

GWG Holdings, Inc.  
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PROSPECTUS SUPPLEMENT NO. 2

to Prospectus dated  
April 12, 2016

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GWG HOLDINGS, INC.

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This “Prospectus Supplement No. 2 to Prospectus dated April 12, 2016,” supplements and amends our prospectus dated April 12, 2016, as earlier supplemented by prospectus sticker supplement no. 1 dated April 26, 2016 (referred to simply as our “prospectus”). You should read this prospectus supplement together with the prospectus since the information contained herein supplements and amends the information contained in the prospectus. Capitalized terms contained in this prospectus supplement have the same meanings as in the prospectus unless otherwise stated herein.

RECENT EVENTS

On May 13, 2016, we filed our Quarterly Report on Form 10-Q for the period ended March 31, 2016. This prospectus supplement has been prepared primarily to set forth certain information contained in that report.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This prospectus supplement is part of the prospectus and either it or its contents must accompany the prospectus to satisfy the prospectus-delivery requirements under the Securities Act of 1933.

The date of this prospectus supplement is May 16, 2016

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## RISK RELATING TO FORWARD-LOOKING STATEMENTS

Certain matters discussed in this prospectus supplement contain forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions about our operations and the investments we make, including, among other things, factors discussed under the heading “Risk Factors” in the prospectus and the following:

- changes in the secondary market for life insurance;
- our limited operating history;
- the valuation of assets reflected on our financial statements;
- the reliability of assumptions underlying our actuarial models, including our life expectancy estimates;
- our reliance on debt financing;
- risks relating to the validity and enforceability of the life insurance policies we purchase;
- our reliance on information provided and obtained by third parties;
- federal, state and FINRA regulatory matters;
- competition in the secondary market of life insurance;
- the relative illiquidity of life insurance policies;
- our ability to satisfy our debt obligations if we were to sell our entire portfolio of life insurance policies;
- life insurance company credit exposure;
- general economic outlook, including prevailing interest rates;
- performance of our investments in life insurance policies;
- financing requirements;
- litigation risks;
- restrictive covenants contained in borrowing agreements;
- increases in the cost of premiums charged by insurers for the policies we own; and
- our ability to make cash distributions in satisfaction of dividend obligations and redemption requests.

Forward-looking statements can be identified by the use of words like “believes,” “could,” “possibly,” “probably,” “anticipates,” “estimates,” “projects,” “expects,” “may,” “will,” “should,” “seek,” “intend,” “plan,” “expect,” or “consider” or the negative of 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.

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. Some of the risks, uncertainties and assumptions are identified in the discussion entitled “Risk Factors” in this prospectus supplement. We caution you that the forward-looking statements in this prospectus supplement are only estimates and predictions, or statements of current intent. Actual results or outcomes, or actions that we ultimately undertake, could differ materially from those anticipated in the forward-looking statements due to risks, uncertainties or actual events differing from the assumptions underlying these statements. These risks, uncertainties and assumptions include, but are not limited to, those discussed in this prospectus 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 March 31, 2016, filed with the SEC on May 13, 2016. 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 and in the prospectus. 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

GWG Holdings, Inc. is a specialty finance company and a leading financial purchaser of life insurance assets in the secondary market. We create opportunities for consumers owning life insurance to obtain significant value for their policies as compared to the traditional options offered by insurance companies. We also create opportunities for investors to participate in alternative asset classes, such as life insurance, not correlated to traditional financial markets. In so doing, we enable investors to take advantage of financial opportunities dominated by banks prior to the 2008 credit crisis.

We seek to build a profitable and large portfolio of life insurance assets that are well diversified in terms of insurance companies and insureds. We believe that diversification is a key risk mitigation strategy to provide consistent cash flows and reliable investment returns from our portfolio of life insurance assets. To grow our portfolio and achieve the diversification we seek, we offer investors the opportunity to participate in the yield potentially generated by our portfolio of life insurance assets through a variety of financings and securities offerings. We chose to finance our business in this manner after the 2008 credit crisis, during which banks largely ceased financing alternative asset classes as a result of the regulatory response to the financial crisis. We believe we are well positioned to continue providing investors with yield participation opportunities from alternative asset classes once dominated by the banking sector.

### Business Update

In February 2016, we launched a new operating division in the merchant cash industry through a subsidiary entity, GWG MCA Capital, Inc. ("GWG MCA"). GWG MCA provides secured loans to merchant cash advance funders, and also provides merchant cash advances directly to small businesses across the United States. To begin this operating division, we acquired a \$4.3 million portfolio of loans and advances from a subsidiary of Walker Preston Capital. As part of the transaction, we retained the services of Patrick F. Preece as the President and Chief Executive Officer of GWG MCA. Mr. Preece had been the Chief Executive Officer of Walker Preston Capital prior to our acquisition of its loan portfolio and, prior to his work with Walker Preston Capital, Mr. Preece was head of asset securitization for Autobahn Funding, a \$6 billion commercial paper conduit for DZ Bank that specialized in financing alternative classes. To finance our GWG MCA portfolio, we intend to offer investors the opportunity to participate in the yield potentially generated by these alternative assets through a variety of securities offerings.

