GWG Holdings, Inc.
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File Nos. 333-174887 and 333-174887-01

PROSPECTUS SUPPLEMENT NO. 4

to Prospectus dated April 17, 2014

Offering Amount $250,000,000

GWG HOLDINGS, INC.

a Delaware corporation

Renewable Secured Debentures

The information contained in this prospectus supplement amends and updates the prospectus dated April 17, 2014 (relating to our post-effective amendment to registration statement on Form S-1/A, filed with the SEC on April 15, 2014) (SEC File Nos. 333-174887 and 333-174887-01), together with prospectus supplement no. 3 (sticker supplement) filed on September 26, 2014 (which prospectus and sticker supplement we collectively refer to herein simply as the "prospectus"), and should be read in conjunction therewith. GWG Life, LLC, a Delaware limited liability company and wholly owned subsidiary of GWG Holdings, Inc., is also a registrant under the referenced registration statement as a guarantor of the Renewable Secured Debentures offered hereby (the "debentures"). Please keep this prospectus supplement with your prospectus for future reference.

Investing in our debentures may be considered speculative and involves a high degree of risk, including the risk of losing your entire investment. See the “Risk Factors” section of our prospectus for the risks you should consider before buying our debentures. An investment in our debentures is not suitable for all investors. Persons should not invest in the debentures unless they can afford to lose their entire investment.

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

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

RECENT EVENTS

On November 13, 2014, we filed our Quarterly Report on Form 10-Q for the period ended September 30, 2014. This prospectus supplement has been prepared primarily to set forth certain information contained in that report.

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

The date of this prospectus supplement is November 14, 2014

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RISK RELATING TO FORWARD-LOOKING STATEMENTS

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

- changes in the secondary market for life insurance;
- our limited operating history;
- the valuation of assets reflected on our financial statements;
- the reliability of our life expectancy estimates;
- the reliability of assumptions underlying our actuarial models;
- our reliance on continued access to 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;
- 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;

- the performance of our investments in life insurance policies;
- our financing requirements;
- litigation risks; and
- restrictive covenants contained in our borrowing agreements.

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

We base these forward-looking statements on current expectations and projections about future events and the information currently available to us. Although we believe that the assumptions for these forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Consequently, no representation or warranty can be given that the estimates, opinions, or assumptions made in or referenced by this prospectus supplement will prove to be accurate. We caution you that the forward-looking statements in the prospectus and this prospectus supplement are only estimates and predictions. Actual results could differ materially from those anticipated in the forward-looking statements due to risks, uncertainties or actual events differing from the assumptions underlying these statements. These risks, uncertainties and assumptions include, but are not limited to, those discussed in the prospectus and this prospectus supplement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Note: The following discussion and analysis of the financial condition and results of operations of the Company are derived from our Quarterly Report on Form 10-Q for the period ended September 30, 2014, filed with the SEC on November 13, 2014. We have not materially updated this discussion in any way, although it may be presented in a different order than in our Quarterly Report. As indicated in that report, this discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. The statements in this discussion and analysis concerning expectations regarding our future performance, liquidity and capital resources, as well as other non-historical statements in this discussion and analysis, are forward-looking statements. See "Risks Relating to Forward-Looking Statements" above. These forward-looking statements are subject to numerous risks and uncertainties. Our actual results could differ materially from those suggested or implied by any forward-looking statements.

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

Overview

We are engaged in providing financial services in the emerging secondary market for life insurance settlements. Our financial service offerings are targeted towards consumers owning life insurance who can benefit from the actuarial value of their life insurance policy. To date, our primary financial service has been to offer consumers the ability to sell their policy for cash. In addition, we have offered investors the opportunity to participate in our business through a series of debt offerings. We are in the process of expanding the services we offer consumers who own life insurance by offering them options such as to retain a portion of their policy benefits or to exchange their life insurance for a more desirable asset. All of the services we offer are based upon acquiring or otherwise financing, life insurance policy benefits from consumers in the secondary market at a discount to the face value of the insurance benefit. Once we purchase or finance a policy benefit at a discount, we continue paying the policy premiums in order to ultimately collect the face value of the insurance benefit. We seek to hold the policies to maturity, in order to ultimately collect the policy's benefit upon the insured's mortality. Our strategy is to build a profitable (purchased at discounts sufficient to provide a positive return on investment) and large (greater than 300 lives) portfolio of policies that are well diversified in terms of insurance carriers and the mortality profiles of insureds. We believe that diversification among insurers, mortality profiles, and medical conditions will lower our overall risk exposure, and that a larger number of policies (diversification in overall number) will provide our portfolio with greater actuarial stability.

In the first nine months of 2014, we recognized $2,301,000 of revenue from the receipt of $3,300,000 in policy benefits. In addition, we recognized revenue from the change in fair value of our life insurance policies, net of premiums and carrying costs, of $13,819,000. In the same period, our interest expense, including amortization of the deferred financing costs and preferred stock dividends, was $19,731,000, and selling, general and administrative expenses were $8,430,000. In the first nine months of 2014, we recognized income tax benefit of $4,130,000. Our net loss for the nine months ended September 30, 2014 was $7,888,000.

Critical Accounting Policies

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with the Generally Accepted Accounting Principles (GAAP) requires us to make 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 believed to be reasonable under the circumstances. Actual results could differ materially from these estimates. 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 consolidated financial statements and accordingly believe these to be our critical accounting estimates. Below we discuss the critical accounting policies associated with these estimates as well as certain other critical accounting policies.

Ownership of Life Insurance Policies—Fair Value Option

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

We initially record our purchase of life insurance policies at the transaction price, which is the amount paid for the policy, inclusive of all fees and costs associated with the acquisition. The fair value of our investment in the portfolio of insurance policies is evaluated at the end of each reporting period. Changes in the fair value of the portfolio of life insurance policies are based on periodic evaluations and are recorded as changes in fair value of life settlements 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 estimates and discount rate assumptions.

In addition to reporting our results of operations and financial condition based on the fair value of our life insurance policies as required by GAAP, 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

Unobservable inputs, as discussed below, are a critical component of our estimate for the fair value of our investments in life insurance policies. We currently use a probabilistic method of estimating and valuing the projected cash flows of our portfolio of 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 estimates of the insureds and the discount rate applied to the projected cash flows to be derived from our portfolio.

In determining life expectancy estimates, we generally use actuarial medical reviews from independent medical underwriters. These medical underwriters 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. In the case of a small face policy ($1 million face value or less), we may use one life expectancy report or estimate life expectancy based on a modified methodology which does not use actuarial medical reviews from independent medical underwriters. The life expectancy estimate represents a range of probabilities for the insured's mortality against a group of cohorts with the same age, sex and smoking status. 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 at the stated fair value. The discount rate used to calculate fair value of our portfolio incorporates the guidance provided by ASC 820, *Fair Value Measurements and Disclosures*. Many of our current underwriting review processes, including our policy of obtaining actuarial medical reviews from independent medical underwriters as described above, are undertaken in satisfaction of obligations under our revolving credit facility. As a result, we may in the future modify our underwriting review processes if permitted under our borrowing arrangements.

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

September 30, 2014	**December 31, 2013**
11.56%	11.69%

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

We engaged a third party, Model Actuarial Pricing Systems (MAPS), to prepare a third-party valuation of our life settlement portfolio. MAPS owns and maintains the portfolio pricing software we use. MAPS processed policy data, future premium data, life expectancy estimate data, and other actuarial information we supply to calculate a net present value for our portfolio using the specified discount rate of 11.56%. MAPS independently calculated the net present value of our portfolio of 289 policies to be $276,381,979, which is the same fair value estimate we used on the balance sheet as of September 30, 2014, and furnished us with a letter documenting its calculation.

JOBS Act

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

Deferred Income Taxes

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

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

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

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

Deferred Financing and Issuance Costs

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

Principal Revenue and Expense Items

We earn revenues from three primary sources as described below.

- *Policy Benefits Realized*. We recognize the difference between the insurance benefits and carrying values of the policy when an insured event has occurred and we determine that settlement and ultimate collection of the insurance benefits is realizable and reasonably assured. Revenue from a transaction must meet both criteria in order to be recognized. We generally collect the face value of the life insurance policy from the insurance company within 45 days of the insured's 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 our portfolio of life insurance policies each reporting period in accordance with the fair value principles discussed herein, which includes the expected payment of premiums for future periods.

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

Our main components of expense are summarized below.

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

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

Results of Operations — Three and Nine Months Ended September 30, 2014 Compared to the Same Periods in 2013

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

Revenue. Revenue recognized from the receipt of policy benefits was $2,070,000 and $2,301,000 during the three and nine months ended September 30, 2014, respectively. Revenue recognized from the receipt of policy benefits was $3,668,000 and $11,396,000 during the three and nine months ended September 30, 2013, respectively. Revenue recognized from the change in fair value of our life insurance policies, net of premiums and carrying costs, was $3,049,000 and $13,819,000 for the three and nine months ended September 30, 2014, respectively and $1,769,000 and $10,115,000 for the three and nine months ended September 30, 2013, respectively. During the nine-month period ended September 30, 2013, we purchased a higher volume of life insurance policies than we did during the same period in 2014. The change in fair value related to new policies acquired during the three and nine month periods ended September 30, 2014 was $964,000 and $7,523,000 respectively, and $6,732,000 and $19,762,000 for those acquired during the three-month and nine-month periods ended September 30, 2013, respectively. In each case, the increases in fair value were due to changes in the discount rates we use to calculate the net present value of cash flows expected from our portfolio of life insurance policies, change in fair value of policies acquired during the period, and aging of the policies. The discount rate incorporates current information about discount rates applied by other reporting companies owning portfolios of life insurance policies, discount rates observed in the life insurance secondary market, market interest rates, the credit exposure to the insurance company that issued the life insurance policy and management's estimate of the risk premium a purchaser would require to receive the future cash flows derived from our portfolio of life insurance policies. The discount rate used to estimate the fair value of the life insurance policies we own was 11.56% as of September 30, 2014, compared to 11.77% as of September 30, 2013. The decrease in discount rate was due to changes in a variety of factors in our fair value methodology. The carrying value of policies acquired during each quarterly reporting period are adjusted to their current fair value using the fair value discount rate applied to the portfolio as of that reporting date.

