)
Issuance of non-controlling interest member capital	680,388	850,636	—	680,388
Redemption of non-controlling interest member capital	—	(4,767,025)	—	—
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	70,562,292	12,635,371	8,512,860	14,889,922
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	577,380	(4,143,298)	(1,484,258)	(1,005,832)
CASH AND CASH EQUIVALENTS				
BEGINNING OF YEAR	1,180,850	5,324,148	1,758,230	1,180,850
END OF YEAR	\$ 1,758,230	\$ 1,180,850	\$ 273,972	\$ 175,018

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS-CONTINUED

	<u>Year Ended</u>		<u>Three Months Ended</u>	
	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>March 31,</u> <u>2011</u>	<u>March 31,</u> <u>2010</u>
			<u>(unaudited)</u>	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Interest paid	\$ 2,904,000	\$ 745,000	\$ 1,058,000	\$ 291,000
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Redemption of non-controlling interest	\$ 1,916,000	\$ —	\$ —	\$ 1,916,000
Distributions payable—forgiven (including redeemable member’s interest)	\$ —	\$ 653,000	\$ —	\$ —
Interest income receivable added to balance of notes receivable from related parties	\$ 82,000	\$ 65,335	\$ —	\$ 19,000
Sale of membership interest in Opportunity Bridge Funding, LLC to Insurance Strategies Fund, LLC:				
Prepaid expenses	\$ 16,000	\$ —	\$ —	\$ 16,000
Bridge loans receivable	\$ 3,226,000	\$ —	\$ —	\$ 3,226,000
Accounts payable	\$ (84,000)	\$ —	\$ —	\$ (84,000)
Due to related parties	\$ (1,690,000)	\$ —	\$ —	\$ (1,690,000)
Noncontrolling interest	\$ (1,469,000)	\$ —	\$ —	\$ (1,469,000)

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of business—GWG Holdings, LLC (Holdings) and Subsidiaries, located in Minneapolis, Minnesota, facilitates the purchase of life insurance policies for its own investment portfolio through its wholly owned subsidiary, GWG Life Settlements, LLC (GWG Life), and its subsidiaries, GWG DLP Funding, LLC (DLP) and its wholly owned subsidiary, GWG DLP Master Trust (the Trust) prior to its sale on November 1, 2010 as described in note 4; and GWG DLP Funding II, LLC (DLP II) and its wholly owned subsidiary, GWG DLP Master Trust II (the Trust II). Holdings finances the acquisition of life insurance policies, premiums and policy loan repayments through its wholly owned subsidiary, United Lending, LLC (United Lending). Holdings also financed policy premiums and policy loan repayments through its wholly owned subsidiary Opportunity Bridge Funding, LLC (Opportunity Bridge Funding) prior to its sale on January 1, 2010 as described in note 10. Holdings earns fees for brokering policy transactions between market participants through its wholly owned subsidiary, GWG Broker Services, LLC (Broker Services). GWG Member, LLC a wholly owned subsidiary formed November 2010 to facilitate the acquisition of policies has not commenced operations as of March 31, 2011. The entities were legally organized in Delaware and are collectively referred herein to as GWG, or the Company.

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

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

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

Unaudited interim financial information—The accompanying unaudited consolidated financial statements as of March 31, 2011 and for the three months ended March 31, 2011 and 2010 have been prepared in accordance with the U.S. generally accepted accounting principles, ("GAAP") for interim financial information and pursuant to the instructions to Form S-1 and Article 8 of Regulation S-X of the Securities and Exchange Commission ("SEC") and on the same basis as the annual audited financial statements. The unaudited balance sheet as of March 31, 2011, and statements of operations and cash flow for the three months ended on March 31, 2011 and 2010, are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. The results for the three months ended March 31, 2011 are not necessarily indicative of results to be expected for the year ending December 31, 2011 or for any other interim period or for any other future year.

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Bridge loans—Bridge loans represent loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff and are reported at their outstanding principal balances, net of the allowance for loan losses. Interest income is recognized on loans outstanding when earned using the simple interest method.

Allowance for bridge loan losses—The allowance for loan losses is established as losses are estimated to have occurred through a provision for bridge loan losses charged to income. Specific loans are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance for loan losses. The allowance for loan losses is

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Management had established an allowance for loan losses of \$0, \$120,000 and \$0 at December 31, 2010, December 31, 2009 and March 31, 2011 (unaudited), respectively.

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

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

- 1) Receipt of death notice or verified obituary of insured
- 2) Sale of policy and filing of change of ownership forms and receipt of payment

Deferred financing and issuance costs—Financing costs incurred to obtain financing under the revolving credit facility have been capitalized and are amortized using the straight-line method over the term of the revolving credit facility. The Series I Secured note obligations, as described in note 9, are reported net of issuance costs, sales commissions and other direct expenses, which are amortized using the interest method over the term of the borrowings.

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

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

On January 1, 2009, the Company adopted the accounting guidance on accounting for uncertainty in income taxes. The Company reviews and assesses its tax positions taken or expected to be taken in tax returns, including the status as a tax-exempt entity. Based on this assessment the Company determines whether it is more likely than not that the position would be sustained upon examination by tax authorities. The Company's assessment has not identified any significant positions that it believes would not be sustained under examination.

The Company files tax returns in the United States (U.S.) federal jurisdiction and in various state jurisdictions. Uncertain tax positions include those related to tax years that remain subject to examination. U.S. tax returns for fiscal years ended December 31, 2007 through 2009 (including 2010, when filed)

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

remain subject to examination by federal tax authorities. Tax returns for state and local jurisdictions for fiscal years ended December 31, 2006 through 2009 (including 2010, when filed) remain subject to examination by state and local tax authorities.

As a result of the Company's change in legal structure from a limited liability company (filing tax returns as a pass through entity) to a corporation effective June 10, 2011, the Company will file and pay taxes based on its reported income. See note 11 for further information on income taxes.

Net income (loss) per unit—Net income (loss) per unit is calculated using the weighted average number of non-redeemable membership units outstanding during the period. Basic and fully diluted net income (loss) per unit are the same, as the Company has not issued any dilutive membership units or other unit equivalents.

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

Recently issued pronouncements—In December 2009, the FASB issued ASU No. 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities", which was effective for the Company beginning January 1, 2010. This ASU amends Subtopic 810-10, for consolidations of variable interest entities to require revised evaluation of whether entities represent variable interest entities, determining the primary beneficiary, ongoing assessments of control over such entities, and additional disclosures for variable interests. The adoption of this pronouncement did not have an impact on the Company's consolidated financial statements.

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

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company.

(2) Restrictions on cash

The Company is required by its lenders to maintain collection and escrow accounts. These accounts are used to fund purchases and premiums of insurance policies and to pay interest and other charges under its revolving credit facility. DZ Bank AG as agent for Autobahn Funding Company, LLC, the lender for the revolving credit facility as described in note 8, authorizes the disbursements from these accounts. The Company also maintains a separate cash account for the deposit of Series I Secured note proceeds as described in note 9. An account control agreement is in place with the Series I Trustee, Lord Securities Corporation, who must authorize disbursements from this account for uses identified in note 9. At December 31, 2010, December 31 2009 and March 31, 2011 (unaudited) there was a balance of \$5,219,000, \$5,751,000 and \$4,961,000 respectively, maintained in these restricted cash accounts.

(3) Investment in life insurance policies

The life insurance policies (level 3 financial instruments) are valued based on inputs that are unobservable and significant to the overall fair value measurement. Changes in the fair value of these instruments are recorded in gain or loss on life insurance policies in our consolidated statements of operations (net of the cash premiums paid on the policies). The fair value is determined on a discounted cash flow basis that incorporates current life expectancy assumptions. Life expectancy reports have been obtained from widely accepted life expectancy providers. The discount rate incorporates current information about market interest rates, the credit exposure to the insurance company that issued the life insurance policy and our estimate of the risk of premium an investor in the policy would require. As a result of management’s analysis, discount rates of 13.36%, 14.24% and 13.31% were applied to the portfolio as of December 31, 2010, December 31, 2009 and March 31, 2011 (unaudited), respectively.

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Investment in life insurance policies (continued)

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

As of December 31, 2010

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

As of March 31, 2011

<u>Years Ending December 31,</u>	<u>Number of Contracts</u>	<u>Estimated Fair Value</u>	<u>Face Value</u>
2011	—	\$ —	\$ —
2012	—	—	—
2013	—	—	—
2014	2	1,437,000	3,000,000
2015	5	4,281,000	9,329,000
2016	9	8,273,000	25,850,000
Thereafter	139	81,740,000	379,464,000
Totals	<u>155</u>	<u>\$ 95,731,000</u>	<u>\$417,643,000</u>

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:

<u>Years Ending December 31,</u>	<u>As of December 31, 2010</u>	<u>As of March 31 2011 (unaudited)</u>
2011	\$ 12,303,000	\$10,108,000
2012	12,519,000	13,614,000
2013	12,938,000	14,352,000
2014	13,837,000	15,391,000
2015	14,695,000	16,341,000
	<u>\$ 66,292,000</u>	<u>\$69,806,000</u>

Management anticipates funding the estimated premium payments as noted above with proceeds from the DZ Bank revolving credit facility and by issuing Series I Secured notes and secured debentures. The proceeds of these notes are also intended to be used for the purchase, financing, and maintenance of additional life insurance policies.

From January 1, 2010 through November 1, 2010 and the year ended December 31, 2009 the Company purchased life insurance policies from its affiliate DLP at DLP's amortized cost of the specific contracts for

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Investment in life insurance policies (continued)

\$20,521,000 and \$5,108,000, respectively. The amortized costs of these contracts were in excess of their fair value and as a result the Company recorded losses on the purchases of \$2,530,000 and \$586,000 during 2010 and 2009 respectively.