### 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

We account for the purchase of life insurance policies in accordance with Financial Accounting Standards Board's Accounting Standards Codification (FASB 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 all of our life insurance policies using the fair value method.

The fair value of our life insurance policies is determined as the net present value of the life insurance portfolio's future expected cash flows (policy benefits received and required premium payments) that incorporates current life expectancy estimates and discount rate assumptions.

We initially record our purchase of life insurance policies at the transaction price, which is the amount paid for the policy, inclusive of all external 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 subsequent 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 insurance policies in our consolidated and combined statement of operations.

#### Fair Value Components — Medical Underwriting

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 (policy benefits received and required premium payments made) 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 expected future cash flows to be derived from our portfolio.

#### Fair Value Components — Required Premium Payments

We must pay the premiums on the life insurance policies within our portfolio in order to collect the policy benefit. The same probabilistic model and methodologies used to generate expected cash inflows from the life insurance policy benefits over the expected life of the insured are used to estimate cash outflows due to required premium payments. Premiums paid are offset against revenue in the applicable reporting period.

#### Fair Value Components — Discount Rate

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*.

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

March 31, 2016

December 31, 2015

11.08%

11.09%

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 by us in the life insurance secondary market, market interest rates, 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. Because we use the discount rate to arrive at the fair value of our portfolio, the rate we choose necessarily assumes an orderly and arms-length transaction (i.e., a non-distressed transaction in which neither seller nor buyer is compelled to engage

in the transaction). 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 entire portfolio as of that reporting date.

We engaged a third party, Model Actuarial Pricing Systems (MAPS), to prepare a third-party calculation of our life insurance 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 supplied to calculate a net present value for our portfolio using the specified discount rate of 11.08%. MAPS independently calculated the net present value of our portfolio of 465 policies to be \$389.8 million and furnished us with a letter documenting its calculation. A copy of such letter is filed as Exhibit 99.1 to our Quarterly Report on Form 10-Q, filed with the SEC on May 13, 2016. After accounting for AXA cost of insurance increase the net present value of our portfolio was adjusted to \$387.4 million, which is the same fair value estimate we used on the balance sheet as of March 31, 2016.

#### Deferred Income Taxes

FASB ASC 740, Income Taxes, requires us to recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary 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, which has been charged-off for financial reporting purposes, 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 our settlement and subsequent disposal of an earlier investment in Athena Structured Funds PLC. As we have no expectation of generating capital gains with 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 those which are expected to result in a capital loss.

#### Deferred Financing and Issuance Costs

Financing costs incurred under the revolving senior credit facility have been capitalized and are amortized using the straight-line method over the term of the revolving senior 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 L Bonds 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, as described in Note 9, was reported net of issuance costs, sales commissions, including the fair value of warrants issued, and other direct expenses, which were amortized using the interest method as interest expense over a three-year redemption period. As of December 31, 2015, these costs have been fully amortized. Redeemable Preferred Stock, as described in Note 10, reported net of issuance costs, sales commissions and other direct expenses.

#### Principal Revenue and Expense Items

We earn revenues from the following three primary sources.

- **Policy Benefits Realized.** We recognize the difference between the face value of the policy benefits and carrying values when an insured's mortality event has occurred and determine that settlement and collection of the policy 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 benefit from the insurance company within 45 days of recognizing the revenue.

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- **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 the 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 our business operations, including operations related to the purchasing and servicing of life insurance policies. These expenses include salaries and benefits, sales, marketing, occupancy and other expenditures.
- **Interest and Dividends.** 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 senior credit facility, as well as all interest paid on our L Bonds and other outstanding indebtedness such as our Series I Secured Notes and dividends on our Series A Preferred Stock and our 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 Months Ended March 31, 2016 Compared to the Same Period in 2015

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.

	Three Months Ended March 31,	
	2016	2015
Revenue recognized from the receipt of policy benefits	\$ 14,627,000	\$ 25,014,000
Revenue (loss) recognized from the change in fair value of life insurance policies, net of premiums and carrying costs <sup>(1)</sup>	3,087,000	(8,231,000 )
Gain on life insurance contracts, net	\$ 17,714,000	\$ 16,873,000
Number of policies matured	6	6
The change in fair value related to new policies acquired during the period	\$ 8,019,000	\$ 612,000

(1) The discount rate applied to estimate the fair value of the portfolio of life insurance policies we own was 11.08% as of March 31, 2016, compared to 11.38% as of March 31, 2015. 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 entire portfolio as of that reporting date (see “Notes to Condensed Consolidated Financial Statements,” Note 4).