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Expenses. Interest expense, including amortization of the deferred financing costs as well as preferred stock dividends, were $6,797,000 and $19,731,000 during the three and nine months ended September 30, 2014, compared to $5,537,000 and $14,946,000 during the same periods of 2013, increases of $1,260,000 and $4,785,000, respectively. The increase was due to the increased debt outstanding that increased from $225,362,000 at September 30, 2013 to $280,438,000 at September 30, 2014, principally to fund acquisition of policies, make premium payments, pay interest and principal on the outstanding debt, and fund operating expenses. Selling, general, and administrative expenses were $3,590,000 and $8,430,000 during the three and nine months ended September 30, 2014, compared to $2,276,000 and $8,191,000 during the same periods of 2013, an increase of $1,314,000 and $239,000, respectively. The third quarter of 2014 over the same quarter of 2013 selling, general and administrative expenses increase was due to $277,000 increase of employee expenses, $339,000 increase in legal and professional fees, and $698,000 increase in marketing, recruiting and other fees.

Income Tax Expense. For the three and nine months ended September 30, 2014, we had a loss of $3,400,000 and $7,888,000 before income taxes and recorded income tax benefit of $1,858,000 and $4,130,000, respectively, or 35.3% and 34.4%, respectively. In the same periods of 2013, we recorded income tax benefit of $657,000 (or 28.7% of income before taxes) and income tax expense of $1,711,000 (or 89.8% of income before taxes). The primary differences between our effective tax rate and the statutory federal rate are the accrual of preferred stock dividend expense, state taxes, and other non-deductible expenses. Excluding the impact of the dividends and other permanent differences, the effective tax rate for the three and nine months ended September 30, 2014 and 2013 would have been 43.8% and 40.5%, respectively.

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

Six months ended:	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014		Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
Statutory federal income tax	$(1,788,000)	34.0%	$(4,086,000)	34.0%	$777,000	34.0%	$(648,000)	34.0%
State income taxes, net of federal benefit	(297,000)	5.6 %	(649,000)	5.4 %	105,000	4.6 %	(251,000)	13.2%
Series A preferred stock dividends	216,000	(4.1)%	650,000	(5.4)%	(215,000)	(9.4)%	(645,000)	33.9%
Other permanent differences	11,000	(0.2)%	(45,000)	0.4 %	(10,000)	(0.5)%	(167,000)	8.7 %
Total income tax expense	$(1,858,000)	35.3%	$(4,130,000)	34.4%	$657,000	28.7%	$(1,711,000)	89.8%

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

Liquidity and Capital Resources

We finance our business through a combination of policy benefit revenues, origination fees, equity offerings, debt offerings, and a credit facility. We have used our debt offerings and credit facility primarily for policy acquisition, policy servicing and portfolio related financing expenditures. We charge an intercompany origination fee in the amount of one to four percent of the face value of a life insurance policy's benefit when we acquire the related life insurance policy. The origination fee we charge is included in the total purchase price we pay for a life insurance policy for purposes of our valuation and expected internal rate of return calculations, but is not netted against the purchase price we pay to a seller of an insurance policy. We generated cash flows of $153,000 and $1,462,000 from origination fees during the three and nine months ended September 30, 2014, and $1,004,000 and $2,818,000 during the same periods in 2013. Profit from intra-company origination fees for life insurance policies retained by the Company are eliminated from our consolidated statements of operations. As such, the origination fees collected under our life insurance policy financing arrangements are reflected in our consolidated statements of cash flows as cash flows from financing activities as they are received from borrowings used to finance the acquisition of life insurance policies. Our revolving bank line allows DLP II to borrow the funds necessary to pay origination fees to GWG Life. Our borrowing agreements allow us to use net proceeds of the Renewable Secured Debentures for policy acquisition, which includes origination fees. If the policy acquisition is not financed, no fees are included in the consolidated cash flows. See "Cash Flows" below for further information. We determine the purchase price of life insurance policies in accordance with ASC 325-30, *Investments in Insurance Contracts*, using the fair value method. Under the fair value method, the initial investment is recorded at the transaction price. Because the origination fees are paid from a wholly owned subsidiary to the parent company, these fees are not included in the transaction price as reflected in our consolidated financial statements. For further discussion on our accounting policies for life settlements, please refer to note 1 to our consolidated financial statements.

As of September 30, 2014, we had approximately $41.1 million in combined available cash and available borrowing base surplus capacity under our revolving credit facility for the purpose of purchasing additional life insurance policies, paying premiums on existing policies, paying portfolio servicing expenses, and paying principal and interest on our outstanding financing obligations.

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

In June 2011, we registered a $250.0 million debt offering of our Renewable Secured Debentures with the SEC. The registration became effective on January 31, 2012. Through September 30, 2014, the total amount of Renewable Secured Debentures sold, including renewals, is $225.0 million. As of September 30, 2014, we had approximately $173.2 million in principal amount of Renewable Secured Debentures outstanding.

On September 24, 2014, GWG consummated an initial public offering of its common stock which resulted in the sale of 800,000 shares of common stock at $12.50 per share. The sale resulted in net proceeds of approximately $9.03 million after the deduction of underwriting commissions, discounts and expense reimbursements. The company intends to use the net proceeds from the offering to promote and advertise the opportunities for consumers owning life insurance and investors to profit from participating in the secondary market for life insurance policies, purchase additional life insurance policies in the secondary market, pay premiums on the company's life insurance policy assets, fund its portfolio operations, and for working capital purposes.

Additionally, our wholly owned subsidiary GWG Life issued Series I Secured notes beginning in November 2009 on a private placement basis to accredited investors only. As of September 30, 2014, we had approximately $28.2 million in principal amount of Series I Secured notes outstanding. This offering was closed in November 2011.

The weighted-average interest rate of our outstanding Series I Secured notes as of September 30, 2014 and December 31, 2013 was 8.37% and 8.35%, respectively, and the weighted average maturity at those dates was 1.92 and 2.49 years, respectively. The Series I Secured notes have renewal features. Since we first issued our Series I Secured notes, we have experienced $131,774,000 in maturities, of which as of September 30, 2014, $102,260,000 has renewed for an additional term. This has provided us with an aggregate renewal rate of approximately 78% for investments in our subsidiary secured notes. Future contractual maturities of Series I Secured notes payable at September 30, 2014 are:

Years Ending December 31,	
Three months ending December 31, 2014	$1,925,000
2015	12,729,000
2016	8,217,000
2017	4,427,000
2018	754,000
Thereafter	141,000
	$28,193,000

The weighted-average interest rate of our outstanding Renewable Secured Debentures as of September 30, 2014 and December 31, 2013 was 7.49% and 7.53%, respectively, and the weighted average maturity at those dates was 3.50 and 3.69 years, respectively. Our Renewable Secured Debentures have renewal features. Since we first issued our Renewable Secured Debentures, we have experienced $51,493,000 in maturities, of which as of September 30, 2014, $34,105,000 has renewed for an additional term. This has provided us with an aggregate renewal rate of approximately 66% for investments in our Renewable Secured Debentures. Future contractual maturities of Renewable Secured Debentures at September 30, 2014 are:

Years Ending December 31,	
Three months ending December 31, 2014	$16,086,000
2015	55,676,000
2016	43,434,000
2017	21,950,000
2018	10,730,000
Thereafter	25,369,000
	$173,245,000

The Renewable Secured Debentures and Series I Secured notes are secured by all our assets, and are subordinate to our revolving credit facility with Autobahn/DZ Bank. The Renewable Secured Debentures and Series I Secured notes are pari passu with respect to our assets pursuant to an intercreditor agreement (see notes 7 and 8 to our consolidated financial statements).

We maintain a $100 million revolving credit facility with Autobahn/DZ Bank through GWG Life's wholly owned subsidiary DLP II. As of September 30, 2014 and December 31, 2013 we had $79.0 million outstanding under the revolving credit facility and maintained an available borrowing base surplus of $11.6 and $3.9 million, respectively (see note 6 to our consolidated financial statements).

We expect to meet our ongoing operational capital needs through a combination of policy benefit revenues, origination fees, and proceeds from financing transactions. We expect to meet our policy acquisition, servicing, and financing capital needs principally from the receipt of policy benefit revenues from our portfolio of life insurance policies, net proceeds from our offering of Renewable Secured Debentures, and from our revolving credit facility. Because we only receive origination fees when we purchase a policy, our receipt of those fees is contingent upon our consummation of policy purchases, which is, in turn, contingent upon our receipt of external funding. Despite recent adverse capital market conditions, including a prolonged credit crisis, we have demonstrated continued access to credit and financing markets. Furthermore, we expect to begin receiving insurance benefit payments on our portfolio of life insurance policies as the average age of the insureds increase and mortality events occur over time which we expect to begin more significantly in 2015 and steadily increasing until 2018. As a result of the foregoing, we estimate that our liquidity and capital resources are sufficient for our current and projected financial needs. Nevertheless, if we are unable to continue our offering of Renewable Secured Debentures for any reason (or if we become unsuccessful in selling debentures), and we are unable to obtain capital from other sources, we expect that our business would be materially and adversely affected. In addition, our business would be materially and adversely affected if we did not receive the policy benefits we forecast and if holders of our Renewable Secured Debentures or Series I Secured notes failed to renew with the frequency we have historically experienced. In such a case, we could be forced to sell our investments in life insurance policies to service or satisfy our debt-related obligations and continue to pay policy premiums.