(4) Investment in unconsolidated company

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

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

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) **Investment in unconsolidated company (continued)**

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

(5) **Fair value definition and hierarchy**

ASC Topic 820 establishes a hierarchical 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 Topic 820 establishes a three-level valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

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

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2—Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) **Fair value definition and hierarchy (continued)**

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

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

	Level 3
Balance at January 1, 2009	\$ —
Purchases	11,625,000
Maturities	—
Net change in unrealized gain	1,283,000
Balance at December 31, 2009	12,908,000
Purchases	53,224,000
Maturities	(242,000)
Net change in unrealized gain	16,828,000
Balance at December 31, 2010	\$ 82,718,000
Purchases (unaudited)	4,633,000
Maturities (unaudited)	—
Net change in unrealized gain (unaudited)	8,380,000
Balance at March 31, 2011 (unaudited)	<u>\$ 95,731,000</u>

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

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

	<u>December 31,</u>		<u>March 31,</u>	
	2010	2009	2011	2010
			<u>(unaudited)</u>	
Average age of insured	80.33	81.12	80.11	80.16
Average life expectancy, months	102	103	98	110
Average maturity value	2,710,310	2,855,044	2,694,474	2,287,530
Discount rate	13.36%	14.24%	13.31%	14.21%

Mortality rates: Standard life expectancy as adjusted for insured's specific circumstances.

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Fair value definition and hierarchy (continued)

These assumptions are, by their nature, inherently uncertain and the effect of changes in estimates may be significant. The fair value measurements used in estimating the present value calculation are derived from valuation techniques generally used in the industry that include inputs for the asset that are not based on observable market data. The extent to which the fair value could reasonable vary in the near term has been quantified by evaluating the effect of changes in significant underlying assumptions used to estimate the fair value amount. If the life expectancies were increased or decreased by 4 months and the discount factors were increased or decreased by 2% while all other variables are held constant, the carrying value of the investment in life insurance policies would increase or (decrease) by the unaudited amounts summarized below:

	<u>Change in life expectancy</u>	
	<u>plus 4 months</u>	<u>minus 4 months</u>
Investment in life policies		
December 31, 2010	\$ (7,047,000)	\$ 7,278,000
March 31, 2011 (unaudited)	\$ (7,998,000)	\$ 8,256,000

	<u>Change in discount rate</u>	
	<u>plus 2%</u>	<u>minus 2%</u>
Investment in life policies		
December 31, 2010	\$ (10,118,000)	\$ 12,132,000
March 31, 2011 (unaudited)	\$ (11,210,000)	\$ 13,398,000

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

(6) Notes receivable from related parties

Notes receivable from related parties consist of various unsecured notes receivable totaling \$2,306,000, \$1,761,000 and \$2,442,000 at December 31, 2010, December 31, 2009 and March 31, 2011 (unaudited), respectively. These notes are due from members of the Company, with interest rates ranging from 4.2% to 5%, payable annually and maturing between July 31, 2011, and October 17, 2011. Interest income from related parties totaled \$82,000, \$65,000, \$24,000 and \$19,000 during the year ended December 31, 2010 and 2009 and the three months ended March 31, 2011 (unaudited) and March 31, 2010 (unaudited), respectively. 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.

Managements believes future repayment of these unsecured notes receivable from related parties is clearly and directly linked to future profits of the Company. Management also believes, because the ability to collect the amounts due is directly linked to future profits, classifying the member receivables and related accrued interest receivable as a component of equity is appropriate.

As of December 31, 2010, December 31, 2009 and March 31, 2011 (unaudited), the Company had receivables totaling \$5,000,000, \$5,680,600 and \$5,000,000, respectively, due from related parties which were fully reserved. During 2009, \$300,000 of the losses recognized in 2008 were collected and are reported as recovery of loss. During 2010, \$20,000 of the losses recognized in 2009 were collected and are reported as recovery of loss.

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(7) Due to related parties

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

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

(8) Revolving credit facility

On July 15, 2008, DLP II and United Lending entered into a revolving credit facility pursuant to a Credit and Security Agreement (Agreement) with Autobahn Funding Company LLC (Autobahn), providing the Company with a maximum borrowing amount of \$100,000,000. Autobahn is a commercial paper conduit that issues commercial paper to investors in order to provide funding to DLP II and United Lending. DZ Bank AG acts as the agent for Autobahn. The Agreement expires on July 15, 2013. The amount outstanding under this facility as of December 31, 2010, December 31, 2009 and March 31, 2011 (unaudited) was \$37,085,000, \$4,987,000 and \$41,548,000 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 2.14% and 2.14% at December 31, 2010 and March 31, 2011 (unaudited), respectively. The Agreement also requires payment of an unused line fee on the amount unused under the revolving credit facility. The note is secured by a security agreement covering substantially all of DLP II and United Lending assets. The Company anticipates making all required principal and interest payments under the Agreement.

The Agreement has certain financial and nonfinancial covenants. The Company is in compliance with these covenants at December 31, 2010 and March 31, 2011. In addition, advances under the Agreement are subject to a borrowing base formula, which limits the availability of advances. Total funds available for borrowing under the borrowing base formula criteria at December 31, 2010 and March 31, 2011 (unaudited) were \$11,063,415, and \$11,166,426 respectively.

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

(9) Series I Secured notes payable

Series I Secured notes payable have been issued in conjunction with the GWG Series I Secured notes private placement memorandums dated August 25, 2009 (last revised November 15, 2010). Series I Secured notes have maturity dates ranging from six months to seven years with fixed interest rates varying from 7.0% to 9.55% depending on the term of the note. Interest is payable monthly, quarterly, annually or at maturity depending on the terms of the note. At December 31, 2010, December 31, 2009 and March 31, 2011 (unaudited) the weighted average interest rates of Series I Secured notes was 7.95%, 7.63% and 7.84%, respectively. The notes are secured by assets of GWG Life. The amount outstanding under these Series I Secured notes was \$53,293,000, \$13,600,000 and \$57,519,000 at December 31, 2010, December 31, 2009 and March 31, 2011 (unaudited), respectively.

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) Series I Secured notes payable (continued)

Since inception, the Company has raised approximately \$57.7 million (net of redemptions) through the issuance of Series I Secured notes. The Company plans to acquire and maintain life insurance policies with Series I Secured note proceeds plus borrowing from the Autobahn revolving credit facility. Management estimates that these contract acquisitions should generate sufficient origination and servicing fees in 2011, to result in positive cash flow from operations of approximately \$900,000.

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

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

1. Payment of commissions of Series I Secured note sales
2. Purchase life insurance policies
3. Pay premiums of life insurance policies
4. Pay principal and interest to Senior Liquidity Provider (DZ Bank)
5. Pay portfolio or note operating fees or costs
6. Pay trustee (Wells Fargo Bank, N.A.)
7. Pay servicer and collateral fees
8. Pay principal and interest on Series I Secured notes
9. Make distributions to equity holders for tax liability related to portfolio
10. Purchase interest rate caps, swaps, or hedging instruments
11. Pay GWG Series I Trustee fees
12. Pay offering expenses

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

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

<u>As of March 31, 2011</u>		<u>(unaudited)</u>
<u>Years Ending December 31,</u>		
2011		\$ 19,556,000
2012		16,182,000
2013		8,721,000
2014		1,560,000
2015		5,006,000
2016		680,000
Thereafter		5,814,000
		<u>\$ 57,519,000</u>

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(10) Noncontrolling interest

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

GWG Life—On September 3, 2009 the Company amended and restated its operating agreement authorizing the issuance of non-voting preferred Series I Units (Series I Units) redeemable at the Company's option for an amount equal to the tax basis of the Series I Units at the date of redemption. The Series I Units were entitled to receive all the remaining economic benefits, including cash flow, proceeds and distributions of or from current assets owned or hereafter acquired, directly or indirectly by the Company, including those of DLP and DLPII after amounts to be paid to senior lenders and Series I Secured note holders. Effective September 3, 2009 a related party, Insurance Strategies Fund, LLC (ISF), was issued one Series I Unit. ISF contributed \$850,000 of capital to the Company. A loss of \$2,169,000 was allocated to ISF for the period September 3, 2009 to December 31, 2009. During January 2010, ISF contributed an additional \$680,000 of capital to the Company. Through February 28, 2010, additional losses of \$1,278,000 were allocated to ISF, reducing the Series I Units' tax basis to \$0. On March 1, 2010, the Board of Managers of the Company elected to redeem the Series I Units for no consideration. As the remaining member in GWG Life, Holdings recorded a decrease in member's capital of \$1,830,000 and a decrease in redeemable member's interest of \$85,000 representing the noncontrolling interests' cumulative deficit on the redemption date.

(11) Income taxes

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

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

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

	<u>December 31,</u>		<u>March 31,</u>	
	2010	2009	2011	2010
			<u>(unaudited)</u>	
Tax basis greater (less) than financial reporting basis				
Life insurance policies	(6,315,000)	(504,000)	(10,582,000)	2,040,000
Related party receivables	4,787,000	4,869,000	4,787,000	4,851,000

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(12) Commitments

The Company conducts its operations in facilities sublet from a related party. The non-cancelable lease agreement provides for monthly rental payments over the lease term. Rent expensed under this arrangement was \$168,000, \$149,000, \$45,000 and \$49,000 during the years ended December 31, 2010 and 2009 and the three months ended March 31, 2011 (unaudited) and March 31, 2010 (unaudited), respectively. This agreement expires in April 2012. Future minimum lease payments which must be made under this agreement are \$111,000 in 2011 and \$50,000 in 2012.

(13) Contingencies

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

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

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

(14) Guarantees of secured debentures

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

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

The following represents consolidating financial information as of December 31, 2010 and 2009 and March 31, 2011 (unaudited) and 2010 (unaudited), with respect to the financial position as of December 31,

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)

2010 and 2009 and March 31, 2011 (unaudited), and results of operations and cash flows of Holdings and its subsidiaries for the years ended December 31, 2010 and 2009 and the three months ended March 31, 2011 (unaudited) and 2010 (unaudited). The parent column presents the financial information of Holdings, the primary obligor of the secured debentures. The guarantor subsidiary column presents the financial information of GWG Life, the guarantor subsidiary of the secured debentures, presenting its investment in DLP II under the equity method. The non-guarantor subsidiaries column presents the financial information of all non-guarantor subsidiaries including DLP II.