#### Expenses.

	Three Months Ended March 31,		
	2016	2015	Increase

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Employee compensation and benefits <sup>(1)</sup>	\$ 2,466,000	\$ 1,728,000	\$ 738,000
Interest expense (including amortization of deferred financing costs and preferred stock dividends) <sup>(2)</sup>	9,661,000	7,176,000	2,485,000
Legal and professional expenses <sup>(3)</sup>	1,206,000	578,000	628,000
Other expenses <sup>(4)</sup>	2,412,000	1,479,000	933,000
Total expenses	\$ 15,745,000	\$ 10,961,000	\$ 4,784,000

(1) We hired additional members to our sales, marketing and information technology teams. At the end of 2015 we employed approximately 50 employees, and at March 31, 2016 we employed approximately 66 employees.

(2) The increase in the current period was due to the increase in our average debt outstanding.

- (3) Increase is due to SEC filings and other costs related to securities offerings and compliance.
- (4) Increase is due to increased public relations, sales and marketing costs associated with growing and servicing our network of independent financial advisors.

Income Tax Expense. For the three months ended March 31, 2016, we had \$2.2 million of income before income taxes and recorded income tax expense of \$1.1 million, or 50.2%. In the same period of 2015, we had \$5.9 million of income before income taxes and recorded income tax expense of \$2.6 million, or 44.4%. 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. The primary permanent difference between our effective tax rate and the statutory federal rate are the accrual of preferred stock dividend expense, state income taxes, and other non-deductible expenses. The dividends charged to interest expense were \$0.5 million during both the first three month of 2016 and 2015.

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

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
Statutory federal income tax (benefit)	\$ 734,000	34.0	%	\$ 1,998,000	34.0	%
State income taxes, net of federal benefit	175,000	8.1	%	416,000	7.1	%
Series A Preferred Stock dividends	174,000	8.0	%	183,000	3.1	%
Other permanent and temporary differences	2,000	0.1	%	12,000	0.2	%
Total income tax expense (benefit)	\$ 1,085,000	50.2	%	\$ 2,609,000	44.4	%

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 fair value 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 senior revolving credit facility. We have used our debt offerings and a senior revolving credit facility primarily for policy acquisition, policy servicing, and portfolio related financing expenditures.

As of March 31, 2016 and December 31, 2015, we had approximately \$50.8 million and \$74.4 million, respectively, 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.

### Debt Financings Summary

We had the following outstanding debt balances as of March 31, 2016:

Issuer/Borrower	Principal Amount Outstanding	Weighted Average Interest Rate
GWG Holdings, Inc. – L Bonds	\$ 306,831,000	7.14 %

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GWG Life, LLC – Series I Secured Notes	18,508,000	8.61	%
GWG DLP Funding II, LLC – Revolving credit facility	85,011,000	5.69	%
Total	\$ 410,350,000	6.91	%

Our total revolving senior credit facility and other indebtedness balance as of March 31, 2016 and December 31, 2015 was \$410.3 million and \$370.8 million, respectively. At March 31, 2016, the total outstanding face amount under our Series I Secured Notes outstanding was \$18.5 million, less unamortized selling costs of \$0.3 million, resulting in a carrying amount of \$18.2 million. At December 31, 2015, the total outstanding face amount under our Series I Secured Notes outstanding was \$23.6 million, less unamortized selling costs of \$0.3 million, resulting in a carrying amount of \$23.3 million. At March 31, 2016, the total outstanding face amount of L Bonds was \$306.8 million plus \$4.6 million of subscriptions in process, less unamortized selling costs of \$9.5 million resulting in a carrying amount of \$301.9 million. At December 31, 2015, the total outstanding face amount of L Bonds was \$282.2 million plus \$3.0 million of subscriptions in process, less unamortized selling costs of \$8.2 million resulting in a carrying

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The weighted-average interest rate of our outstanding Series I Secured Notes as of March 31, 2016 and December 31, 2015 was 8.61% and 8.47%, respectively, and the weighted-average maturity at those dates was 1.27 and 1.06 years, respectively. The Series I Secured Notes have renewal features. Since we first issued our Series I Secured Notes, we have experienced \$159.3 million in maturities, of which \$120.0 million has renewed for an additional term as of March 31, 2016. This has provided us with an aggregate renewal rate of approximately 75% for investments in these securities.

The weighted-average interest rate of our outstanding L Bonds as of March 31, 2016 and December 31, 2015 was 7.14% and 7.18%, respectively, and the weighted-average maturity at those dates was 2.04 and 2.02 years, respectively. Our L Bonds have renewal features. Since we first issued our L Bonds, we have experienced \$189.4 million in maturities, of which \$123.9 million has renewed for an additional term as of March 31, 2016. This has provided us with an aggregate renewal rate of approximately 65% for investments in these securities.