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

Debt Financings Summary

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

Issuer/Borrower	Principal Amount Outstanding	Weighted Average Interest Rate	
GWG Holdings, Inc. - Renewable Secured Debentures	$173,245,000	7.49	%
GWG Life Settlements, LLC -Series I Secured notes	28,193,000	8.37	%
GWG DLP Funding II, LLC - Revolving credit facility	79,000,000	6.22	%
Total	$280,438,000	7.22	%

Our total credit facility and other indebtedness balance as of September 30, 2014 and December 31, 2013 was $280,438,000 and $243,635,000, respectively. At September 30, 2014, the total outstanding face amount under our Series I Secured notes outstanding was $28,193,000, less unamortized selling costs of $491,000, resulting in a carrying amount of $27,702,000. At December 31, 2013, the total outstanding face amount under our Series I Secured notes outstanding was $29,744,000, less unamortized selling costs of $469,000, resulting in a carrying amount of $29,275,000. At September 30, 2014, the total outstanding face amount of Renewable Secured Debentures was $173,245,000 plus $1,679,000 of subscriptions in process, less unamortized selling costs of $5,737,000, resulting in a carrying amount of $169,187,000. At December 31, 2013, the total outstanding face amount of Renewable Secured Debentures outstanding was $134,891,000 plus $1,902,000 of subscriptions in process, less unamortized selling costs of $5,147,000, resulting in a carrying amount of $131,646,000. At September 30, 2014, the fair value of our investments in life insurance policies of $276,382,000 plus our cash balance of $29,512,000 and our restricted cash balance of $2,145,000, totaled $308,039,000, representing an excess of portfolio assets over secured indebtedness of $27,601,000. At December 31, 2013, the fair value of our investments in life insurance policies of $234,673,000 plus our cash balance of $33,450,000 and our restricted cash balance of $5,833,000, totaled $273,956,000, representing an excess of portfolio assets over secured indebtedness of $30,321,000. The Renewable Secured Debentures and Series I Secured notes are secured by all our assets and are subordinate to our revolving credit facility with Autobahn/DZ Bank. The Renewable Secured Debentures and Series I Secured notes are pari passu with respect to shared collateral pursuant to an intercreditor agreement.

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

Portfolio Discount Rate	10%	11%	12%	13%	14%
Value of portfolio	$298,167,000	$283,889,000	$270,713,000	$258,529,000	$247,240,000
Cash and cash equivalents	31,657,000	31,657,000	31,657,000	31,657,000	31,657,000
Total assets	329,824,000	315,546,000	302,370,000	290,186,000	278,897,000
Revolving credit facility Autobahn/DZ Bank	79,000,000	79,000,000	79,000,000	79,000,000	79,000,000
Net after revolving credit facility	250,824,000	236,546,000	223,370,000	211,186,000	199,897,000
Series I Secured notes and Renewable Secured Debentures	201,438,000	201,438,000	201,438,000	201,438,000	201,438,000
Net after Series I Secured notes and Renewable Secured Debentures	$49,386,000	$35,108,000	$21,932,000	$9,748,000	$(1,541,000)
Impairment to Series I Secured notes and Renewable Secured Debentures	No impairment	No impairment	No impairment	No impairment	Impairment

The table illustrates that our ability to fully satisfy amounts owing under the Renewable Secured Debentures and Series I Secured notes would likely be impaired upon the sale of all our life insurance assets at a price equivalent to a discount rate of approximately 13.86% or higher. The discount rates used to calculate the fair value of our portfolio for mark-to-market accounting were 11.56% and 11.69% as of September 30, 2014 and December 31, 2013, respectively. The table does not include any allowance for transactional fees and expenses associated with a portfolio sale (which expenses and fees could be substantial), and is provided to demonstrate how various discount rates used to value our portfolio could affect our ability to satisfy amounts owing under our debt obligations, in light of our senior secured lender's right to priority payments. You should read the above table in conjunction with the information contained in other sections of this report, including our discussion of discount rates included under the "—Critical Accounting Policies – Valuation of Insurance Policies" caption above. 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 forward-looking presentation above is subject to numerous risks and uncertainties. Our actual results could differ materially from those suggested or implied by the above table. Please see the caption "Risk Relating to Forward-Looking Statements" above.

On May 29, 2014, GWG Holdings, together with GWG Life and DLPII, entered into an Amendment No. 1 to Amended and Restated Credit and Security Agreement with Autobahn and DZ Bank (as committed lender and Agent). The amendment was entered into for the purpose of extending the maturity date for borrowings under the agreement to December 31, 2016.

On July 3, 2014, we filed a registration statement on Form S-1 (File No. 333-197227), as subsequently amended, for the public offer and sale of up to an aggregate of $1,000,000,000 of secured debt named "L Bonds." The L Bonds have terms substantially identical to the Renewable Secured Debentures, and are to be issued under the same indenture, as amended and contemplated to be amended. Upon effectiveness of the L Bond offering, a pending amendment to the indenture will rename our outstanding “Renewable Secured Debentures” as “L Bonds.”

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 described herein. 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 a stable amount of proceeds from the policy benefits, we intend to pay these costs from our credit facility, when permitted, and through the issuance of debt securities, including Renewable Secured Debentures.

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

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Quarter End Date	Portfolio Face Amount	12-Month Trailing Benefits Collected	12-Month Trailing Premiums Paid	12-Month Trailing Benefits/ Premium Coverage Ratio
March 31, 2012	$482,455,000	$4,203,000	$14,977,000	28.06 %
June 30, 2012	489,255,000	8,703,000	15,412,000	56.47 %
September 30, 2012	515,661,000	7,833,000	15,837,000	49.46 %
December 31, 2012	572,245,000	7,350,000	16,597,000	44.28 %
March 31, 2013	639,755,000	11,350,000	18,044,000	62.90 %
June 30, 2013	650,655,000	13,450,000	19,182,000	70.11 %
September 30, 2013	705,069,000	18,450,000	20,279,000	90.98 %
December 31, 2013	740,648,000	16,600,000	21,733,000	76.38 %
March 31, 2014	771,940,000	12,600,000	21,930,000	57.46 %
June 30, 2014	784,652,000	6,300,000	22,598,000	27.88 %
September 30, 2014	787,964,000	4,300,000	23,121,000	18.60 %

We believe that the portfolio cash flow results set forth above represent our general investment thesis: that the life insurance policy benefits we receive will continue to increase over time in relation to the premiums we are required to pay on the remaining polices in the portfolio. Nevertheless, we expect that our portfolio cash flow results will remain inconsistent until such time we achieve our goal of acquiring a larger, more diversified portfolio of life insurance policies in order to obtain more normalized actuarial results. For example, we had expected to receive a greater amount of insurance benefits for the periods ended December 31, 2013 and September 30, 2014 than we actually experienced. As our receipt of life insurance policy benefits increase, we expect to begin servicing and paying down our outstanding indebtedness, or alternatively purchasing additional life insurance policies, from these cash flows. As indicated above under “Liquidity and Capital Resources,” we presently expect that by 2015, the cash inflows from the receipt of policy benefits will exceed the premium obligations on the remaining life insurance policies held within the portfolio as of December 31, 2013.

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

Year	Premiums and Servicing
Three months ending December 31, 2014	$6,711,000
2015	27,075,000
2016	29,701,000
2017	33,176,000
2018	36,100,000

Total	$132,763,000

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

Inflation

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

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Off-Balance Sheet Arrangements

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

Three months ending December 31, 2014	$26,000
2015	70,000
Total	$96,000

Credit Risk

We review the credit risk associated with our portfolio of life insurance policies when estimating its fair value. In evaluating the policies' credit risk we consider insurance company solvency, credit risk indicators, economic conditions, ongoing credit evaluations, and company positions. We attempt to manage our credit risk related to life insurance policies typically by purchasing policies issued only from companies with an investment grade credit rating by either Standard & Poor's, Moody's, or A.M. Best Company. As of September 30, 2014, 99.08% of our life insurance policies, by face value benefits, were issued by companies that maintained an investment grade rating (BBB or better) by Standard & Poor's.

Interest Rate Risk

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

Non-GAAP Financial Measures

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

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

GAAP-based fair value requires us to mark-to-market our investments in life insurance policies, which by its nature, is based upon Level 3 measurements that are unobservable. As a result, this accounting treatment imports financial market volatility and subjective inputs into our financial reporting. We believe this type of accounting reporting is at odds with one of the key attractions for purchasing and owning a portfolio of life insurance policies: the non-correlated nature of the returns to be derived from such policies. Therefore, in contrast to a GAAP-based fair valuation, we seek to measure the accrual of the actuarial gain occurring within the portfolio of life insurance policies at their expected internal rate of return based on statistical mortality probabilities for the insureds (using primarily the insured’s age, sex and smoking status). The expected internal rate of return tracks actuarial gain occurring within the policies according to a mortality table as the insureds’ age increases. By comparing the actuarial gain accruing within our portfolio of life insurance policies against our costs during the same period, we can estimate, manage and evaluate the overall financial profitability of our business without regard to mark-to-market volatility. We use this information to balance our life insurance policy purchasing and manage our capital structure, including the issuance of debt and utilization of our other sources of capital, and to monitor our compliance with borrowing covenants. We believe that these non-GAAP financial measures provide information that is useful for investors to understand period-over-period operating results separate and apart from fair value items that may, or could, have a disproportionately positive or negative impact on results in any particular period.