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)

Consolidating Balance Sheets

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)**Consolidating Balance Sheets (continued)**

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)**Consolidating Balance Sheets (continued)**

March 31, 2011 (unaudited)	<u>Parent</u>	<u>Guarantor Subsidiary</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>ASSETS</u>					
ASSETS					
Cash and cash equivalents	\$ 3,919	\$ 270,053	\$ —	\$ —	\$ 273,972
Restricted cash	—	3,515,532	1,445,806	—	4,961,338
Due from related parties	—	34,174,050	—	(34,143,921)	30,129
Investment in life settlements	—	3,610,737	92,120,475	—	95,731,212
Deferred financing costs	—	—	504,609	—	504,609
Other assets	—	94,598	435,000	—	529,598
Investment in subsidiaries	3,387,628	18,463,986	—	(21,851,614)	—
TOTAL ASSETS	<u>\$3,391,547</u>	<u>\$60,128,956</u>	<u>\$ 94,505,890</u>	<u>\$(55,995,535)</u>	<u>\$ 102,030,858</u>
<u>LIABILITIES & EQUITY (DEFICIT)</u>					
LIABILITIES					
Revolving credit facility	\$ —	\$ —	\$ 41,547,952	\$ —	\$ 41,547,952
Series I Secured notes payable	—	55,726,873	—	—	55,726,873
Accounts payable	—	111,655	—	—	111,655
Due to related parties	—	—	34,143,921	(34,143,921)	—
Accrued expenses					
Interest	—	947,960	60,484	—	1,008,444
Other	—	207,144	37,242	—	244,386
TOTAL LIABILITIES	<u>—</u>	<u>56,993,632</u>	<u>75,789,599</u>	<u>(34,143,921)</u>	<u>98,639,310</u>
EQUITY (DEFICIT)					
Members' capital	3,391,547	5,441,392	18,716,291	(21,851,614)	5,697,616
Notes receivable from related parties	—	(2,306,068)	—	—	(2,306,068)
TOTAL MEMBERS' EQUITY (DEFICIT)	<u>3,391,547</u>	<u>3,135,324</u>	<u>18,716,291</u>	<u>(21,851,614)</u>	<u>3,391,548</u>
TOTAL LIABILITIES & EQUITY (DEFICIT)	<u>\$3,391,547</u>	<u>\$60,128,956</u>	<u>\$ 94,505,890</u>	<u>\$(55,995,535)</u>	<u>\$ 102,030,858</u>

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)**Consolidating Statements of Operations**

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)**Consolidating Statements of Operations (continued)**

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)

Consolidating Statements of Operations (continued)

<u>For the three months ended March 31, 2011 (unaudited)</u>	<u>Parent</u>	<u>Guarantor Subsidiary</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUE					
Contract servicing fees	\$ —	\$ 916,000	\$ —	\$ (916,000)	\$ —
Gain on life settlements	—	38,026	5,319,615	—	5,357,641
Interest and other income	—	26,573	3,583	—	30,156
TOTAL REVENUE	—	980,599	5,323,198	(916,000)	5,387,797
EXPENSES					
Origination and servicing fees	—	6,000	910,000	(916,000)	—
Employee compensation and benefits	—	483,270	—	—	483,270
Legal and professional fees	15,331	144,968	—	—	160,299
Interest expense	—	842,495	248,277	—	1,090,772
Amortization of deferred financing and issuance costs	—	135,193	58,224	—	193,417
Other expenses	747	216,588	12,503	—	229,838
TOTAL EXPENSES	16,078	1,828,514	1,229,004	(916,000)	2,157,596
INCOME (LOSS) BEFORE EQUITY IN LOSS OF SUBSIDIARIES	(16,078)	(847,915)	4,094,194	—	3,230,201
EQUITY IN INCOME (LOSS) OF SUBSIDIARY	3,246,279	4,123,306	—	(7,369,585)	—
NET INCOME (LOSS)	3,230,201	3,275,391	4,094,194	(7,369,585)	3,230,201
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	—	—
NET (INCOME) LOSS ATTRIBUTABLE TO CONTROLLING INTEREST	3,230,201	3,275,391	4,094,194	(7,369,585)	3,230,201
NET (INCOME) LOSS ATTRIBUTABLE TO REDEEMABLE MEMBER'S INTEREST	(143,744)	(145,755)	(182,192)	327,743	(143,948)
NET INCOME (LOSS) ATTRIBUTABLE TO NONREDEEMABLE MEMBER'S INTERESTS	<u>\$3,086,457</u>	<u>3,129,636</u>	<u>3,912,002</u>	<u>(7,041,842)</u>	<u>3,086,253</u>

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)

Consolidating Statements of Operations (continued)

For the three months ended March 31, 2010
(unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	\$ —	\$ 661,555	\$ —	\$ (641,830)	\$ 19,725
Gain on life settlements	—	426,282	(2,911,911)	—	(2,485,629)
Interest and other income	32	20,866	1,156	—	22,054
TOTAL REVENUE	32	1,108,703	(2,910,755)	(641,830)	(2,443,850)
EXPENSES					
Origination and servicing fees	—	16,300	625,530	(641,830)	—
Employee compensation and benefits	—	554,605	—	—	554,605
Legal and professional fees	—	98,365	—	—	98,365
Interest expense	23,643	340,920	113,267	—	477,830
Amortization of deferred financing and issuance costs	—	—	58,224	—	58,224
Other expenses	10,815	128,162	14,322	—	153,299
TOTAL EXPENSES	34,458	1,138,352	811,343	(641,830)	1,342,323
INCOME (LOSS) BEFORE EQUITY IN LOSS OF SUBSIDIARIES	(34,426)	(29,649)	(3,722,098)	—	(3,786,173)
EQUITY IN LOSS OF SUBSIDIARY	(3,126,215)	(3,066,749)	—	6,192,964	—
NET INCOME (LOSS)	(3,160,641)	(3,096,398)	(3,722,098)	6,192,964	(3,786,173)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	1,277,682	—	—	1,277,682
NET (INCOME) LOSS ATTRIBUTABLE TO CONTROLLING INTEREST	(3,160,641)	(1,818,716)	(3,722,098)	6,192,964	(2,508,491)
NET (INCOME) LOSS ATTRIBUTABLE TO REDEEMABLE MEMBER'S INTEREST	568,915	327,369	669,978	(1,114,584)	451,678
NET INCOME (LOSS) AVAILABLE TO NONREDEMABLE MEMBER'S INTERESTS	<u>\$ (2,591,726)</u>	<u>\$ (1,491,347)</u>	<u>\$ (3,052,120)</u>	<u>\$ 5,078,380</u>	<u>\$ (2,056,813)</u>

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)
Consolidating Statements of Cash Flows

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)

Consolidating Statements of Cash Flows (continued)

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

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)

Consolidating Statements of Cash Flows (continued)

For the three months ended March 31, 2011 (unaudited)	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss	\$ 3,230,201	\$ 3,275,391	\$ 4,094,194	\$(7,369,585)	\$ 3,230,201
Adjustments to reconcile net loss to net cash flows from operating activities:					
(Gain) loss on life settlements	—	(139,726)	(8,239,919)	—	(8,379,645)
Amortization of deferred and issuance financing costs	—	135,192	58,224	—	193,416
(Increase) decrease in operating assets:					
Due from related parties	(30,000)	2,286	—	—	(27,714)
Other assets	(3,196,282)	(8,011,849)	4,099,657	7,369,585	261,111
Increase (decrease) in operating liabilities:					
Accounts payable and accrued expenses	—	(27,157)	(613,325)	—	(640,482)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	<u>3,919</u>	<u>(4,765,863)</u>	<u>(601,169)</u>	<u>—</u>	<u>(5,363,113)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements	—	(16,150)	(4,617,855)	—	(4,634,005)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>—</u>	<u>(16,150)</u>	<u>(4,617,855)</u>	<u>—</u>	<u>(4,634,005)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility	—	—	4,462,500	—	4,462,500
Proceeds from issuance of Series I Secured notes payable -	—	6,281,039	—	—	6,281,039
Payments for redemption of Series I Secured notes payable -	—	(2,488,350)	—	—	(2,488,350)
Proceeds (payments) from restricted cash	—	1,069,535	(811,864)	—	257,671
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	<u>—</u>	<u>4,862,224</u>	<u>3,650,636</u>	<u>—</u>	<u>8,512,860</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,919	80,211	(1,568,388)	—	(1,484,258)
CASH AND CASH EQUIVALENTS					
BEGINNING OF PERIOD	—	189,842	1,568,388	—	1,758,230
END OF PERIOD	<u>\$ 3,919</u>	<u>\$ 270,053</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 273,972</u>

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Guarantees of secured debentures (continued)

Consolidating Statements of Cash Flows (continued)