Future contractual maturities of Series I Secured Notes and L Bonds at December 31, 2016 are:

Years Ending December 31,	Series I		Total
	Secured Notes	L Bonds	
2016	\$ 6,581,000	\$ 76,618,000	\$ 83,199,000
2017	7,956,000	73,736,000	81,692,000
2018	1,596,000	75,804,000	77,400,000
2019	444,000	33,648,000	34,092,000
2020	1,766,000	19,602,000	21,368,000
Thereafter	165,000	27,423,000	27,588,000
	\$ 18,508,000	\$ 306,831,000	\$ 325,339,000

The L Bonds and Series I Secured Notes are secured by all of our assets, and are subordinate to our revolving senior credit facility with Autobahn/DZ Bank. The L Bonds and Series I Secured Notes are pari passu with respect to a security interest in our assets pursuant to an intercreditor agreement (see “Notes to Condensed Consolidated Financial Statements,” Notes 6 and 7).

We maintain a \$105 million revolving senior credit facility with Autobahn/DZ Bank through GWG Life’s wholly owned subsidiaries DLP II and DLP III. The revolving senior credit facility is used to pay the premium expenses related to our portfolio of life insurance policies. As of March 31, 2016 and December 31, 2015, we had approximately \$85.0 million and \$65.0 million, respectively, outstanding under the revolving senior credit facility, and maintained an available borrowing base surplus of \$20.0 million and \$40.0 million, respectively. Effective May 11, 2015, we amended and restated our senior credit facility to reduce the interest cost and extend the term of the facility to June 2018 (see “Notes to Condensed Consolidated Financial Statements,” Note 5).

Capital expenditures have historically not been material and we do not anticipate making material capital expenditures in 2016 or beyond.

### Corporate Financing History

In November 2009, our wholly owned subsidiary GWG Life offered Series I Secured Notes in a private placement to accredited investors only. This offering was closed in November 2011. As of March 31, 2016 and December 31, 2015, we had approximately \$18.5 million and \$23.6 million, respectively, in principal amount of Series I Secured Notes outstanding.

In September 2011, we concluded a private placement offering of Series A Preferred Stock, having received 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. As of March 31, 2016 and December 31, 2015, respectively, we had approximately \$20.3 million and \$20.8 million of Series A

Preferred Stock outstanding.

In January 2012, we began publicly offering up to \$250.0 million in debt securities (initially named “Renewable Secured Debentures” and subsequently renamed “L Bonds”) that was completed January 2015.

In September 2014, we consummated an initial public offering of our common stock resulting in the sale of 800,000 shares of common stock at \$12.50 per share and net proceeds of approximately \$8.6 million after the deduction of underwriting commissions, discounts and expense reimbursements.

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In January 2015, we began publicly offering up to \$1.0 billion of L Bonds as a follow-on offering to our earlier \$250.0 million public debt offering. Through March 31, 2016, the total amount of these L Bonds sold, including renewals, was \$496.3 million. As of March 31, 2016 and December 31, 2015, respectively, we had approximately \$306.8 million and \$282.2 million, respectively, in principal amount of L Bonds outstanding.

In October 2015, we began publicly offering up to 100,000 shares of our Redeemable Preferred Stock at a per-share price of \$1,000. As of March 31, 2016 we had issued approximately \$1.4 million of Redeemable Preferred Stock.

#### Portfolio Assets and Secured Indebtedness

At March 31, 2016, the fair value of our investments in life insurance policies of \$387.4 million plus our cash balance of \$11.0 million, our restricted cash balance of \$19.8 million and our policy benefits receivable of \$15.9 million, totaled \$434.1 million, representing an excess of portfolio assets over secured indebtedness of \$23.8 million. At December 31, 2015, the fair value of our investments in life insurance policies of \$356.6 million plus our cash balance of \$34.4 million and our restricted cash balance of \$2.3 million, totaled \$393.3 million, representing an excess of portfolio assets over secured indebtedness of \$22.5 million. The L Bonds and Series I Secured Notes are secured by all of our assets and are subordinate to our revolving senior credit facility with Autobahn/DZ Bank. The L Bonds and Series I Secured Notes are pari passu with respect to a security interest in our asset 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 March 31, 2016. In all cases, the sale of the life insurance assets owned by DLP III will be used first to satisfy all amounts owing under the revolving senior credit facility with Autobahn/DZ Bank. The net sale proceeds remaining after satisfying all obligations under the revolving senior credit facility would be applied to L Bonds and Series I Secured Notes on a pari passu basis.