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

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

Adjusted Non-GAAP Net Income. Our credit facility requires us to maintain a positive net income calculated on an adjusted non-GAAP basis. We calculate the adjusted net income by recognizing the actuarial gain accruing within our life insurance policies at the expected internal rate of return of the policies we own without regard to fair value. We net this actuarial gain against our costs during the same period to calculate our net income on a non-GAAP basis.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
GAAP net income (loss)	$(3,400,000)	$(1,629,000)	$(7,888,000)	$195,000
Unrealized fair value gain (1)	(8,762,000)	(6,960,000)	(30,973,000)	(25,904,000)
Adjusted cost basis increase (2)	10,982,000	9,360,000	33,156,000	28,256,000
Accrual of unrealized actuarial gain (3)	8,082,000	5,208,000	23,209,000	15,406,000
Total adjusted non-GAAP income (4)	$6,902,000	$5,979,000	$17,504,000	$17,953,000

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

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

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

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

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

	As of September 30, 2014	As of December 31, 2013
GAAP net worth (1)	$20,221,000	$19,231,000
Less intangible assets (2)	(8,237,000)	(6,068,000)
GAAP tangible net worth	11,984,000	13,163,000
Unrealized fair value gain (3)	(145,717,000)	(114,744,000)
Adjusted cost basis increase (4)	139,094,000	106,201,000
Accrual of unrealized actuarial gain (5)	72,875,000	49,666,000
Total adjusted non-GAAP tangible net worth (6)	$78,236,000	$54,286,000

(1) Includes termination of redeemable member's interest prior to corporate conversion and preferred stock classified as temporary equity.
(2) Unamortized portion of deferred financing costs and pre-paid insurance.
(3) Reversal of cumulative unrealized fair value gain or loss of life insurance policies.
(4) Adjusted cost basis is increased by acquisition and servicing expenses which are not capitalized under GAAP.
(5) Accrual of cumulative actuarial gain at expected internal rate of return based on investment cost basis.
(6) We must maintain a total adjusted non-GAAP tangible net worth of $15 million to maintain compliance with our revolving credit facility with DZ Bank/Autobahn.

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

	As of September 30, 2014	As of December 31, 2013
Weighted-average expected IRR (1)	11.88 %	12.21 %
Weighted-average revolving credit facility interest rate (2)	6.22 %	6.19 %
Excess spread (3)	5.66 %	6.02 %
Total weighted-average interest rate on indebtedness for borrowed money (4)	7.22 %	7.20 %
Total excess spread	4.66 %	5.01 %

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

Investment Cost Basis	As of September 30, 2014	As of December 31, 2013
GAAP fair value	$276,382,000	$234,673,000
Unrealized fair value gain (A)	(145,717,000)	(114,744,000)
Adjusted cost basis increase (B)	139,094,000	106,201,000
Investment cost basis (C)	$269,759,000	$226,130,000

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

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

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

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

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

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

Outstanding Indebtedness	As of September 30, 2014	As of December 31, 2013
Revolving credit facility	$ 79,000,000	$ 79,000,000
Series I Secured notes	28,193,000	29,744,000
Renewable Secured Debentures	173,245,000	134,891,000
Total	$ 280,438,000	$ 243,635,000

Interest Rates on Indebtedness		
Revolving credit facility	6.22%	6.19%
Series I Secured notes	8.37%	8.35%
Renewable Secured Debentures	7.49%	7.53%
Weighted-average interest rates on indebtedness	7.22%	7.20%

Debt Coverage Ratio and Subordination Ratio. Our Renewable Secured Debentures and Series I Secured notes require us to maintain a "debt coverage ratio" of less than 90%. The "debt coverage ratio" is calculated by dividing the sum of our total indebtedness by the sum of our cash and cash equivalents and the net present value of the life insurance portfolio. The "subordination ratio" for our Renewable Secured Debentures is calculated by dividing the total indebtedness that is senior to Renewable Secured Debentures and Series I Secured notes by the sum of the company's cash and cash equivalents and the net present value of the life insurance portfolio. The "subordination ratio" must be less than 50%. For purposes of both ratio calculations, the net present value of the life insurance portfolio is calculated using a discount rate equal to the weighted average interest rate of all indebtedness.

	As of September 30, 2014	As of December 31, 2013
Life insurance portfolio policy benefits	$ 787,964,000	$ 740,648,000
Discount rate of future cash flows	7.22 %	7.20 %
Net present value of Life insurance portfolio policy benefits	$ 344,774,000	$ 302,761,000
Cash and cash equivalents	31,657,000	39,283,000
Total Coverage	376,431,000	342,044,000
Revolving credit facility	79,000,000	79,000,000
Series I Secured notes	28,193,000	29,744,000
Renewable Secured Debentures	173,245,000	134,891,000
Total Indebtedness	$ 280,438,000	$ 243,635,000
Debt Coverage Ratio	74.50 %	71.23 %
Subordination Ratio	20.99 %	23.10 %

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

Our Portfolio

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

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$787,964,000	
Average face value per policy	$2,727,000	
Average face value per insured life	$2,996,000	
Average age of insured (yrs.) *	82.6	
Average life expectancy estimate (yrs.) *	6.69	
Total number of policies	289	
Number of unique lives	263	
Demographics	68% Males; 32% Females	
Number of smokers	3	
Largest policy as % of total portfolio	1.27	%
Average policy as % of total portfolio	0.35	%
Average Annual Premium as % of face value	3.31	%

* Averages presented in the table are weighted averages.

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

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Distribution of Policy Benefits by Current Age of Insured

Min Age	Max Age	Policy Benefits	Weighted Average Life Expectancy (yrs.)	Distribution	
65	69	$9,157,000	7.66	1.16	%
70	74	47,767,000	8.72	6.06	%
75	79	172,048,000	8.38	21.83	%
80	84	289,260,000	7.20	36.71	%
85	89	237,464,000	4.82	30.14	%
90	95	32,268,000	3.59	4.10	%
Total		$787,964,000	6.69	100.00	%

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

Distribution of Policies by Current Age of Insured

Min Age	Max Age	Policies	Weighted Average Life Expectancy (yrs.)	Distribution	
65	69	8	7.66	2.77	%
70	74	20	8.72	6.92	%
75	79	57	8.38	19.72	%
80	84	99	7.20	34.26	%
85	89	90	4.82	31.14	%
90	95	15	3.59	5.19	%
Total		289	6.69	100.00	%

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

Distribution of Policy Benefits by Current Life Expectancies of Insured

Min LE (Months)	Max LE (Months)	Policy Benefits	Distribution	
144	167	$9,000,000	1.14	%
120	143	69,656,000	8.84	%
96	119	175,024,000	22.21	%
72	95	203,081,000	25.77	%
48	71	209,573,000	26.60	%
16	47	121,630,000	15.44	%
Total		$787,964,000	100.00	%

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

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

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Distribution of Policy Benefits by Primary Disease Category

Primary Disease Category	**Policy Benefits**	**Distribution**	
Cancer	$57,450,000	7.29	%
Cardiovascular	141,874,000	18.00	%
Cerebrovascular	21,960,000	2.79	%
Dementia	62,699,000	7.96	%
Diabetes	63,617,000	8.07	%
Multiple	202,109,000	25.65	%
Neurological Disorders	16,104,000	2.04	%
No Disease	94,468,000	11.99	%
Other	86,483,000	10.98	%
Respiratory Diseases	41,200,000	5.23	%
Total Policy Benefits	$787,964,000	100.00	%

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

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 benefit at maturity as the exclusive form of payment.

The possible insolvency or loss by a life insurance company is a significant risk to our business. To manage this risk, we seek to purchase policies that are issued by insurance companies with investment-grade ratings from either A.M. Best, Moody's or Standard & Poor's. To further mitigate risk, we seek to limit the face value of policy benefits issued by any one life insurance company within the total portfolio to 20%. State guaranty funds generally guaranty policy benefits up to $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 underwriting standards established in the indenture governing our Renewable Secured Debentures.

As of September 30, 2014, 99.87% of insurance companies in our portfolio hold an investment-grade rating by Standard & Poor's (BBB- or better), and the face value of policy benefits issued by one life insurance company within the portfolio was 15.66%. Of the 44 insurance companies that insure the policies we own, ten companies insure approximately 72.80% of total face value of insurance benefits and the remaining 34 insurance companies insure the remaining approximately 27.20% of total face value of insurance benefits. The concentration risk of our ten largest insurance company holdings as of September 30, 2014 is set forth in the table below.

Rank	Policy Benefits	Percentage of Policy Benefit Amt.	**Insurance Company**	Ins. Co. S&P Rating
1	$123,380,000	15.66 %	AXA Equitable Life Insurance Company	A+
2	$89,470,000	10.35 %	John Hancock Life Insurance Company (U.S.A)	AA-
3	$73,920,000	9.38 %	Transamerica Life Insurance Company	AA-
4	$58,769,000	7.46 %	Jefferson-Pilot Life Insurance Company	AA-
5	$56,215,000	7.13 %	ING Life Insurance and Annuity Company	A-
6	$43,550,000	5.53 %	American General Life Insurance Company	A+
7	$42,735,000	5.42 %	Massachusetts Mutual Life Insurance Company	AA+
8	$30,500,000	3.87 %	Pacific Life Insurance Company	A+
9	$28,450,000	3.61 %	West Coast Life Insurance Company	AA-
10	$26,661,000	3.38 %	Metropolitan Life Insurance Company	AA-

Life Insurance Portfolio Detail

(as of September 30, 2014)