For the three months ended March 31, 2010 (unaudited)	Parent	Guarantor Subsidiary	Non- Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss	\$(3,786,173)	\$ (3,721,931)	\$(3,722,098)	\$ 7,444,029	\$ (3,786,173)
Adjustments to reconcile net loss to net cash flows from operating activities:					
(Gain) loss on life settlements	—	(163,690)	1,400,707	—	1,237,017
Capitalized interest on balance of notes receivable from related parties	—	(18,659)	—	—	(18,659)
Amortization of deferred financing and issuance costs	—	—	58,224	—	58,224
(Increase) decrease in operating assets:					
Due from related parties	(56,840)	(49,178)	—	—	(106,018)
Other assets	3,219,120	(7,244,745)	6,394,624	(7,444,029)	(5,075,030)
Increase (decrease) in operating liabilities:					
Due to related party	623,643	2,699	—	—	626,342
Accounts payable and accrued expenses	250	652,785	(1,081,465)	—	(428,430)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	—	(10,542,719)	3,049,992	—	(7,492,727)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements	—	532,230	(8,935,257)	—	(8,403,027)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	—	532,230	(8,935,257)	—	(8,403,027)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility	—	—	4,904,699	—	4,904,699
Proceeds from issuance of Series I Secured notes payable	—	18,952,158	—	—	18,952,158
Payments for redemption of Series I Secured notes payable	—	(1,009,097)	—	—	(1,009,097)
Proceeds (payments) from restricted cash	—	(8,513,226)	—	—	(8,513,226)
Advances on notes to related parties	—	(125,000)	—	—	(125,000)
Issuance of non-controlling interest member capital	—	680,388	—	—	680,388
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	—	9,985,223	4,904,699	—	14,889,922
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	—	(25,266)	(980,566)	—	(1,005,832)
CASH AND CASH EQUIVALENTS					
BEGINNING OF PERIOD	—	199,168	981,682	—	1,180,850
END OF PERIOD	\$ —	\$ 173,902	\$ 1,116	\$ —	\$ 175,018

GWG HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(15) Concentration

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

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>March 31, 2011 (unaudited)</u>
Life insurance company	%	%	%
Company A	17.93	—	17.73
Company B	15.61	—	17.18
Company C	10.27	12.29	12.38
Company D	—	14.31	—
Company E	—	13.09	—

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

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>March 31, 2011 (unaudited)</u>
State of residence	%	%	%
California	30.00	30.69	35.66
New York	12.86	11.88	11.99
Florida	10.00	11.22	11.73

(16) Subsequent event

Subsequent to March 31, 2011, the Company raised approximately \$1,345,000 from accredited investors in the form of debt instruments in conjunction with Series I Secured notes payable. These Series I Secured notes payable have fixed interest rates varying from 7.0% to 9.5% and maturities ranging from six months to seven years. The weighted average interest rate of Series I Secured notes payable issued subsequent to March 31, 2011 is 7.84%.

On April 21, 2011 the Board of Directors approved management's plan to file a Form S-1 registration statement with the Securities and Exchange Commission thereby becoming subject to the reporting requirements of the SEC.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Set forth below are expenses (other than the selling agent's commissions, dealer manager fees and allowance expenses) we expect to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee, the amounts set forth below are estimates and actual expenses may vary considerably from these estimates depending upon how long the notes are offered and other factors:

Securities and Exchange Commission registration fee	\$ 29,025
Accounting fees and expenses	\$ 50,000
Legal fees and expenses	\$ 75,000
Blue sky fees and expenses	\$ 50,000
Printing expenses	\$ 75,000
Trustee fees and expenses	\$100,000
Miscellaneous	\$ 15,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law provides for, under certain circumstances, the indemnification of our officers, directors, employees and agents against liabilities that they may incur in such capacities. A summary of the circumstances in which such indemnification provided for is contained herein, but that description is qualified in its entirety by reference to the relevant Section of the Delaware General Corporation Law.

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

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

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

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

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

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

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

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

From August 2009 through March 31, 2011, GWG Life Settlements, LLC, our wholly owned subsidiary, offered and sold approximately \$57.7 million (net of redemptions) in principal amount of subsidiary secured notes (referred to as “Series I Secured notes” in the notes to our consolidated financial statements, and marketed under the name “LifeNotes”). From April 1, 2011 through June 13, 2011 (at which date the offering of the subsidiary secured notes concluded), GWG Life Settlements offered and sold an additional approximately \$1.35 million in principal amount of subsidiary secured notes. These offers and sales were made in reliance on Section 4(2) of the Securities Act of 1933, and Rule 506 thereunder, on the basis that only accredited investors were offered and sold the debt securities involved.

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ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

<u>Exhibit No.</u>	<u>Description</u>
3.1	Articles of Incorporation
3.2	Bylaws
4.1	Form of Indenture with Bank of Utah, National Association *
4.2	Form of Debenture *
4.3	Form of Subscription Agreement (for use with debentures) *
4.4	Subsidiary Guarantee Agreement between GWG Life Settlements, LLC and Bank of Utah, National Association *
4.5	Pledge and Security Agreement by and among GWG Holdings, Inc., GWG Life Settlements, LLC, Jon R. Sabes, Steven F. Sabes, and Bank of Utah, National Association *
4.6	Intercreditor Agreement by and among Bank of Utah, National Association, and Lord Securities Corporation *
5.1	Opinion of Maslon Edelman Borman & Brand, LLP (with regarding to legality of securities offered) *
10.1	Credit and Security Agreement with DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender), dated July 15, 2008 *
10.2	Consent and Amendment No. 1 to Credit and Security Agreement with DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender), dated December 14, 2010 *
10.3	Consent and Amendment No. 2 to Credit and Security Agreement with DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender), dated June 10, 2011 *
10.4	Performance Guaranty dated July 15, 2008, delivered in favor of DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender) *
10.5	Amended and Restated Note Issuance and Security Agreement dated November 15, 2010, with Lord Securities Corporation (as trustee), GWG LifeNotes Trust (as secured party), and noteholders *
10.6	Pledge Agreement dated November 15, 2010, among Jon R. Sabes, Steven F. Sabes, Opportunity Finance, LLC, SFS Trust 1976, SFS Trust 1992 Esther, SFS Trust 1982, Mokeson, LLC (collectively as pledgors), and Lord Securities Corporation (as trustee and pledgee) *
10.7	Reaffirmation of Guaranty dated June 10, 2011 in favor of with DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender) *
10.8	Managing Broker-Dealer Agreement with Arque Capital *
10.9	Amended and Restated Investment Agreement with Insurance Strategies Fund, LLC, dated as of September 3, 2009 *
21	List of Subsidiaries
23.1	Consent of Mayer Hoffman McCann P.C.
23.2	Consent of Maslon Edelman Borman & Brand, LLP (included in exhibit 5.1)
25	Statement of Eligibility of Trustee *

* to be filed by amendment

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ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the “Securities Act”) may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
 - (i) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933;
 - (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, an increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the “Calculation of Registration Fee” table in the effective registration statement;
 - (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.
- (2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (4) [intentionally omitted]
- (5) For the purpose of determining any liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.
- (6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a

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primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
- (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Minneapolis, State of Minnesota, on June 14, 2011.

GWG HOLDINGS, INC.

By: /s/ Jon R. Sabes
Chief Executive Officer

Dated: June 14, 2011

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated below.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jon R. Sabes</u> Jon R. Sabes	Director, Chief Executive Officer	June 14, 2011
<u>/s/ Paul A. Siegert</u> Paul A. Siegert	President, Chairman of the Board	June 14, 2011
<u>/s/ Jon Gangelhoff</u> Jon Gangelhoff	Chief Financial Officer	June 14, 2011
<u>/s/ Steven F. Sabes</u> Steven F. Sabes	Director, Chief Operating Officer and Secretary	June 14, 2011
<u>/s/ Laurence Zipkin</u> Laurence Zipkin	Director	June 14, 2011
<u>/s/ Bryan Tyrell</u> Bryan Tyrell	Director	June 14, 2011
<u>/s/ Kenneth Chaim Fink</u> Kenneth Chaim Fink	Director	June 14, 2011

CERTIFICATE OF INCORPORATION

OF

GWG HOLDINGS, INC.

1. Name. The name of the corporation (the "Corporation") is: GWG Holdings, Inc.

2. Address; Registered Office and Agent. The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801; and the name of its registered agent at such address is The Corporation Trust Company. The Corporation may from time to time, in the manner provided by law, change the registered agent and the registered office within the State of Delaware. The Corporation may also maintain one or more offices for the conduct of its business either within or without the State of Delaware.

3. Purposes. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

4. Number of Shares. The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is Two Hundred Fifty Million (250,000,000) shares consisting of: Two Hundred Ten Million (210,000,000) shares of common stock, \$.001 par value per share ("Common Stock"); and Forty Million (40,000,000) shares of preferred stock, \$.001 par value per share ("Preferred Stock").

The Preferred Stock may be divided into and issued from time to time in one or more series. The Board of Directors of the Corporation ("Board") is authorized from time to time to establish and designate any such series of Preferred Stock, to fix and determine the variations in the relative rights, preferences, privileges and restrictions as between and among such series and any other class of capital stock of the Corporation and any series thereof, and to fix or alter the number of shares comprising any such series and the designation thereof. The authority of the Board with respect to each such series shall include, but not be limited to, determination of the following:

(a) The designation of the series;

(b) The number of shares of the series and (except where otherwise provided in the creation of the series) any subsequent increase or decrease therein;

(c) The dividends, if any, for shares of the series and the rates, conditions, times and relative preferences thereof;

(d) The redemption rights, if any, and price or prices for shares of the series;

(e) The terms and amounts of any sinking fund provided for the purchase or redemption of the series;

(f) The relative rights of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation;

(g) Whether the shares of the series shall be convertible into shares of any other class or series of shares of the Corporation, and, if so, the specification of such other class or series, the

conversion price(s) or rate(s), any adjustments thereof, the date(s) as of which such shares shall be convertible and all other terms and conditions upon which such conversion may be made;

(h) The voting rights, if any, of the holders of such series; and

(i) Such other designations, powers, preference and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof.

5. Name and Mailing Address of Incorporator. The name and mailing address of the incorporator are: Paul Chestovich, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, Minnesota 55402.

6. Election of Directors. Unless and except to the extent that the bylaws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

7. Limitation of Liability. To the fullest extent permitted under the General Corporation Law, as amended from time to time, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. Any amendment, repeal or modification of the foregoing provision shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, repeal or modification.

8. Indemnification.

(a) *Right to Indemnification*. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (a "Covered Person") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity (an "Other Entity"), including service with respect to employee-benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as otherwise provided in Section 8(c) below, the Corporation shall be required to indemnify a Covered Person in connection with a Proceeding (or part thereof) commenced by such Covered Person only if the commencement of such Proceeding (or part thereof) by the Covered Person was authorized by the Board.