Portfolio Discount Rate	10%	11%	12%	13%	14%
Value of portfolio	\$ 409,819,000	\$ 391,220,000	\$ 374,077,000	\$ 358,240,000	\$ 343,577,000
Cash, cash equivalents and policy benefits receivable	46,740,000	46,740,000	46,740,000	46,740,000	46,740,000
Total assets	456,559,000	437,960,000	420,817,000	404,980,000	390,317,000
Revolving senior credit facility					
Autobahn/DZ Bank	85,011,000	85,011,000	85,011,000	85,011,000	85,011,000
Net after revolving senior credit facility	371,548,000	352,949,000	335,806,000	319,969,000	305,306,000
Series I Secured Notes and L Bonds	325,339,000	325,339,000	325,339,000	325,339,000	325,339,000
Net after Series I Secured Notes and L Bonds	46,209,000	27,610,000	10,467,000	(5,370,000 )	(20,033,000 )
Impairment to Series I Secured Notes and L Bonds	No impairment	No impairment	No impairment	Impairment	Impairment

The table illustrates that our ability to fully satisfy amounts owing under the L Bonds 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 12.65% or higher. At December 31, 2015, the impairment occurred at a discount rate of approximately 12.58% or higher. The discount rates used to calculate the fair value of our portfolio were 11.08% and 11.09% as of

March 31, 2016 and December 31, 2015, 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 prospectus supplement, including our discussion of discount rates included under the "— Critical Accounting Policies — Fair Value Components — Discount Rate" 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.

#### 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.

Nevertheless, the probability of actually needing to pay the premiums decreases as the probability of mortality increases. These scheduled premiums and associated probabilities are factored into our expected internal rate of return and cash-flow modeling. Beyond premiums, we incur policy servicing costs, including annual trustee, tracking costs, and debt servicing costs, including principal and interest payments, all of which are excluded from our internal rate of return calculations. Until we receive a stable amount of proceeds from the policy benefits, we intend to pay these costs from our senior credit facility, when permitted, and through the issuance of debt securities, including the L Bonds, and equity securities including our Redeemable Preferred Stock.

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.

Years Ending December 31,	Premiums	Servicing	Premiums and Servicing Fees
Nine months ending December 31, 2016	\$ 25,258,000	\$ 558,000	\$ 25,816,000
2017	36,083,000	558,000	36,641,000
2018	39,398,000	558,000	39,956,000
2019	44,304,000	558,000	44,862,000
2020	49,314,000	558,000	49,872,000
2021	54,825,000	558,000	55,383,000
	\$ 249,182,000	\$ 3,348,000	\$ 252,530,000

Our anticipated premium expenses are subject to the risk of increased cost-of-insurance (COI) charges (i.e., premium charges) for the universal life insurance policies we own. As of April 21, 2016 we were in receipt of updated life insurance policy illustrations reflecting increased COI for certain policies issued by AXA. The change in fair value associated with these policies was \$2.4 million. We have been notified of potential cost of insurance increases on certain universal life policies in our portfolio by other life insurance companies. Although we cannot now precisely quantify the impact of the increase upon our costs, or upon the fair value of our portfolio, less than 4% of the fair value of our portfolio is attributable to such policies. As a result, we expect that our premium expense will increase and the fair value of our portfolio will be negatively impacted once we have the required information regarding the proposed increases.

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.

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	28.1 %
June 30, 2012	489,255,000	8,703,000	15,412,000	56.5 %
September 30, 2012	515,661,000	7,833,000	15,837,000	49.5 %
December 31, 2012	572,245,000	7,350,000	16,597,000	44.3 %
March 31, 2013	639,755,000	11,350,000	18,044,000	62.9 %
June 30, 2013	650,655,000	13,450,000	19,182,000	70.1 %
September 30, 2013	705,069,000	18,450,000	20,279,000	91.0 %
December 31, 2013	740,648,000	16,600,000	21,733,000	76.4 %
March 31, 2014	771,940,000	12,600,000	21,930,000	57.5 %
June 30, 2014	784,652,000	6,300,000	22,598,000	27.9 %
September 30, 2014	787,964,000	4,300,000	23,121,000	18.6 %
December 31, 2014	779,099,000	18,050,000	23,265,000	77.6 %
March 31, 2015	754,942,000	46,675,000	23,786,000	196.2 %

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June 30, 2015	806,274,000	47,125,000	24,348,000	193.6	%
September 30, 2015	878,882,000	44,482,000	25,313,000	175.7	%
December 31, 2015	944,844,000	31,232,000	26,650,000	117.2	%
March 31, 2016	1,027,821,000	21,845,000	28,771,000	75.9	%

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We believe that the portfolio cash flow results set forth above are consistent with 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 policies in the portfolio. Nevertheless, we expect that our portfolio cash flow results on a period-to-period basis will remain inconsistent until such time as we achieve our goal of acquiring a larger, more diversified portfolio of life insurance policies. As our receipt of life insurance policy benefits increases, we expect to use these cash flows to begin paying down our outstanding indebtedness and purchase additional life insurance policies.