	Face Amount	Gender	Age (ALB)	LE (mo.)	Insurance Company	S&P Rating
1	$1,100,000	M	94	31.7	ING Life Insurance and Annuity Company	A-
2	$4,000,000	M	93	37.5	MetLife Investors USA Insurance Company	AA-
3	$1,770,726	F	93	35.7	Aviva Life Insurance Company	A-
4	$3,200,000	M	93	61.0	West Coast Life Insurance Company	AA-
5	$1,000,000	F	92	41.9	Transamerica Life Insurance Company	AA-
6	$ 264,000	F	92	27.5	Lincoln Benefit Life Company	BBB+
7	$2,500,000	M	91	25.4	Columbus Life Insurance Company	AA
8	$500,000	M	91	20.6	John Hancock Life Insurance Company (U.S.A)	AA-
9	$2,000,000	F	91	19.3	Pruco Life Insurance Company	AA-
10	$250,000	M	91	24.9	Transamerica Life Insurance Company	AA-
11	$1,682,773	F	90	56.9	Hartford Life and Annuity Insurance Company	BBB+
12	$3,000,000	M	90	53.4	West Coast Life Insurance Company	AA-
13	$5,000,000	F	90	58.7	American General Life Insurance Company	A+
14	$5,000,000	F	90	38.5	John Hancock Life Insurance Company (U.S.A)	AA-
15	$1,000,000	F	90	35.7	Protective Life Insurance Company	AA-
16	$5,000,000	M	89	37.9	John Hancock Life Insurance Company (U.S.A)	AA-
17	$3,500,000	F	89	62.7	John Hancock Life Insurance Company (U.S.A)	AA-
18	$3,100,000	F	89	39.6	Lincoln Benefit Life Company	BBB+
19	$1,500,000	F	89	72.9	Jefferson-Pilot Life Insurance Company	AA-
20	$1,000,000	M	89	31.9	State Farm Life Insurance Company	AA-
21	$3,000,000	F	89	39.2	Jefferson-Pilot Life Insurance Company	AA-
22	$5,000,000	F	89	46.1	ING Life Insurance and Annuity Company	A-
23	$5,000,000	F	89	23.4	Lincoln National Life Insurance Company	AA-
24	$1,000,000	M	89	13.1	ING Life Insurance and Annuity Company	A-
25	$1,203,520	M	89	49.9	Columbus Life Insurance Company	AA
26	$1,350,000	F	89	41.6	Jefferson-Pilot Life Insurance Company	AA-
27	$600,000	F	89	26.9	Columbus Life Insurance Company	AA
28	$5,000,000	F	88	54.6	Massachusetts Mutual Life Insurance Company	AA+
29	$2,500,000	F	88	54.3	American General Life Insurance Company	A+
30	$2,500,000	M	88	45.7	Pacific Life Insurance Company	A+
31	$1,000,000	F	88	56.9	United of Omaha Life Insurance Company	A+
32	$1,000,000	F	88	72.4	Transamerica Life Insurance Company	AA-
33	$250,000	F	88	72.4	Transamerica Life Insurance Company	AA-
34	$1,750,000	M	88	27.4	Transamerica Life Insurance Company	AA-
35	$2,500,000	F	88	13.1	AXA Equitable Life Insurance Company	A+
36	$2,500,000	F	88	13.1	AXA Equitable Life Insurance Company	A+
37	$8,985,000	M	88	37.6	Massachusetts Mutual Life Insurance Company	AA+
38	$715,000	F	88	66.7	Jefferson-Pilot Life Insurance Company	AA-
39	$2,225,000	F	88	91.3	Transamerica Life Insurance Company	AA-
40	$2,000,000	F	88	34.8	American General Life Insurance Company	A+

41	$3,500,000	F	88	47.2	Lincoln National Life Insurance Company	AA-
42	$500,000	F	87	75.0	Sun Life Assurance Company of Canada (U.S.)	AA-
43	$250,000	M	87	79.0	Metropolitan Life Insurance Company	AA-
44	$4,000,000	F	87	79.0	Transamerica Life Insurance Company	AA-
45	$5,000,000	M	87	59.7	AXA Equitable Life Insurance Company	A+
46	$1,500,000	M	87	47.5	John Hancock Life Insurance Company (U.S.A)	AA-

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	Face Amount	Gender	Age (ALB)	LE (mo.)	Insurance Company	S&P Rating
47	$1,500,000	M	87	47.5	John Hancock Life Insurance Company (U.S.A)	AA-
48	$1,050,000	M	87	49.9	John Hancock Life Insurance Company (U.S.A)	AA-
49	$5,000,000	F	87	37.9	Penn Mutual Life Insurance Company	A+
50	$1,000,000	M	87	61.5	AXA Equitable Life Insurance Company	A+
51	$500,000	M	87	68.1	Lincoln National Life Insurance Company	AA-
52	$4,785,380	F	87	49.2	John Hancock Life Insurance Company (U.S.A)	AA-
53	$1,803,455	F	87	55.5	Metropolitan Life Insurance Company	AA-
54	$1,529,270	F	87	55.5	Metropolitan Life Insurance Company	AA-
55	$800,000	M	87	77.0	Lincoln National Life Insurance Company	AA-
56	$5,000,000	M	87	58.4	John Hancock Life Insurance Company (U.S.A)	AA-
57	$3,000,000	F	87	88.7	Massachusetts Mutual Life Insurance Company	AA+
58	$200,000	M	87	54.9	Lincoln Benefit Life Company	BBB+
59	$4,445,467	M	87	65.2	Penn Mutual Life Insurance Company	A+
60	$1,500,000	M	87	52.3	Union Central Life Insurance Company	A+
61	$7,500,000	M	87	57.1	Jefferson-Pilot Life Insurance Company	AA-
62	$3,600,000	F	87	64.4	AXA Equitable Life Insurance Company	A+
63	$3,000,000	M	87	50.4	Jefferson-Pilot Life Insurance Company	AA-
64	$2,000,000	M	87	45.6	John Hancock Life Insurance Company (U.S.A)	AA-
65	$3,000,000	M	87	39.3	American General Life Insurance Company	A+
66	$1,000,000	M	86	67.7	John Hancock Life Insurance Company (U.S.A)	AA-
67	$2,000,000	M	86	67.7	John Hancock Life Insurance Company (U.S.A)	AA-
68	$5,000,000	M	86	55.6	Jefferson-Pilot Life Insurance Company	AA-
69	$5,000,000	F	86	40.8	Transamerica Life Insurance Company	AA-
70	$3,000,000	M	86	58.8	Transamerica Life Insurance Company	AA-
71	$1,200,000	M	86	67.0	Transamerica Life Insurance Company	AA-
72	$6,000,000	F	86	63.0	Sun Life Assurance Company of Canada (U.S.)	AA-
73	$3,000,000	M	86	90.5	AXA Equitable Life Insurance Company	A+
74	$5,570,000	F	86	53.8	ING Life Insurance and Annuity Company	A-
75	$5,570,000	F	86	53.8	ING Life Insurance and Annuity Company	A-
76	$1,000,000	F	86	42.0	New York Life Insurance Company	AA+
77	$10,000,000	F	86	79.1	West Coast Life Insurance Company	AA-
78	$2,500,000	M	86	54.4	Transamerica Life Insurance Company	AA-
79	$1,000,000	F	86	57.6	West Coast Life Insurance Company	AA-
80	$2,000,000	F	86	57.6	West Coast Life Insurance Company	AA-
81	$500,000	F	86	62.1	Beneficial Life Insurance Company	N/A
82	$800,000	M	86	61.9	National Western Life Insurance Company	A
83	$5,000,000	M	86	88.1	Lincoln National Life Insurance Company	AA-
84	$1,000,000	F	86	33.7	John Hancock Life Insurance Company (U.S.A)	AA-
85	$4,513,823	F	86	29.3	Aviva Life Insurance Company	A-
86	$2,000,000	M	86	105.6	ING Life Insurance and Annuity Company	A-
87	$2,000,000	M	86	105.6	ING Life Insurance and Annuity Company	A-
88	$2,000,000	M	86	105.6	ING Life Insurance and Annuity Company	A-
89	$2,000,000	F	86	82.2	U.S. Financial Life Insurance Company	A+
90	$1,365,000	F	85	92.1	Transamerica Life Insurance Company	AA-
91	$1,000,000	F	85	91.6	ING Life Insurance and Annuity Company	A-
92	$1,000,000	M	85	46.2	Massachusetts Mutual Life Insurance Company	AA+

93	$2,000,000	M	85	91.8	Transamerica Life Insurance Company	AA-
94	$8,500,000	M	85	88.1	Massachusetts Mutual Life Insurance Company	AA+
95	$2,328,547	M	85	50.8	Metropolitan Life Insurance Company	AA-
96	$2,000,000	M	85	50.8	Metropolitan Life Insurance Company	AA-
97	$1,000,000	M	85	31.5	Transamerica Life Insurance Company	AA-
98	$500,000	M	85	88.9	Metropolitan Life Insurance Company	AA-
99	$2,000,000	M	85	68.6	Jefferson-Pilot Life Insurance Company	AA-
100	$3,000,000	F	85	78.1	Transamerica Life Insurance Company	AA-
101	$1,800,000	M	85	58.7	John Hancock Variable Life Insurance Company	AA-
102	$2,000,000	M	85	71.2	AXA Equitable Life Insurance Company	A+
103	$1,750,000	M	85	71.2	AXA Equitable Life Insurance Company	A+