(b) *Prepayment of Expenses*. The Corporation shall pay the expenses (including attorneys' fees) reasonably incurred by a Covered Person in defending any Proceeding in advance of its final disposition, provided, however, that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this Article 8 or otherwise.

(c) *Claims*. If a claim for indemnification or advancement of expenses under this Article 8 is not paid in full within 30 days after a written claim therefor by the Covered Person has been received by the Corporation, then the Covered Person may file suit to recover the unpaid amount of such claim, and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such

claim. In any such action, the Corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

(d) *Nonexclusivity of Rights.* The rights conferred on any Covered Person by this Article 8 shall not be exclusive of any other rights that such Covered Person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, the bylaws of the Corporation, agreement, vote of stockholders or disinterested directors, or otherwise.

(e) *Other Sources.* The Corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of an Other Entity shall be reduced by any amount such Covered Person may collect as indemnification or advancement of expenses from such Other Entity.

(f) *Amendment or Repeal.* Any repeal or modification of the foregoing provisions of this Article 8 shall not adversely affect any right or protection hereunder of any Covered Person in respect of any act or omission occurring prior to the time of such repeal or modification.

(g) *Other Indemnification and Prepayment of Expenses.* This Article 8 shall not limit the right of the Corporation, to the extent and in the manner permitted by applicable law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

9. Adoption, Amendment and/or Repeal of Bylaws. In furtherance and not in limitation of the powers conferred by the General Corporation Law, the Board is expressly authorized to make, alter and repeal the bylaws of the Corporation.

10. Powers of Incorporator. The powers of the incorporator will terminate, without any further action required on the part of such incorporator or the Corporation, immediately upon the election of initial directors of the Corporation by such incorporator.

11. Certificate Amendments. The Corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware may be added or inserted into this Certificate of Incorporation, in the manner now or hereafter prescribed by applicable law; and whatsoever rights, preferences and privileges of any nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation, either in its present form or as hereafter amended, are granted subject to the rights reserved in this Section.

/s/ Paul D. Chestovich

PAUL D. CHESTOVICH

Incorporator

BYLAWS
of
GWG HOLDINGS, INC.
(a Delaware corporation)

Article 1
Certain Definitions

As used in these Bylaws, unless the context otherwise requires, the term:

1.1 “Assistant Secretary” means an Assistant Secretary of the Corporation.

1.2 “Assistant Treasurer” means an Assistant Treasurer of the Corporation.

1.3 “Board” means the Board of Directors of the Corporation.

1.4 “Bylaws” means the these Bylaws of the Corporation, as the same may be amended from time to time.

1.5 “Certificate of Incorporation” means the Certificate of Incorporation of the Corporation, as the same may be amended, supplemented or restated from time to time.

1.6 “Chief Executive Officer” means Chief Executive Officer of the Corporation.

1.7 “Chairman” means the Chairman of the Board of Directors of the Corporation.

1.8 “Corporation” means GWG Holdings, Inc.

1.9 “Directors” means directors of the Corporation.

1.10 “Entire Board” means all then-authorized directors of the Corporation.

1.11 “General Corporation Law” means Title 8, Chapter 1, of the Delaware Statutes (otherwise known as the General Corporation Law of the State of Delaware), as amended from time to time, together with any corresponding provisions of succeeding law.

1.12 “Office of the Corporation” means the principal executive office of the Corporation, anything in Section 131 of the General Corporation Law to the contrary notwithstanding.

1.13 “President” means the President of the Corporation.

1.14 “Secretary” means the Secretary of the Corporation.

1.15 "Stockholders" means stockholders of record of the Corporation.

1.16 "Treasurer" means the Treasurer of the Corporation.

1.17 "Vice President" means a Vice President of the Corporation.

Article 2 Stockholders

2.1 Place of Meetings. Every meeting of Stockholders may be held at such place, within or without the State of Delaware, as may be designated by resolution of the Board from time to time.

2.2 Annual Meeting. If required by applicable law, a meeting of Stockholders shall be held annually for the election of Directors at such date and time as may be designated by resolution of the Board from time to time. Any other business may be transacted at the annual meeting.

2.3 Special Meetings. Unless otherwise prescribed by applicable law, special meetings of Stockholders may be called at any time by the Entire Board, any two or more Directors, or the Chief Executive Officer, and, in addition, shall be called by the Chairman of the Board, the Chief Executive Officer or the Secretary at the request in writing of Stockholders owning not less than ten percent (10%) of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purposes of the proposed meeting. The officers or Directors shall fix the time and any place, either within or without the State of Delaware, as the place for holding such meeting. Business transacted at any special meeting of Stockholders shall be limited to the purpose stated in the related notice.

2.4 Fixing Record Date. The Board may fix a record date for the purpose of (a) determining the Stockholders entitled (i) to notice of or to vote at any meeting of Stockholders or any adjournment thereof, (ii) unless otherwise provided in the Certificate of Incorporation, to express consent to corporate action in writing without a meeting or (iii) to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock; or (b) any other lawful action. Any such record date shall not precede the date upon which the resolution fixing the record date was adopted by the Board and, unless otherwise required by applicable law, shall not be (x) in the case of clause (a)(i) above, more than 60 nor less than 10 days before the date of such meeting (unless applicable permits such a record date to be less than 10 days before the date of such meeting, in which case the Board may fix a record date in accordance with applicable law), (y) in the case of clause (a)(ii) above, more than 10 days after the date upon which the resolution fixing the record date was adopted by the Board and (z) in the case of clause (a)(iii) or (b) above, more than 60 days prior to such action. If no such record date is fixed, then:

2.4.1 the record date for determining Stockholders entitled to notice of or to vote at a meeting of Stockholders shall be at the close of business on the day immediately prior to the day on which notice is given, or, if notice is waived, at the close of business on the day immediately prior to the day on which the meeting is held;

2.4.2 the record date for determining Stockholders entitled to express consent to corporate action in writing without a meeting (unless otherwise provided in the Certificate of Incorporation), when no prior action by the Board is required by applicable law, shall be the first day on which a written consent signed by a Stockholder and setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable law; and when prior action by the Board is required by applicable law, the record date for determining Stockholders entitled to express consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board adopts the resolution taking such prior action; and

2.4.3 the record date for determining Stockholders for any purpose other than those specified in Sections 2.4.1 and 2.4.2 shall be at the close of business on the day on which the Board adopts the resolution authorizing the subject corporate action. When a determination of Stockholders of record entitled to notice of or to vote at any meeting of Stockholders has been made as provided in this Section 2.4, such determination shall apply to any adjournment thereof unless the Board fixes a new record date for the adjourned meeting.

2.5 Notice of Meetings of Stockholders. Whenever under the provisions of applicable law, the Certificate of Incorporation or these Bylaws, Stockholders are required or permitted to take any action at a meeting, notice shall be given stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which Stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by applicable law, the Certificate of Incorporation or these Bylaws, notice of any meeting shall be given to each Stockholder entitled to vote at such meeting not less than 10 nor more than 60 days before the date of the meeting. Notice may be mailed or given by electronic transmission. If mailed, such notice shall be deemed to be given when deposited in the United States mail, with postage prepaid, directed to the Stockholder at his, her or its address as it appears on the records of the Corporation. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent of the Corporation that the notice required by this Section 2.5 has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. If sent by electronic transmission, notice to a Stockholder shall be deemed to be given if by (i) telecopy (facsimile), when directed to a number at which the Stockholder has consented to receive notice, (ii) electronic mail, when directed to an electronic mail address at which the Stockholder has consented to receive notice, (iii) a posting on an electronic network together with a separate notice to the Stockholder of the specific posting, upon the later of (A) such posting and (B) the giving of the separate notice (which notice may be given in any of the manners provided above), or (iv) any other form of electronic transmission, when directed to the Stockholder. Any meeting of Stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, and at the adjourned meeting any business may be transacted that might have been transacted at the meeting as originally called. If, however, the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Stockholder of record entitled to vote at the meeting.

2.6 Waivers of Notice. Whenever the giving of any notice to Stockholders is required by applicable law, the Certificate of Incorporation or these Bylaws, a waiver thereof, given by the person entitled to said notice, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Attendance by a Stockholder at a meeting shall constitute a waiver of notice of such meeting except when the Stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Stockholders need be specified in any waiver of notice unless so required by applicable law, the Certificate of Incorporation or these Bylaws.

2.7 List of Stockholders. The Secretary shall prepare and make, at least 10 days before every meeting of Stockholders, a complete list of the Stockholders entitled to vote at the meeting, and showing the address of each Stockholder and the number of shares registered in the name of each Stockholder. Such list shall be open to the examination of any Stockholder, the Stockholder's agent, or attorney, at the Stockholder's expense, for any purpose germane to the meeting, for a period of at least 10 days prior to the meeting, during ordinary business hours at the Office of the Corporation. If the meeting is to be held at a place, the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Stockholder who is present. If the meeting is held solely by means of remote communication, the list shall also be open for examination as provided by applicable law. Except as provided by applicable law, the stock ledger shall be the only evidence as to who are the Stockholders entitled to examine the stock ledger, the list of Stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of Stockholders.