#### 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.

#### Off-Balance Sheet Arrangements

GWG Holdings entered into an office lease with U.S. Bank National Association as the landlord. The original lease was for 11,695 square feet of office space located at 220 South Sixth Street, Minneapolis, Minnesota. The original lease agreement was effective April 22, 2012, amended on December 14, 2014 and expired on August 31, 2015. Effective September 14, 2015, GWG Holdings entered into a second amendment to the lease with U.S. Bank National Association (Second Amendment to Lease). The Second Amendment to Lease increases the office space area to 17,687 square feet and extends the lease expiration date by approximately ten years (see “Notes to Condensed Consolidated Financial Statements,” Note 15).

#### 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. See “Portfolio Credit Risk Management” below.

#### Interest Rate Risk

Our senior credit facility is floating-rate financing. In addition, our ability to offer interest rates that attract capital (including in our continuous offering of L Bonds) 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 also reduce the earnings we expect to achieve from our investments in life insurance policies.

#### Non-GAAP Financial Measures

We use non-GAAP financial measures for maintaining compliance with covenants contained in our borrowing agreements and for planning and forecasting purposes. Non-GAAP financial measures disclosed by management are provided as additional information to investors in order to provide 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. Please see the notes to our condensed consolidated financial statements and our financial statements contained herein.

We use non-GAAP financial measures for evaluating financial results, planning and forecasting, and maintaining compliance with covenants contained in borrowing agreements. The application of current GAAP standards during a period of significant growth in our business, in which period we are building a large and actuarially diverse portfolio

of life insurance, results in current period operating performance that may not be reflective of our long-term earnings potential. Management believes that our non-GAAP financial measures permit investors to better focus on this long-term earnings performance without regard to the volatility in GAAP financial results that can occur during this phase of growth.

In addition, management believes that GAAP financial reporting is at odds with one of the key attractions for purchasing and owning a portfolio 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 our expected internal rate of return based on statistical mortality probabilities for the insureds (using primarily the insured's age, sex, health 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 senior 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 using the method described above, without regard to GAAP-based fair value measures. In addition, our revolving senior 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 senior 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, the indenture under which our L Bonds were and continue to be issued, and the note issuance and security agreement under which our Series I Secured Notes were issued, 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. This ratio is calculated using non-GAAP measures in the method described below, without regard to GAAP-based fair value measures.

**Adjusted Non-GAAP Net Income.** Our senior 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 March 31,	2016	2015
GAAP net income	\$ 1,074,000	\$ 3,262,000
Unrealized fair value gain <sup>(1)</sup>	(11,532,000 )	1,894,000
Adjusted cost basis increase <sup>(2)</sup>	15,367,000	12,229,000
Accrual of unrealized actuarial gain <sup>(3)</sup>	8,180,000	4,241,000
Total adjusted non-GAAP income <sup>(4)</sup>	\$ 13,089,000	\$ 21,626,000

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

(2) Adjusted cost basis is increased to include interest, premiums and servicing fees which are not capitalized under GAAP (the non-GAAP cost basis).

- (3) Accrual of actuarial gain at expected internal rate of return based on the non-GAAP 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 senior credit facility requires us to maintain a tangible net worth in excess of \$45 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.

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	As of March 31, 2016	As of December 31, 2015
GAAP net worth <sup>(1)</sup>	\$ 17,715,000	\$ 16,160,000
Less intangible assets <sup>(2)</sup>	(12,964,000 )	(11,562,000 )
GAAP tangible net worth	4,751,000	4,598,000
Unrealized fair value gain <sup>(3)</sup>	(205,575,000 )	(194,043,000 )
Adjusted cost basis increase <sup>(4)</sup>	200,213,000	190,645,000
Accrual of unrealized actuarial gain <sup>(5)</sup>	119,533,000	111,355,000
Total adjusted non-GAAP tangible net worth <sup>(6)</sup>	\$ 118,922,000	\$ 112,555,000

(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 GAAP fair value gain or loss of life insurance policies.

(4) Adjusted cost basis is increased to include interest, premiums and servicing fees which are not capitalized under GAAP.

(5) Accrual of cumulative actuarial gain at expected internal rate of return based the non-GAAP cost basis.

(6) We must maintain a total adjusted non-GAAP tangible net worth of \$45 million to maintain compliance with our revolving credit facility with DZ Bank/Autobahn.

**Excess Spread.** Our revolving senior 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 revolving senior credit facility's interest rate. The expected internal rate of return on the portfolio is the rate of return the portfolio would earn if all future cash flows occurred over time in proportion to the likelihood of their occurrence. Expected future cash flows represent the size of each potential payment (premiums and policy benefits), multiplied by the probability of that particular payment occurring. This calculation is known as the "probabilistic expectation" and it is based on actuarial estimations of life expectancy. For instance, a required premium payment of \$10,000 might be projected for a given policy at a date five years from now. If there is a 50% chance of survival for the next five years, then that particular expected cash-outflow is calculated at \$5,000. Similarly, if the policy benefit amount on the same policy is \$1 million, then during the next five years, the probable expected cash-inflow of policy benefits will total \$500,000 with the other \$500,000 projected to occur over the remaining life of the insured. The rate of return generated by the net of all such future expected cash flows for the portfolio is thus the expected IRR for the portfolio.