	Face Amount	Gender	Age (ALB)	LE (mo.)	Insurance Company	S&P Rating
104	$2,000,000	M	85	40.9	Transamerica Life Insurance Company	AA-
105	$1,425,000	M	85	89.1	John Hancock Life Insurance Company (U.S.A)	AA-
106	$1,500,000	M	84	55.9	Transamerica Life Insurance Company	AA-
107	$1,500,000	F	84	116.2	Lincoln Benefit Life Company	BBB+
108	$3,750,000	M	84	82.8	AXA Equitable Life Insurance Company	A+
109	$1,000,000	M	84	66.8	John Hancock Life Insurance Company (U.S.A)	AA-
110	$2,000,000	F	84	92.1	AXA Equitable Life Insurance Company	A+
111	$1,000,000	M	84	60.9	ING Life Insurance and Annuity Company	A-
112	$3,000,000	F	84	90.6	Sun Life Assurance Company of Canada (U.S.)	AA-
113	$829,022	F	84	31.1	Hartford Life and Annuity Insurance Company	BBB+
114	$1,500,000	M	84	86.3	AXA Equitable Life Insurance Company	A+
115	$5,000,000	M	84	96.2	ING Life Insurance and Annuity Company	A-
116	$1,500,000	M	84	55.7	ING Life Insurance and Annuity Company	A-
117	$1,500,000	M	84	55.7	ING Life Insurance and Annuity Company	A-
118	$5,000,000	M	84	80.1	ING Life Insurance and Annuity Company	A-
119	$500,000	M	84	47.6	Genworth Life Insurance Company	A-
120	$1,000,000	M	84	53.8	John Hancock Life Insurance Company (U.S.A)	AA-
121	$4,000,000	F	84	56.2	ING Life Insurance and Annuity Company	A-
122	$5,000,000	F	84	99.7	American General Life Insurance Company	A+
123	$3,500,000	F	84	115.0	Lincoln Benefit Life Company	BBB+
124	$5,000,000	F	83	104.2	AXA Equitable Life Insurance Company	A+
125	$1,000,000	F	83	90.6	John Hancock Life Insurance Company (U.S.A)	AA-
126	$6,000,000	F	83	118.0	American General Life Insurance Company	A+
127	$5,000,000	M	83	72.6	AXA Equitable Life Insurance Company	A+
128	$2,000,000	M	83	46.1	National Life Insurance Company	A
129	$4,200,000	F	83	126.5	Transamerica Life Insurance Company	AA-
130	$750,000	M	83	96.1	West Coast Life Insurance Company	AA-
131	$4,000,000	M	83	43.3	John Hancock Life Insurance Company (U.S.A)	AA-
132	$1,000,000	M	83	89.0	John Hancock Life Insurance Company (U.S.A)	AA-
133	$2,000,000	F	83	105.8	Lincoln Benefit Life Company	BBB+
134	$5,000,000	M	83	81.8	Jefferson-Pilot Life Insurance Company	AA-
135	$2,700,000	M	83	68.6	John Hancock Life Insurance Company (U.S.A)	AA-
136	$7,600,000	F	83	105.3	Transamerica Life Insurance Company	AA-
137	$2,500,000	F	83	70.5	American General Life Insurance Company	A+
138	$2,500,000	M	83	66.3	AXA Equitable Life Insurance Company	A+
139	$3,000,000	M	83	66.3	Lincoln National Life Insurance Company	AA-
140	$2,000,000	M	83	93.2	Pacific Life Insurance Company	A+
141	$3,000,000	F	83	50.3	AXA Equitable Life Insurance Company	A+
142	$1,703,959	M	83	74.5	Jefferson-Pilot Life Insurance Company	AA-
143	$3,000,000	M	83	68.2	Metropolitan Life Insurance Company	AA-
144	$500,000	M	83	23.9	Great Southern Life Insurance Company	N/A
145	$1,000,000	M	83	64.8	Hartford Life and Annuity Insurance Company	BBB+
146	$10,000,000	F	83	64.6	American National Insurance Company	A
147	$500,000	M	83	30.8	West Coast Life Insurance Company	AA-
148	$3,500,000	F	82	100.1	Jefferson-Pilot Life Insurance Company	AA-
149	$500,000	M	82	108.1	Metropolitan Life Insurance Company	AA-

150	$1,000,000	M	82	76.1	Lincoln National Life Insurance Company	AA-
151	$3,000,000	M	82	46.9	U.S. Financial Life Insurance Company	A+
152	$1,900,000	M	82	73.4	American National Insurance Company	A
153	$500,000	M	82	52.5	New York Life Insurance Company	AA+
154	$500,000	M	82	52.5	New York Life Insurance Company	AA+
155	$5,000,000	M	82	80.7	AXA Equitable Life Insurance Company	A+
156	$250,000	M	82	38.5	Jackson National Life Insurance Company	AA
157	$1,500,000	M	82	83.0	Jefferson-Pilot Life Insurance Company	AA-
158	$3,500,000	F	82	96.2	AXA Equitable Life Insurance Company	A+
159	$5,000,000	F	82	83.1	Sun Life Assurance Company of Canada (U.S.)	AA-
160	$3,000,000	F	82	101.5	MetLife Investors USA Insurance Company	AA-

	Face Amount	Gender	Age (ALB)	LE (mo.)	Insurance Company	S&P Rating
161	$750,000	M	82	89.4	John Hancock Life Insurance Company (U.S.A)	AA-
162	$4,500,000	M	82	81.3	AXA Equitable Life Insurance Company	A+
163	$1,250,000	F	82	68.4	Columbus Life Insurance Company	AA
164	$2,275,000	M	82	98.7	ING Life Insurance and Annuity Company	A-
165	$10,000,000	M	82	86.7	AXA Equitable Life Insurance Company	A+
166	$2,300,000	M	82	26.8	American General Life Insurance Company	A+
167	$3,500,000	M	82	79.7	AXA Equitable Life Insurance Company	A+
168	$6,217,200	F	82	113.9	Phoenix Life Insurance Company	B+
169	$2,500,000	F	82	79.6	ING Life Insurance and Annuity Company	A-
170	$5,000,000	F	82	64.4	Massachusetts Mutual Life Insurance Company	AA+
171	$1,500,000	M	82	31.1	Pacific Life Insurance Company	A+
172	$2,000,000	F	82	105.6	Jefferson-Pilot Life Insurance Company	AA-
173	$5,000,000	M	82	91.5	Jefferson-Pilot Life Insurance Company	AA-
174	$3,000,000	M	81	75.7	Protective Life Insurance Company	AA-
175	$1,500,000	M	81	75.7	American General Life Insurance Company	A+
176	$2,000,000	F	81	124.9	Transamerica Life Insurance Company	AA-
177	$1,500,000	M	81	63.6	Pacific Life Insurance Company	A+
178	$5,000,000	M	81	118.4	American General Life Insurance Company	A+
179	$1,995,000	F	81	88.2	Transamerica Life Insurance Company	AA-
180	$4,000,000	M	81	63.8	Jefferson-Pilot Life Insurance Company	AA-
181	$10,000,000	M	81	88.8	New York Life Insurance Company	AA+
182	$5,000,000	M	81	83.4	Transamerica Life Insurance Company	AA-
183	$2,000,000	M	81	78.9	Ohio National Life Assurance Corporation	AA-
184	$1,000,000	M	81	78.9	Ohio National Life Assurance Corporation	AA-
185	$350,000	M	81	42.5	Reassure America Life Insurance Company	AA
186	$5,000,000	M	80	101.2	AXA Equitable Life Insurance Company	A+
187	$8,000,000	M	80	92.6	AXA Equitable Life Insurance Company	A+
188	$550,000	M	80	113.1	Genworth Life Insurance Company	A-
189	$1,680,000	F	80	77.0	AXA Equitable Life Insurance Company	A+
190	$1,000,000	F	80	106.5	Jefferson-Pilot Life Insurance Company	AA-
191	$1,250,000	M	80	110.3	Metropolitan Life Insurance Company	AA-
192	$1,000,000	M	80	74.7	AXA Equitable Life Insurance Company	A+
193	$1,250,000	F	80	84.1	Principal Life Insurance Company	A+
194	$1,000,000	M	80	65.2	AXA Equitable Life Insurance Company	A+
195	$3,000,000	M	80	108.6	John Hancock Life Insurance Company (U.S.A)	AA-
196	$2,000,000	M	80	48.1	Jefferson-Pilot Life Insurance Company	AA-
197	$1,750,000	M	80	92.6	AXA Equitable Life Insurance Company	A+
198	$5,000,000	M	80	82.0	AXA Equitable Life Insurance Company	A+
199	$250,000	M	80	89.6	American General Life Insurance Company	A+
200	$10,000,000	M	80	124.0	John Hancock Life Insurance Company (U.S.A)	AA-
201	$3,000,000	M	80	121.4	Principal Life Insurance Company	A+
202	$1,210,000	M	80	73.2	Lincoln National Life Insurance Company	AA-
203	$3,000,000	F	80	116.7	West Coast Life Insurance Company	AA-
204	$7,000,000	M	80	96.6	Genworth Life Insurance Company	A-
205	$3,000,000	M	79	101.6	ING Life Insurance and Annuity Company	A-
206	$4,000,000	M	79	91.0	Jefferson-Pilot Life Insurance Company	AA-

207	$5,000,000	M	79	101.8	John Hancock Life Insurance Company (U.S.A)	AA-
208	$2,000,000	M	79	35.0	Metropolitan Life Insurance Company	AA-
209	$6,000,000	M	79	134.7	AXA Equitable Life Insurance Company	A+
210	$130,000	M	79	59.2	Genworth Life Insurance Company	A-
211	$1,000,000	M	79	135.7	Empire General Life Assurance Corporation	AA-
212	$2,000,000	F	79	99.9	Pacific Life Insurance Company	A+
213	$4,300,000	F	79	121.9	American National Insurance Company	A
214	$2,000,000	F	79	98.4	Transamerica Life Insurance Company	AA-
215	$5,000,000	M	79	104.0	AXA Equitable Life Insurance Company	A+
216	$5,000,000	M	79	104.0	AXA Equitable Life Insurance Company	A+
217	$500,000	M	79	56.8	Transamerica Life Insurance Company	AA-