2.8 Quorum of Stockholders; Adjournment. Except as otherwise provided by applicable law, the Certificate of Incorporation or these Bylaws, at each meeting of Stockholders, the presence, in person or by proxy, of the holders of a majority in voting power of all outstanding shares of stock entitled to vote at the meeting shall constitute a quorum for the transaction of any business at such meeting. In the absence of a quorum, the holders of a majority in voting power of the shares of stock present in person or represented by proxy at any meeting of Stockholders, including an adjourned meeting, whether or not a quorum is present, may adjourn such meeting to another time and place. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

2.9 Voting; Proxies. Unless otherwise provided in the Certificate of Incorporation, every Stockholder entitled to vote at any meeting of Stockholders shall be entitled to one vote for each share of stock held by such Stockholder which has voting power upon the matter in question. At any meeting of Stockholders, all matters (except as otherwise provided by the Certificate of Incorporation, these Bylaws, the rules and regulations of any stock exchange or listing service applicable to the Corporation, applicable law or pursuant to any rules or regulations applicable to the Corporation or its securities) shall be decided by the affirmative vote of a majority in voting power of shares of stock present in person or represented by proxy

and entitled to vote thereon; provided, however, that at all meetings of Stockholders for the election of Directors, a plurality of the votes cast shall be sufficient to elect each Director; and provided, further, that at all meetings of Stockholders at which a determination of when, or with what frequency, any votes (advisory or otherwise) may be taken on matters relating to executive compensation, such determination shall be made by reference to a plurality of the votes cast. Each Stockholder entitled to vote at a meeting of Stockholders or to express consent to or dissent from corporate action in writing without a meeting may authorize another person or persons to act for such Stockholder by proxy but no such proxy shall be voted or acted upon after 180 days from its date, unless the proxy is irrevocable. A proxy shall be irrevocable if it expressly states that it is irrevocable and if, and only so long as, it is coupled with an interest sufficient in law to support an irrevocable power. A Stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary a revocation of the proxy or by delivering a new proxy bearing a later date.

2.10 Voting Procedures and Inspectors of Election at Meetings of Stockholders. The Board, in advance of any meeting of Stockholders, may, and shall if required by applicable law, appoint one or more inspectors, who may be employees of the Corporation, to act at the meeting and make a written report thereof. The Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting, the person presiding at the meeting may, and shall if required by applicable law, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall (a) ascertain the number of shares outstanding and the voting power of each, (b) determine the shares represented at the meeting and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (e) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties. Unless otherwise provided by the Board, the date and time of the opening and the closing of the polls for each matter upon which the Stockholders will vote at a meeting shall be determined by the person presiding at the meeting and shall be announced at the meeting. No ballot, proxies or votes, or any revocation thereof or change thereto, shall be accepted by the inspectors after the closing of the polls unless state court of the State of Delaware, upon application by a Stockholder, shall determine otherwise. In determining the validity and counting of proxies and ballots cast at any meeting of Stockholders, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for office at an election may serve as an inspector at such election.

2.11 Conduct of Meetings; Organization. Subject to Section 2.12 through 2.14 of these Bylaws, the Board may adopt by resolution such rules and regulations for the conduct of the meeting of Stockholders as it shall deem appropriate. Unless another officer is designated by the Board, at each meeting of Stockholders, the Chief Executive Officer, or in the absence of the Chief Executive Officer, the President, or in the absence of the President, the Chairman, or if there is no Chairman or if there be one and the Chairman is absent, a Vice President, and in case more than one Vice President shall be present, that Vice President designated by the Board (or in the absence of any such designation, the most senior Vice President, based on age, present), shall

preside over the meeting. Except to the extent inconsistent with such rules and regulations as adopted by the Board, the person presiding over any meeting of Stockholders shall have the right and authority to convene and to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the presiding officer of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting (subject to the requirements of Sections 2.12 and 2.13 of these Bylaws); (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to Stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the person presiding over the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding officer at any meeting of Stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding officer should so determine, such person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the person presiding over the meeting, meetings of Stockholders shall not be required to be held in accordance with the rules of parliamentary procedure. The Secretary, or in his or her absence, one of the Assistant Secretaries, shall act as secretary of the meeting. In case none of the officers above designated to act as the person presiding over the meeting or as secretary of the meeting, respectively, shall be present, a person presiding over the meeting or a secretary of the meeting, as the case may be, shall be designated by the Board, and in case the Board has not so acted, in the case of the designation of a person to act as secretary of the meeting, designated by the person presiding over the meeting.

2.12 Order of Business. The order of business at all meetings of Stockholders shall be as determined by the person presiding over the meeting, subject, however, to the following provisions:

2.12.1 At any annual meeting of Stockholders, only such nominations of persons for election to the Board shall be made, and only such other business shall be conducted or considered, as shall have been properly brought before the meeting. For nominations to be properly made at an annual meeting, and proposals of other business to be properly brought before an annual meeting, nominations and proposals of other business must be (a) specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the direction of the Board, (b) otherwise properly made at the annual meeting, by or at the direction of the Board or (c) otherwise properly requested to be brought before the annual meeting by a Stockholder in accordance with these Bylaws. For nominations of persons for election to the Board or proposals of other business to be properly requested by a Stockholder to be made at an annual meeting, a Stockholder must (i) be a Stockholder of record at the time of giving of notice of such annual meeting by or at the direction of the Board and at the time of the annual meeting, (ii) be entitled to vote at such annual meeting and (iii) comply with the procedures set forth in these Bylaws as to such business or nomination. The immediately preceding sentence shall be the exclusive

means for a Stockholder to make nominations or other business proposals (other than matters properly brought under Rule 14a-8 or Rule 14a-11 under the Securities Exchange Act of 1934 (the "Exchange Act"), and included in the Corporation's notice of meeting) before an annual meeting of Stockholders.

2.12.2 At any special meeting of Stockholders, only such business shall be conducted or considered, as shall have been properly brought before the meeting pursuant to the Corporation's notice of meeting. To be properly brought before a special meeting, proposals of business must be (a) specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the direction of the Board or (b) otherwise properly brought before the special meeting, by or at the direction of the Board. In this regard, Nominations of persons for election to the Board may be made at a special meeting of Stockholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board or (b) provided that the Board has determined that Directors shall be elected at such meeting, by any Stockholder who (i) is a Stockholder of record at the time of giving of notice of such special meeting and at the time of the special meeting, (ii) is entitled to vote at the meeting, and (iii) complies with the procedures set forth in these Bylaws as to such nomination. The immediately preceding sentence shall be the exclusive means for a Stockholder to make nominations or other business proposals before a special meeting of Stockholders (other than matters properly brought under Rule 14a-8 or Rule 14a-11 under the Exchange Act and included in the Corporation's notice of meeting).

2.12.3 Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the presiding person at the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with these Bylaws and, if any proposed nomination or other business is not in compliance with these Bylaws, to declare that no action shall be taken on such nomination or other proposal and such nomination or other proposal shall be disregarded.

2.13 Advance Notice of Stockholder Business and Nominations.

2.13.1 Without qualification or limitation, but subject to Section 2.13.3(d) of these Bylaws, for any nominations or any other business to be properly brought before an annual meeting by a Stockholder pursuant to Section 2.12.1 of these Bylaws, the Stockholder must have given timely notice thereof (including, in the case of nominations, the completed and signed questionnaire, representation and agreement required by Section 2.14 of these Bylaws) and timely updates and supplements thereof in writing to the Secretary and such other business must otherwise be a proper matter for Stockholder action. To be timely, a Stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; *provided, however*, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the Stockholder must be so delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later

than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall any adjournment or postponement of an annual meeting, or the public announcement thereof, commence a new time period for the giving of a Stockholder's notice as described above.

Notwithstanding anything in the immediately preceding paragraph to the contrary, in the event that the number of Directors to be elected to the Board is increased by the Board, and there is no public announcement by the Corporation naming all of the nominees for Director or specifying the size of the increased Board at least 100 days prior to the first anniversary of the preceding year's annual meeting, a Stockholder's notice required by this Section 2.13.1 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

In addition, to be timely, a Stockholder's notice must further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the Secretary at the principal executive offices of the Corporation not later than five business days after the record date for the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight business days prior to the date for the meeting, any adjournment or postponement thereof in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof.

2.13.2 Subject to Section 2.13.3(d) of these Bylaws, in the event the Corporation calls a special meeting of Stockholders for the purpose of electing one or more Directors to the Board, any Stockholder may nominate a person or persons (as the case may be) for election to such position(s) to be elected as specified in the Corporation's notice calling the meeting, provided that the Stockholder gives timely notice thereof (including the completed and signed questionnaire, representation and agreement required by Section 2.14 of these Bylaws) and timely updates and supplements thereof in writing to the Secretary. In order to be timely, a Stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to the date of such special meeting and not later than the close of business on the later of the 90th day prior to the date of such special meeting or, if the first public announcement of the date of such special meeting is less than 100 days prior to the date of such special meeting, the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall any adjournment

or postponement of a special meeting, or the public announcement thereof, commence a new time period for the giving of a Stockholder's notice as described above.

In addition, to be timely, a Stockholder's notice must further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the Secretary at the principal executive offices of the Corporation not later than five business days after the record date for the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight business days prior to the date for the meeting, any adjournment or postponement thereof in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof.

2.13.3 To be in proper form, a Stockholder's notice (whether given pursuant to Section 2.12.1 or 2.12.2 of these Bylaws) to the Secretary must include the following, as applicable.