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 March 31, 2016	%	As of December 31, 2015	%
Weighted-average expected IRR <sup>(1)</sup>	11.33	%	11.11	%
Weighted-average revolving credit facility interest rate <sup>(2)</sup>	5.69	%	5.58	%
Excess spread <sup>(3)</sup>	5.64	%	5.53	%
	6.91	%	6.98	%

Total weighted-average interest rate on indebtedness for borrowed money<sup>(4)</sup>

Total excess spread<sup>(5)</sup> 4.42 % 4.13 %

(1) This represents the weighted-average expected internal rate of return of the life insurance policies as of the measurement date based upon our Non-GAAP cost basis of the insurance policies and the expected cash flows from the life insurance portfolio.

	As of March 31, 2016	As of December 31, 2015
Investment Cost Basis		
GAAP fair value	\$ 387,402,000	\$ 356,650,000
Unrealized fair value gain(A)	(205,575,000 )	(194,043,000 )
Adjusted cost basis increase(B)	200,213,000	190,645,000
Investment cost basis(C)	\$ 382,040,000	\$ 353,252,000

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

- (B) Adjusted cost basis is increased to interest, premiums and servicing fees which are not capitalized under GAAP.
- (C) This is the non-GAAP cost basis in life insurance policies from which our expected internal rate of return is calculated.
- (2) This is the weighted-average revolving senior credit facility interest rate as of the measurement date.
- (3) We must maintain an excess spread of 2.00% relating to our revolving senior credit facility to maintain compliance under such facility.
- (4) Represents the weighted-average interest rate paid on all interest-bearing indebtedness as of the measurement date, determined as follows:

Indebtedness	As of March 31, 2016	As of December 31, 2015
Revolving senior credit facility	\$ 85,011,000	\$ 65,011,000
Series I Secured Notes	18,508,000	23,578,000
L Bonds	306,831,000	282,171,000
Total	\$ 410,350,000	\$ 370,760,000

Interest Rates on Indebtedness

Revolving senior credit facility	5.69	%	5.58	%
Series I Secured Notes	8.61	%	8.47	%
L Bonds	7.14	%	7.18	%
Weighted-average interest rates paid on indebtedness	6.91	%	7.20	%

(5) Calculated as the weighted average expected IRR (1) minus the weighted-average interest rate on interest-bearing indebtedness (4).

Debt Coverage Ratio and Subordination Ratio. Our L Bond and Series I Secured Notes borrowing covenants 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 interest-bearing 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 L Bonds is calculated by dividing the total interest-bearing indebtedness that is senior to L Bonds 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 paid on all indebtedness. As of the date of our Quarterly Report on Form 10-Q, filed with the SEC on May 13, 2016, the subordination ratio provisions under the indenture have expired.

	As of March 31, 2016	As of December 31, 2015
Life insurance portfolio policy benefits	\$ 1,027,821,000	\$ 944,844,000
Discount rate of future cash flows	6.91	6.98
Net present value of Life insurance portfolio policy benefits	\$ 478,483,000	\$ 435,738,000
Cash and cash equivalents	30,827,000	36,767,000
Total Coverage	509,310,000	472,505,000
Revolving credit facility	85,011,000	65,011,000

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Series I Secured notes	18,508,000	23,578,000
L Bonds	306,831,000	282,171,000
Total Indebtedness	\$ 410,350,000	\$ 370,760,000

Debt Coverage Ratio	80.57	%	78.47	%
Subordination Ratio	16.69	%	13.76	%

As of March 31, 2016, we were in compliance with both the debt coverage ratio and the subordination ratio.

**Non-GAAP Net Asset Value.** The non-GAAP net asset value attempts to measure the economic value of the Company's common equity by netting interest-bearing debt and the redemption/liquidation value of the Company's outstanding Series A Preferred Stock against the value of the Company's portfolio of life insurance (discounted at our weighted-average interest rate paid on all indebtedness) and cash, cash equivalents and policy benefits receivable, if any, at the end of the measurement period. Management believes this is a useful way to view the common equity value attributable to the current gross yield spread in the Company's portfolio of life insurance.