	Face Amount	Gender	Age (ALB)	LE (mo.)	Insurance Company	S&P Rating
218	$3,000,000	M	78	51.4	Pacific Life Insurance Company	A+
219	$3,000,000	M	78	51.4	Minnesota Life Insurance Company	A+
220	$3,000,000	M	78	51.4	Prudential Life Insurance Company	AA-
221	$5,000,000	M	78	89.4	Pacific Life Insurance Company	A+
222	$5,000,000	M	78	89.4	Pacific Life Insurance Company	A+
223	$3,601,500	M	78	105.6	Transamerica Life Insurance Company	AA-
224	$1,000,000	M	78	102.3	Sun Life Assurance Company of Canada (U.S.)	AA-
225	$5,000,000	M	78	100.4	John Hancock Life Insurance Company (U.S.A)	AA-
226	$5,000,000	M	78	125.2	Principal Life Insurance Company	A+
227	$1,009,467	M	78	58.7	John Hancock Life Insurance Company (U.S.A)	AA-
228	$7,000,000	M	78	97.4	Lincoln Benefit Life Company	BBB+
229	$5,000,000	M	78	66.8	John Hancock Life Insurance Company (U.S.A)	AA-
230	$476,574	M	78	83.2	Transamerica Life Insurance Company	AA-
231	$2,250,000	M	78	105.9	Massachusetts Mutual Life Insurance Company	AA+
232	$1,000,000	M	78	122.6	Metropolitan Life Insurance Company	AA-
233	$6,000,000	M	78	119.1	AXA Equitable Life Insurance Company	A+
234	$5,000,000	F	78	129.0	ING Life Insurance and Annuity Company	A-
235	$750,000	M	78	80.6	Lincoln National Life Insurance Company	AA-
236	$3,000,000	M	78	107.4	Principal Life Insurance Company	A+
237	$5,000,000	M	77	131.0	Jefferson-Pilot Life Insurance Company	AA-
238	$5,000,000	M	77	89.3	John Hancock Life Insurance Company (U.S.A)	AA-
239	$500,000	M	77	77.7	John Hancock Life Insurance Company (U.S.A)	AA-
240	$1,000,000	M	77	121.3	Metropolitan Life Insurance Company	AA-
241	$4,000,000	M	77	59.8	MetLife Investors USA Insurance Company	AA-
242	$2,500,000	M	77	99.5	Massachusetts Mutual Life Insurance Company	AA+
243	$2,500,000	M	77	99.5	Massachusetts Mutual Life Insurance Company	AA+
244	$500,000	F	77	128.9	Columbus Life Insurance Company	AA
245	$1,750,000	M	77	73.6	John Hancock Life Insurance Company (U.S.A)	AA-
246	$5,000,000	M	77	116.1	Transamerica Life Insurance Company	AA-
247	$3,750,000	M	77	68.8	AXA Equitable Life Insurance Company	A+
248	$2,000,000	F	77	67.4	Transamerica Life Insurance Company	AA-
249	$2,840,000	M	76	111.0	Transamerica Life Insurance Company	AA-
250	$4,000,000	M	76	79.4	Massachusetts Mutual Life Insurance Company	AA+
251	$750,000	M	76	16.5	U.S. Financial Life Insurance Company	A+
252	$1,000,000	F	76	87.2	John Hancock Life Insurance Company (U.S.A)	AA-
253	$490,620	M	76	99.6	Ameritas Life Insurance Corporation	A+
254	$600,000	M	76	96.6	Protective Life Insurance Company	AA-
255	$5,000,000	M	75	163.8	Prudential Life Insurance Company	AA-
256	$3,000,000	M	75	117.7	Protective Life Insurance Company	AA-
257	$2,000,000	F	75	133.9	Aviva Life Insurance Company	A-
258	$7,000,000	F	75	137.0	Pacific Life Insurance Company	A+
259	$850,000	M	75	79.4	New York Life Insurance Company	AA+
260	$1,000,000	M	75	96.3	Pacific Life Insurance Company	A+
261	$5,000,000	M	75	71.4	West Coast Life Insurance Company	AA-
262	$3,000,000	M	74	67.6	Aviva Life Insurance Company	A-
263	$200,000	M	74	83.0	ING Life Insurance and Annuity Company	A-

264	$8,000,000	M	74	117.6	Metropolitan Life Insurance Company	AA-
265	$4,000,000	F	74	159.5	American General Life Insurance Company	A+
266	$5,000,000	M	74	42.8	Lincoln Benefit Life Company	BBB+
267	$3,000,000	F	74	131.0	General American Life Insurance Company	AA-
268	$300,000	M	73	25.3	Lincoln National Life Insurance Company	AA-
269	$2,000,000	M	73	113.5	American General Life Insurance Company	A+
270	$500,000	M	72	47.1	Midland National Life Insurance Company	A+
271	$3,000,000	M	72	89.0	AXA Equitable Life Insurance Company	A+
272	$1,000,000	M	72	82.5	United of Omaha Life Insurance Company	A+
273	$2,500,000	M	71	113.2	American General Life Insurance Company	A+
274	$1,167,000	M	71	38.7	Transamerica Life Insurance Company	AA-

	Face Amount	Gender	Age (ALB)	LE (mo.)	Insurance Company	S&P Rating
275	$1,500,000	M	71	128.3	Metropolitan Life Insurance Company	AA-
276	$3,000,000	M	70	91.5	John Hancock Life Insurance Company (U.S.A)	AA-
277	$2,000,000	M	70	118.8	New York Life Insurance Company	AA+
278	$2,000,000	M	70	118.8	New York Life Insurance Company	AA+
279	$2,500,000	M	70	130.2	Lincoln National Life Insurance Company	AA-
280	$2,500,000	M	70	130.2	John Hancock Life Insurance Company (U.S.A)	AA-
281	$600,000	M	70	101.9	AXA Equitable Life Insurance Company	A+
282	$500,000	M	69	109.6	Transamerica Life Insurance Company	AA-
283	$500,000	M	69	109.6	North American Company for Life And Health Insurance	A+
284	$2,000,000	M	67	131.7	Transamerica Life Insurance Company	AA-
285	$1,000,000	M	67	131.7	Genworth Life Insurance Company	A-
286	$156,538	F	67	123.9	New York Life Insurance Company	AA+
287	$2,000,000	M	67	64.0	MetLife Investors USA Insurance Company	AA-
288	$2,000,000	M	67	64.0	MetLife Investors USA Insurance Company	AA-
289	$1,000,000	M	65	61.5	Lincoln National Life Insurance Company	AA-
	$787,963,841					

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

(2) The insured's life expectancy estimate, other than for a small face value insurance policy is the average of two life expectancy estimates provided by independent third-party medical actuarial underwriting firms actuarially adjusted through the measurement date.

USE OF PROCEEDS – RENEWABLE SECURED DEBENTURES

Our Form S-1 registration statement relating to our public offer and sale of “Renewable Secured Debentures” (File Nos. 333-174887 and 333-174887-01) was declared effective by the SEC on January 31, 2012, and our offering of debentures commenced on such date. The debentures are secured in part by a guarantee from our subsidiary GWG Life and an associated grant of a security interest in substantially all of the assets of GWG Life, which guarantee was also registered as a security under the referenced registration statement. Arque Capital Ltd. serves as our managing broker-dealer and underwriter for the offering.

The registration statement covers up to $250 million in principal amount of debentures. From January 31, 2012 through September 30, 2014, we sold a total of $224,738,000 in principal amount of debentures, and incurred associated underwriting commissions, and expenses paid or payable to underwriters in the amount of $10,602,000 of which $4,865,000 was amortized. As of September 30, 2014 we had $173,245,000 of debentures in force plus $1,679,000 of subscriptions in process, less unamortized selling costs of $5,737,000, resulting in aggregate net proceeds of $169,187,000. None of the payments for offering expenses were directly or indirectly made to our directors or officers (or their associates), our affiliates, or to persons owning 10% or more of any class of our equity securities.

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

We currently expect to allocate net offering proceeds (assuming the maximum amount of commissions, fees and allowances of 8.00% of the aggregate principal amount of Renewable Secured Debentures sold) as follows, based upon various assumed amounts of gross proceeds that we receive from the proceeds of the offering:

	Gross Offering Proceeds							
	$250,000,000		$125,000,000		$62,500,000		$25,000,000	
Net Offering Proceeds	229,000,000	100%	114,000,000	100%	56,500,000	100%	22,000,000	100%
Purchase Policies	178,620,000	78 %	82,080,000	72 %	38,420,000	68 %	10,560,000	48 %
Payment of Premiums	18,320,000	8 %	11,400,000	10 %	7,910,000	14 %	4,180,000	19 %
Payment of Principal and Interest	16,030,000	7 %	11,400,000	10 %	5,650,000	10 %	4,180,000	19 %

Other Expenditures	16,030,000	7	%	9,120,000	8	%	4,520,000	8	%	3,080,000	14	%

Net offering proceeds not immediately applied to the uses summarized above will be invested short-term investments such as money market funds, commercial paper, U.S. Treasury Bills and similar securities investments pending their use.

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The actual use of proceeds from the sale of Renewable Secured Debentures from January 31, 2012 to September 30, 2014 is as follows:

Gross Offering Proceeds	$189,870,000	
Net Offering Proceeds	178,453,000	
Held in Short-Term Investments	19,867,000	
Net Offering Proceeds Used	$158,586,000	100%
Purchase Policies	67,954,000	43 %
Payment of Premiums	29,387,000	18 %
Payment of Principal and Interest	45,587,000	29 %
Other Expenditures	15,658,000	10 %

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OTHER INFORMATION

Regulatory Update

On November 5, 2014, the staff of the Securities and Exchange Commission, Division of Enforcement, advised us in writing that its investigation, which we previously disclosed in a Quarterly Report on Form 10-Q filed on October 30, 2013, has been closed and that the staff does not intend to recommend any enforcement action by the Commission against the Company.

New Executive Officer

On November 13, 2014, the Company appointed Michael D. Freedman to serve as the Company's President.

Mr. Freedman, 51, served as the Senior Vice President of Government Affairs at Coventry First, LLC, a participant in the life settlement industry, from June 2002 to December 2013. In January 2014, Mr. Freedman founded Sentinel Solutions, LLC, a strategic provider of services to clients in the life settlement and related industries, including insurance, financial services and other innovative business interests, which he continues to own. In September 2014, Mr. Freedman joined GWG Holdings, Inc. as its Executive Vice President and General Counsel.

In connection with the appointment of Mr. Freedman, Steven F. Sabes resigned his position as President and was appointed Executive Vice President of Originations and Servicing.

Amendment to Bylaws

On November 13, 2014, the Board of Directors of the Company amended the Company's bylaws. The amendment provides that, unless the Company consents in writing to the selection of an alternative forum, any state or federal court located within the State of Minnesota shall be the sole and exclusive forum for any claim or counterclaim, including, without limitation, (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine.

The amendment further provides: (a) for fee-shifting with respect to certain types of litigation brought against the Company and/or any stockholder where the claiming parties do not obtain a judgment on the merits that substantially achieves, in substance and amount, the full remedy sought; and (b) for limitations on the initiation of certain private rights of action unless the claiming stockholder delivers written consents from beneficial stockholders owning at least three percent (3%) of the outstanding shares of the Company as of a specified date.

FINANCIAL INFORMATION

GWG HOLDINGS, INC.