(a) As to the Stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, a Stockholder's notice must set forth: (i) the name and address of such Stockholder, as they appear on the Corporation's books, of such beneficial owner, if any, and of their respective affiliates or associates or others acting in concert therewith, (ii) (A) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially and of record by such Stockholder, such beneficial owner and their respective affiliates or associates or others acting in concert therewith, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, or any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of the Corporation, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the Corporation, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the Corporation, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of shares of the Corporation, through the delivery of cash or other property, or otherwise, and without regard of whether the Stockholder of record, the beneficial owner, if any, or any affiliates or associates or others acting in concert therewith, may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation (any of the foregoing, a "Derivative Instrument") directly or indirectly owned beneficially by such Stockholder, the beneficial owner, if any, or any affiliates or associates or others acting in concert therewith, (C) any

proxy, contract, arrangement, understanding, or relationship pursuant to which such Stockholder has a right to vote any class or series of shares of the Corporation, (D) any agreement, arrangement, understanding, relationship or otherwise, including any repurchase or similar so-called “stock borrowing” agreement or arrangement, engaged in, directly or indirectly, by such Stockholder, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the shares of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Stockholder with respect to any class or series of the shares of the Corporation, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any class or series of the shares of the Corporation (any of the foregoing, “Short Interests”), (E) any rights to dividends on the shares of the Corporation owned beneficially by such Stockholder that are separated or separable from the underlying shares of the Corporation, (F) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such Stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership, (G) any performance-related fees (other than an asset-based fee) that such Stockholder is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, including without limitation any such interests held by members of such Stockholder’s immediate family sharing the same household, (H) any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the Corporation held by such Stockholder, and (I) any direct or indirect interest of such Stockholder in any contract with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), and (iii) any other information relating to such Stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement and form of proxy or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of Directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder;

(b) If the notice relates to any business other than a nomination of a Director or Directors that the Stockholder proposes to bring before the meeting, a Stockholder’s notice must, in addition to the matters set forth in paragraph (a) above, also set forth: (i) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest of such Stockholder and beneficial owner, if any, in such business, (ii) the text of the proposal or business (including the text of any resolutions proposed for consideration), and (iii) a description of all agreements, arrangements and understandings between such Stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such Stockholder;

(c) As to each person, if any, whom the Stockholder proposes to nominate for election or reelection to the Board, a Stockholder’s notice must, in addition to the matters set forth in paragraph (a) above, also set forth: (i) all information relating to

such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected) and (ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such Stockholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant; and

(d) With respect to each person, if any, whom the Stockholder proposes to nominate for election or reelection to the Board, a Stockholder's notice must, in addition to the matters set forth in paragraphs (a) and (c) above, also include a completed and signed questionnaire, representation and agreement required by Section 2.14 of these Bylaws. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent Director of the Corporation or that could be material to a reasonable Stockholder's understanding of the independence, or lack thereof, of such nominee.

(e) For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by a regional or national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(f) Notwithstanding the provisions of these Bylaws, a Stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in these Bylaws; provided, however, that any references in these Bylaws to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to nominations or proposals as to any other business to be considered pursuant to Section 2.12 of these Bylaws.

(g) Nothing in these Bylaws shall be deemed to affect any rights (i) of Stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act, (ii) of Stockholders to request inclusion of nominees in the Corporation's proxy statement pursuant to Rule 14a-11 under the Exchange Act or (iii) of the holders of any series of preferred stock if and to the extent

provided for under law, the Certificate of Incorporation or these Bylaws. Subject to Rule 14a-8 and Rule 14a-11 under the Exchange Act, nothing in these Bylaws shall be construed to permit any Stockholder, or give any Stockholder the right, to include or have disseminated or described in the Corporation's proxy statement any nomination of Director or Directors or any other business proposal.

2.14 Submission of Questionnaire, Representation and Agreement. To be eligible to be a nominee for election or reelection as a Director of the Corporation (or, in the case of a nomination brought under Rule 14a-11 of the Exchange Act, to serve as a Director of the Corporation), a person must deliver (in accordance with the time periods prescribed for delivery of notice under Section 2.13 of these Bylaws or, in the case of a nomination brought under Rule 14a-11 of the Exchange Act, prior to the time such person is to begin service as a Director) to the Secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request), and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (A) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a Director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a Director of the Corporation, with such person's fiduciary duties under applicable law, (B) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed therein, and (C) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a Director of the Corporation, and will comply with all applicable corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation publicly disclosed from time to time.

2.15 Written Consent of Stockholders Without a Meeting. Unless otherwise provided in the Certificate of Incorporation, any action required by the General Corporation Law to be taken at any annual or special meeting of Stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered (by hand or by certified or registered mail, return receipt requested, or by electronic or remote communication) to the Office of the Corporation, or to an officer or agent of the Corporation having custody of the book in which proceedings of meetings of Stockholders are recorded, or to any other officer or agent designated by the Board. Every written consent shall bear the date of signature of each Stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by this Section 2.13, written consents signed by a sufficient number of holders to take action are delivered to the Corporation as aforesaid. Prompt notice of the taking of the

corporate action without a meeting by less than unanimous written consent shall, to the extent required by applicable law, be given to those Stockholders who have not consented in writing, and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Corporation.

Article 3 Directors

3.1 General Powers. Except as otherwise provided in the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board. The Board may adopt such rules and regulations, not inconsistent with the Certificate of Incorporation or these Bylaws or applicable law, as it may deem proper for the conduct of its meetings and the management of the Corporation.

3.2 Number; Qualification; Term of Office. The Board shall consist of at least three Directors and up to seven Directors, the precise number thereof to be determined from time to time by resolution of the Board. Except as provided in Section 3.3, Directors shall be elected at the annual meeting of Stockholders by a plurality of the votes cast in the applicable election, and each Director shall hold office until his or her successor is elected and qualified, or until the Director's earlier death, resignation, disqualification or removal. Directors need not be Stockholders, and need not be residents of the State of Delaware.

3.3 Newly Created Directorships and Vacancies. Unless otherwise provided by applicable law or the Certificate of Incorporation, any newly created directorships resulting from an increase in the authorized number of Directors and any vacancies occurring in the Board for any cause may be filled by the affirmative vote of a majority of the remaining members of the Board, although less than a quorum, or by a sole remaining Director, or may be elected by a plurality of the votes cast by Directors at a Board meeting. A Director so elected shall hold office until the expiration of the term of office of the Director whom he or she has replaced, if applicable, or until a successor is elected and qualified, or until the Director's earlier death, resignation or removal.

3.4 Resignation and Removal. Any Director may resign at any time by notice given in writing to the Corporation. Such resignation shall take effect at the time therein specified, and, unless otherwise specified in such resignation, the acceptance of such resignation shall not be necessary to make it effective. Any Director or the Entire Board may be removed at any time, but only by the affirmative vote of the holders of two-thirds or more of the outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of Directors (considered for this purpose as one class) cast at a meeting of the Stockholders called for that purpose.

3.5 Regular Meetings. Regular meetings of the Board may be held without notice at such times and at such places within or without the State of Delaware as may be determined from time to time by resolution of the Board.

3.6 Special Meetings. Special meetings of the Board may be held at such times and at such places within or without the State of Delaware whenever called by the Chairman, the Chief Executive Officer or the Secretary, or by any two or more Directors on at least 24 hours' notice to each Director given by one of the means specified in Section 3.9 hereof other than by mail, or on at least three days' notice if given by mail. Special meetings shall be called by the Chairman, Chief Executive Officer or Secretary in like manner and on like notice on the written request of any two or more of the Directors then serving as Directors.

3.7 Telephone Meetings. Directors or members of any committee designated by the Board may participate in a meeting of the Board or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.7 shall constitute presence in person at such meeting.

3.8 Adjourned Meetings. A majority of the Directors present at any meeting of the Board, including an adjourned meeting, whether or not a quorum is present, may adjourn such meeting to another time and place. At least 24 hours' notice of any adjourned meeting of the Board shall be given to each Director whether or not present at the time of the adjournment, if such notice shall be given by one of the means specified in Section 3.9 hereof other than by mail, or at least three days' notice if by mail. Any business may be transacted at an adjourned meeting that might have been transacted at the meeting as originally called.

3.9 Notice Procedure. Subject to Sections 3.6 and 3.10 hereof, whenever under applicable law, the Certificate of Incorporation or these Bylaws, notice is required to be given to any Director, such notice shall be deemed given effectively if given in person or by telephone, by mail addressed to such Director at such Director's address as it appears on the records of the Corporation, with postage thereon prepaid, or by telegram, teletype (facsimile) or by other means of electronic transmission such as electronic mail.

3.10 Waiver of Notice. Whenever the giving of any notice to Directors is required by applicable law, the Certificate of Incorporation or these Bylaws, a waiver thereof, given by the Director entitled to said notice, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting except when the Director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Directors or a committee of Directors need be specified in any waiver of notice unless so required by applicable law, the Certificate of Incorporation or these Bylaws.

3.11 Organization. At each meeting of the Board, the Chairman, or in the absence of the Chairman, the Chief Executive Officer, or in the absence of the Chief Executive Officer, the President, or in the absence of the President, a chairman chosen by a majority of the Directors present, shall preside. If present, the Secretary shall act as secretary at each meeting of the Board. In case the Secretary shall be absent from any meeting of the Board, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such

meeting of the Secretary and all Assistant Secretaries, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

3.12 Quorum of Directors. The presence in person of a majority of the Entire Board shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

3.13 Action by Majority Vote. Except as otherwise expressly required by applicable law, the Certificate of Incorporation or these Bylaws, the vote of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board.

3.14 Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all Directors or members of such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee.

Article 4 Committees of the Board

The Board may, by resolution, designate one or more committees, each committee to consist of one or more of the Directors of the Corporation. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. If a member of a committee shall be absent from any meeting, or disqualified from voting thereat, the remaining member or members present at the meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may, by a unanimous vote, appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent permitted by applicable law and to the extent provided in the resolution of the Board designating such committee, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it. Unless otherwise specified in the resolution of the Board designating a committee, at all meetings of such committee, a majority of the then authorized members of the committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members of the committee present at any meeting at which there is a quorum shall be the act of the committee. Each committee shall keep regular minutes of its meetings. Unless the Board otherwise provides, each committee designated by the Board may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article 3 of these Bylaws.

Article 5 Officers

5.1 Positions. The officers of the Corporation shall include a Chief Executive Officer, a Secretary, a Treasurer and such other officers as the Board may elect, including a

Chairman, President, one or more Vice Presidents and one or more Assistant Secretaries and Assistant Treasurers, who shall exercise such powers and perform such duties as shall be determined from time to time by resolution of the Board. The Board may elect one or more Vice Presidents as Executive Vice Presidents and may use descriptive words or phrases to designate the standing, seniority or areas of special competence of the Vice Presidents elected or appointed by it. Any number of offices may be held by the same person unless the Certificate of Incorporation or these Bylaws otherwise provide.

5.2 Election. The officers of the Corporation shall be elected by the Board at its annual meeting or at such other time or times as the Board shall determine.