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GWG HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Cash and cash equivalents	$29,511,989	$33,449,793
Restricted cash	2,144,734	5,832,970
Investment in life settlements, at fair value	276,381,979	234,672,794
Other assets	3,453,974	1,424,919
TOTAL ASSETS	$311,492,676	$275,380,476
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)		
LIABILITIES		
Revolving credit facility	$79,000,000	$79,000,000
Series I Secured notes payable	27,701,842	29,275,202
Renewable Secured Debentures	169,186,917	131,646,062
Interest payable	9,768,218	7,209,408
Accounts payable and other accrued expenses	2,069,386	1,343,952
Deferred taxes, net	3,545,504	7,675,174
TOTAL LIABILITIES	291,271,867	256,149,798
CONVERTIBLE, REDEEMABLE PREFERRED STOCK		
(par value $0.001; shares authorized 40,000,000; shares issued and outstanding 3,368,109; liquidation preference of $25,261,000 on December 31, 2013)	-	24,722,693
STOCKHOLDERS' EQUITY (DEFICIT)		
CONVERTIBLE, REDEEMABLE PREFERRED STOCK		
(par value $0.001; shares authorized 40,000,000; shares issued and outstanding 2,710,214; liquidation preference of $20,327,000 on September 30, 2014)	20,217,836	-
COMMON STOCK		
(par value $0.001: shares authorized 210,000,000; 5,871,798 shares issued and 5,870,193 shares outstanding on September 30 , 2014 and 4,562,000 shares both issued and outstanding on December 31, 2013)	5,870	4,562
Additional paid-in capital	16,323,738	2,942,000
Accumulated deficit	(16,326,635)	(8,438,577)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	20,220,809	(5,492,015)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)	$311,492,676	$275,380,476

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

GWG HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
REVENUE				
Gain on life settlements, net	$5,118,423	$5,437,580	$16,119,517	$21,511,182
Interest and other income	10,229	89,927	23,975	3,531,922
TOTAL REVENUE	5,128,652	5,527,507	16,143,492	25,043,104
EXPENSES				
Employee compensation and benefits	1,376,710	1,100,159	3,524,274	4,101,502
Legal and professional fees	760,130	420,874	1,627,769	1,134,181
Interest expense	6,796,736	5,537,326	19,731,327	14,946,484
Other expenses	1,453,367	755,066	3,277,850	2,955,237
TOTAL EXPENSES	10,386,943	7,813,425	28,161,220	23,137,404
INCOME (LOSS) BEFORE INCOME TAXES	(5,258,291)	(2,285,918)	(12,017,728)	1,905,700
INCOME TAX (BENEFIT) EXPENSE	(1,858,100)	(656,968)	(4,129,670)	1,710,826
NET INCOME (LOSS)	$(3,400,191)	$(1,628,950)	$(7,888,058)	$194,874
Accretion of preferred stock to liquidation value	(117,674)	(191,663)	(344,658)	(658,303)
LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$(3,517,865)	$(1,820,613)	$(8,232,716)	$(463,429)
NET LOSS PER SHARE				
Basic	$(0.76)	$(0.40)	$(1.80)	$(0.10)
Diluted	$(0.76)	$(0.24)	$(1.80)	$(0.06)
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	4,633,097	4,562,000	4,579,920	4,867,962
Diluted	4,633,097	7,489,000	4,579,920	7,803,947

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

GWG HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$(3,400,191)	$(1,628,950)	$(7,888,058)	$194,874
Adjustments to reconcile net income (loss) to net cash flows from operating activities:				
Life settlements – change in fair value	(8,761,912)	(6,960,335)	(30,973,250)	(25,904,240)
Amortization of deferred financing and issuance costs	863,217	1,125,913	2,570,881	3,056,793
Deferred income taxes	(1,858,100)	(655,968)	(4,129,670)	1,710,826
Convertible, redeemable preferred stock dividends payable	186,182	185,231	575,513	443,486
(Increase) decrease in operating assets:				
Other assets	(847,221)	432,671	(2,096,140)	(3,181,461)
Increase in operating liabilities:				
Accounts payable and accrued expenses	490,496	470,395	3,658,659	2,168,874
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(13,327,529)	(7,031,043)	(38,282,065)	(21,510,848)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in life settlements	(680,000)	(14,030,797)	(11,559,435)	(26,916,790)
Proceeds from settlement of life settlements	930,625	1,331,743	999,125	4,203,895
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	250,625	(12,699,054)	(10,560,310)	(22,712,895)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from revolving credit facility	-	-	-	8,000,000
Payments for redemption of Series I Secured notes payable	(509,004)	(2,311,710)	(2,047,928)	(6,242,586)
Proceeds from issuance of Renewable Secured Debentures	15,281,809	19,617,094	48,516,296	62,056,755
Payments for issuance costs and redemption of Renewable Secured Debentures	(4,494,383)	(4,305,558)	(13,816,794)	(9,642,129)
Proceeds from (uses of) restricted cash	665,699	954,217	3,688,236	(1,416,558)
Issuance (repurchase) of common stock	9,030,000	-	9,030,000	(3,252,400)
	(445,183)	(35,285)	(465,239)	(347,089)

Redemptions of convertible, redeemable preferred stock				
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	19,528,938	13,918,758	44,904,571	49,155,993
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,452,034	(5,811,339)	(3,937,804)	4,932,250
CASH AND CASH EQUIVALENTS				
BEGINNING OF PERIOD	23,059,955	38,240,633	33,449,793	27,497,044
END OF PERIOD	$29,511,989	$32,429,294	$29,511,989	$32,429,294

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

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GWG HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Interest paid	$ 5,095,000	$ 3,605,000	$ 12,877,000	$ 10,117,000
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Series I secured notes:				
Non-cash conversion of Series I secured notes	$ -	$ 350,000	$ -	$ 350,000
Non-cash conversion of accrued interest and commissions payable to principal	$ 47,000	$ 39,000	$ 152,000	$ 190,000
Renewable secured debentures:				
Non-cash conversion of accrued interest and commission payable to principal	$ 133,000	$ 91,000	$ 415,000	$ 191,000
Convertible, redeemable preferred stock				
Non-cash conversion to common stock	$ 4,957,000	$ -	$ 4,957,000	$ -
Non-cash conversion of dividends payable	$ 192,000	$ 182,000	$ 573,000	$ 443,000
Non-cash accretion of convertible, redeemable preferred stock to redemption value	$ 118,000	$ 192,000	$ 345,000	$ 658,000

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

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GWG HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Preferred Stock Shares	Preferred Stock	Common Shares	Common Stock (par)	Additional Paid-in Capital	Accumulated Deficit	Total Equity
Balance, December 31, 2012	**-**	**$ -**	**4,994,500**	**$ 4,995**	**$ 6,976,838**	**$ (8,243,622)**	**$ (1,261,789)**
Net loss	-	-	-	-	-	(194,955)	(194,955)
Repurchase of common stock	-	-	(432,500)	(433)	(3,251,967)	-	(3,252,400)
Issuance of stock options	-	-	-	-	23,753	-	23,753
Accretion of preferred stock to liquidation value	-	-	-	-	(806,624)	-	(806,624)
Balance, December 31, 2013	**-**	**$ -**	**4,562,000**	**$ 4,562**	**$ 2,942,000**	**$ (8,438,577)**	**$ (5,492,015)**
Net loss	-	-	-	-	-	(7,888,058)	(7,888,058)
Issuance of common stock	-	-	800,000	800	8,653,605	-	8,654,405
Conversion of preferred stock	-	-	508,193	508	4,956,591	-	4,957,099
Reclassification of preferred stock from temporary equity to permanent equity due to initial public offering (*)	2,710,214	20,217,836	-	-	-	-	20,217,836
Issuance of stock options	-	-	-	-	116,200	-	116,200
Accretion of preferred stock to	-	-	-	-	(344,658)	-	(344,658)

liquidation value

Balance, September 30, 2014	**2,710,214**	**$ 20,217,836**	**5,870,193**	**$ 5,870**	**$16,323,738**	**$(16,326,635)**	**$20,220,809**

* Subject to the terms of the Certificate of Designation for Series A Convertible Preferred Stock, the listing of our common stock on The Nasdaq Capital Market on September 25, 2014 resulted in the termination of a redemption right in favor of the holders of such preferred stock. Preferred stock that is not redeemable by a shareholder is treated as stockholders' equity as shown in the table above.

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

GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

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

Nature of business - GWG Holdings, Inc. (GWG 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, LLC (GWG Life), and its subsidiaries, GWG Trust (Trust), GWG DLP Funding II, LLC (DLP II) and its wholly owned subsidiary, GWG DLP Master Trust II (the Trust II). Our wholly owned subsidiary, GWG Broker Services, LLC (Broker Services), was formed to earn fees for brokering policy transactions between market participants. Our wholly owned subsidiary United Lending, LLC (United Lending) and its wholly owned subsidiary United Lending SPV, LLC (United Lending SPV) were formed to finance life settlement premiums and policy loans. All of these entities are legally organized in Delaware. Unless the context otherwise requires or we specifically so indicate, all references in this report to "we", "us", "our", "our Company", "GWG", or the "Company" refer to these entities collectively. GWG Member, LLC, a wholly owned subsidiary formed November 2010 to facilitate the acquisition of policies, has not commenced operations as of September 30, 2014.

Basis of presentation - The condensed consolidated balance sheet as of September 30, 2014, the condensed consolidated statements of operations for the three and nine months ended September 30, 2014 and 2013, and the condensed consolidated statements of cash flows for the three and nine months ended September 30, 2014 and 2013, and the related information presented in these notes, have been prepared by management in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, without audit. To the extent that information and notes required by U.S. generally accepted accounting principles for complete financial statements are contained in or are consistent with the consolidated audited financial statements in the Company’s Form 10-K for the year ended December 31, 2013, such information and notes have not been duplicated herein. In the opinion of management, all adjustments considered necessary for a fair presentation of results have been included. The condensed consolidated balance sheet at December 31, 2013 was derived from the audited consolidated financial statements as of that date. Operating results for the three and nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. For further information, refer to the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Use of estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and 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 re