5.3 Term of Office. Each officer of the Corporation shall hold office for the term for which he or she is elected and until such officer's successor is elected and qualifies or until such officer's earlier death, resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Such resignation shall take effect at the date of receipt of such notice or at such later time as is therein specified, and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective. The resignation of an officer shall be without prejudice to the contractual rights of the Corporation, if any. Any officer may be removed at any time, with or without cause by the Board. Any vacancy occurring in any office of the Corporation may be filled by the Board. The removal of an officer with or without cause shall be without prejudice to the officer's contract rights, if any. The election or appointment of an officer shall not of itself create contractual rights in favor of such officer.

5.4 Fidelity Bonds. The Corporation may secure the fidelity of any or all of its officers or agents by bond or otherwise.

5.5 Chairman. The Chairman, if one shall have been appointed, shall preside at all meetings of the Board and shall exercise such powers and perform such other duties as shall be determined from time to time by resolution of the Board.

5.6 Chief Executive Officer. The Chief Executive Officer of the Corporation and shall have general supervision over the business of the Corporation, subject, however, to the control of the Board and of any duly authorized committee of the Board. Except as otherwise provided in Section 2.11, the Chief Executive Officer shall preside at all meetings of the Stockholders and shall also, if a Director, preside at all meetings of the Board at which the Chairman (if there be one) is not present. The Chief Executive Officer may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments, except in cases in which the signing and execution thereof shall be expressly delegated by resolution of the Board or by these Bylaws to some other officer or agent of the Corporation, or shall be required by applicable law otherwise to be signed or executed and, in general, the Chief Executive Officer shall perform all duties incident to the office of a Chief Executive Officer or President of a corporation and such other duties as may from time to time be assigned to the Chief Executive Officer by resolution of the Board.

5.7 President. The President, if any, shall have such powers and perform such duties as may be specified in these bylaws or prescribed by the Board. If the Chief Executive Officer is

absent or disabled, the President shall succeed to the Chief Executive Officer's powers and duties.

5.8 Vice Presidents. At the request of the Chief Executive Officer or the President, or, in the absence of both the Chief Executive Officer and President, at the request of the Board, the Vice Presidents shall (in such order as may be designated by the Board, or, in the absence of any such designation, in order of seniority based on age) perform all of the duties of the Chief Executive Officer and, in so performing, shall have all the powers of, and be subject to all restrictions upon, the Chief Executive Officer. Any Vice President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall be expressly delegated by resolution of the Board or by these Bylaws to some other officer or agent of the Corporation, or shall be required by applicable law otherwise to be signed or executed, and each Vice President shall perform such other duties as from time to time may be assigned to such Vice President by resolution of the Board or by the Chief Executive Officer or President.

5.9 Secretary. The Secretary shall attend all meetings of the Board and of the Stockholders and shall record all the proceedings of the meetings of the Board and of the Stockholders in a book to be kept for that purpose, and shall perform like duties for committees of the Board, when required. The Secretary shall give, or cause to be given, notice of all special meetings of the Board and of the Stockholders and shall perform such other duties as may be prescribed by the Board or by the Chief Executive Officer, under whose supervision the Secretary shall be. The Secretary shall have custody of the corporate seal of the Corporation, if any, and the Secretary, or an Assistant Secretary, shall have authority to affix the same on any instrument requiring it, and when so affixed, the seal may be attested by the signature of the Secretary or by the signature of such Assistant Secretary. The Board may, by resolution, give general authority to any other officer to affix the seal of the Corporation and to attest the same by such officer's signature. The Secretary or an Assistant Secretary may also attest all instruments signed by the Chief Executive Officer, President or any Vice President. The Secretary shall have charge of all the books, records and papers of the Corporation relating to its organization and management, shall see that the reports, statements and other documents required by applicable law are properly kept and filed and, in general, shall perform all duties incident to the office of Secretary of a corporation and such other duties as may from time to time be assigned to the Secretary by resolution of the Board or by the Chief Executive Officer or President.

5.10 Treasurer. The Treasurer, who may also be the Chief Financial Officer, shall have charge and custody of, and be responsible for, all funds, securities and notes of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any sources whatsoever; deposit all such moneys and valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board; against proper vouchers, cause such funds to be disbursed by checks or drafts on the authorized depositories of the Corporation signed in such manner as shall be determined by the Board and be responsible for the accuracy of the amounts of all moneys so disbursed; regularly enter or cause to be entered in books or other records maintained for the purpose full and adequate account of all moneys received or paid for the account of the Corporation; have the right to require from time to time reports or statements giving such information as the Treasurer may desire with respect to any and

all financial transactions of the Corporation from the officers or agents transacting the same; render to the Chief Executive Officer or the Board, whenever the Chief Executive Officer or the Board shall require the Treasurer so to do, an account of the financial condition of the Corporation and of all financial transactions of the Corporation; disburse the funds of the Corporation as ordered by the Board; and, in general, perform all duties incident to the office of Treasurer of a corporation and such other duties as may from time to time be assigned to the Treasurer by resolution of the Board or by the Chief Executive Officer.

5.11 Assistant Secretaries and Assistant Treasurers. Assistant Secretaries and Assistant Treasurers shall perform such duties as shall be assigned to them by the Secretary or by the Treasurer, respectively, or by resolution of the Board or by the Chief Executive Officer.

Article 6

Indemnification

6.1 Right to Indemnification. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (a "Covered Person") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a Director or officer of the Corporation or, while a Director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity (an "Other Entity"), including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as otherwise provided in Section 6.3, the Corporation shall be required to indemnify a Covered Person in connection with a Proceeding (or part thereof) commenced by such Covered Person only if the commencement of such Proceeding (or part thereof) by the Covered Person was authorized by the Board.

6.2 Prepayment of Expenses. The Corporation shall pay the expenses (including attorneys' fees) incurred by a Covered Person in defending any Proceeding in advance of its final disposition, provided, however, that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this Article 6 or otherwise.

6.3 Actions by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith

and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation. No indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged by a court of competent jurisdiction to be liable to the Corporation or for amounts paid in settlement to the Corporation, unless and only to the extent that the court in which such action or suit was brought or other court of competent jurisdiction shall determine upon application that in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper. A person entitled to indemnification under this Section shall also be considered a "Covered Person" for all purposes of these Bylaws.

6.4 Claims. If a claim for indemnification or advancement of expenses under this Article 6 is not paid in full within 30 days after a written claim therefor by the Covered Person has been received by the Corporation, the Covered Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

6.5 Nonexclusivity of Rights. The rights conferred on any Covered Person by this Article 6 shall not be exclusive of any other rights that such Covered Person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, the Bylaws, agreement, vote of Stockholders or disinterested Directors or otherwise.

6.6 Other Sources. The Corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of an Other Entity shall be reduced by any amount such Covered Person may collect as indemnification or advancement of expenses from such Other Entity.

6.7 Amendment or Repeal. Any repeal or modification of the foregoing provisions of this Article 6 shall not adversely affect any right or protection hereunder of any Covered Person in respect of any act or omission occurring prior to the time of such repeal or modification.

6.8 Other Indemnification and Prepayment of Expenses. This Article 6 shall not limit the right of the Corporation, to the extent and in the manner permitted by applicable law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

Article 7

General Provisions

7.1 Certificates Representing Shares. Shares of the Corporation's stock may be certificated or uncertificated, as provided under applicable law. Every holder of stock represented by certificates, and upon request every holder of uncertificated shares, shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman, if any, or the Chief Executive Officer, President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, certifying the number of shares owned by such Stockholder in the Corporation. Any or all of the signatures upon a certificate may be

facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon any certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

7.2 Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agents and registry offices or agents at such place or places as may be determined from time to time by the Board.

7.3 Lost, Stolen or Destroyed Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

7.4 Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or by means of, or be in the form of, any information storage device or method, provided that the records so kept can be converted into clearly legible paper form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to applicable law.

7.5 Certain Acquisitions by Fiduciaries. The provisions of Sections 78.378 to 78.3793 of the General Corporation Law do not apply to (i) an acquisition by a person acting in a fiduciary capacity from another person acting in a fiduciary capacity for the same beneficiaries (and pursuant to the same instrument) or (ii) an acquisition by the spouse of a person acting in a fiduciary capacity or by a relative of such fiduciary within the first, second or third degree of consanguinity, provided that such acquisition is pursuant to the instrument creating such fiduciary relationship. For purposes of this section, "acquisition" has the meaning set forth in Section 78.3783 of the General Corporation Law, and the term "fiduciary" has the meaning set forth in the Uniform Fiduciaries Act as adopted in the State of Delaware.

7.6 Counting Time. For all purposes of these Bylaws, whenever reference is made herein to a "day" or "days," such reference shall mean a calendar day. In addition, unless the General Corporation Law specifically requires otherwise, any and all weekend days shall also be considered days for purposes of these Bylaws. Notwithstanding the foregoing, if a due date for a particular action or a date for a meeting of the Board or members would otherwise fall on a federal holiday or weekend day, such due date or date for such meeting shall instead fall on the next business day.

7.7 Seal. The Board may provide for a corporate seal, in which case such corporate seal shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

7.8 Fiscal Year. The fiscal year of the Corporation shall be determined by resolution of the Board and may be changed by the Board.

7.9 Amendments. These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board, but the Stockholders may make additional Bylaws and may alter and repeal any Bylaws whether adopted by them or otherwise.

Date of Adoption: June 10, 2011

List of Subsidiaries

The following are the registrant's principal subsidiaries and jurisdictions of organization:

- GWG Life Settlements, LLC (Delaware)
- GWG DLP Funding II, LLC (Delaware)
- GWG DLP Master Trust II (Delaware)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of:
GWG Holdings, LLC and Subsidiaries

We consent to the use in this Registration Statement on Form S-1 of our report dated June 14, 2011, relating to the consolidated financial statements of GWG Holdings, LLC and Subsidiaries as of and for the years ended December 31, 2010 and 2009 which appears in such Registration Statement, and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
June 14, 2011