	As of March 31, 2016		As of December 31, 2015	
Life insurance portfolio policy benefits	\$ 1,027,821,000		\$ 944,844,000	
Discount rate of future cash flows	6.91	%	6.98	%
Net present value of life insurance policy benefits	\$ 478,483,000		\$ 435,738,000	
Cash and cash equivalents	\$ 30,827,000		\$ 36,767,000	
Policy benefits receivable	\$ 15,913,000		\$ —	
Interest bearing debt	\$ (410,350,000 )		\$ (370,760,000 )	
Preferred stock redemption value	\$ (22,384,000 )		\$ (22,949,000 )	
Net asset value	\$ 92,489,000		\$ 78,796,000	
Per share	\$ 15.56		\$ 13.26	
Shares outstanding (basic)	5,942,790		5,941,790	

**Non-GAAP Expected Portfolio Internal Rate of Return at Purchase.** This measure replaces the Non-GAAP Blended Portfolio Internal Rate of Return previously disclosed. The non-GAAP expected portfolio internal rate of return (IRR) at purchase is calculated as the weighted average (by face amount of policy benefits) of the IRR expected at the time of purchase for all life insurance policies in the portfolio. This non-GAAP measure isolates our IRR expectation at purchase and utilizes our underwriting life expectancy assumptions at the time. This measure does not change with the passage of time as compared to our non-GAAP cost basis that increases with the payment of premiums and financing costs which are used to calculate our expected portfolio IRR.

	As of March 31, 2016		As of December 31, 2015	
Life insurance portfolio policy benefits	\$ 1,027,821,000		\$ 945,000,000	
Total number of policies	465		396	

**Non-GAAP Expected Portfolio Internal Rate of Return at Purchase** 15.64 % 15.71 %

We have in the past reported Non-GAAP Blended Portfolio Internal Rate of Return, which is the weighted average (by face amount of policy benefits) of the IRR attained on policies that have matured and the IRR we expect to earn on our current portfolio. We use this non-GAAP measure to assess the reasonableness of our yield expectation of the portfolio over time. However, since reporting the Blended Internal Rate of Return we realized that when we have significant maturities within a short period of time after purchase (as we did in the three months ending March 31, 2016) the Blended Internal Rate of Return calculation's effectiveness in characterizing long-term yield expectations of the portfolio is reduced. In addition, the value of reporting the Blended Internal Rate of Return was to illustrate that the ultimate IRR earned on the portfolio is expected to converge near the Expected Internal Rate of Return at Purchase. We expect to continue to report The Non-GAAP Expected Portfolio Internal Rate of Return at Purchase until we have a statistically significant population of maturities within the portfolio to accurately measure this expected convergence.

Additionally, we participate in a new and developing asset class, and as a result will continue to seek better and more useful metrics to measure the value and performance of our portfolio and business over time.



Portfolio Information

Our portfolio of life insurance policies, owned by our subsidiaries as of March 31, 2016, is summarized below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	\$ 1,027,821,000	
Average face value per policy	\$ 2,210,000	
Average face value per insured life	\$ 2,453,000	
Average age of insured (yrs.)*	82.4	
Average life expectancy estimate (yrs.)*	6.7	
Total number of policies	465	
Number of unique lives	419	
Demographics	72% Males; 28% Females	
Number of smokers	12	
Largest policy as % of total portfolio	0.97	%
Average policy as % of total portfolio	0.22	%
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 wholly owned subsidiaries as of March 31, 2016, organized by the insured's current age and the associated number of policies and policy benefits, is summarized below:

Distribution of Policies and Policy Benefits by Current Age of Insured

Min Age	Max Age	Policies	Policy Benefits	Wtd. Avg. Life Expectancy (yrs.)	Percentage of Total		Policy Benefits	
					Number of Policies			
90	95	37	\$ 76,183,000	2.8	8.0	%	7.4	%
85	89	129	\$ 285,371,000	4.9	27.7	%	27.8	%
80	84	134	\$ 354,095,000	6.7	28.8	%	34.5	%
75	79	86	\$ 197,392,000	8.7	18.5	%	19.2	%
70	74	49	\$ 75,207,000	9.5	10.5	%	7.3	%
65	69	30	\$ 39,573,000	10.7	6.5	%	3.8	%
Total		465	\$ 1,027,821,000	6.7	100.0	%	100.0	%

Our portfolio of life insurance policies, owned by our wholly owned subsidiaries as of March 31, 2016, organized by the insured's estimated life expectancy estimates and associated policy benefits, is summarized below:

Distribution of Policies by Current Life Expectancies of Insured

Min LE (Months)	Max LE (Months)	Policies	Policy Benefits	Percentage of Total		Policy Benefits	
				Number of Policies			
5	47	112	\$ 203,437,000	24.1	%	19.8	%
48	71	121	262,773,000	26.0	%	25.6	%
72	95	93	243,226,000	20.0	%	23.7	%
96	119	75	173,001,000	16.1	%	16.8	%

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120	143	41		92,464,000	8.8	%	9.0	%
144	201	23		52,920,000	5.0	%	5.1	%
Total		465	\$	1,027,821,000	100.0	%	100.0	%

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 within the following ten

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primary disease categories: (1) cancer, (2) cardiovascular, (3) cerebrovascular, (4) dementia, (5) diabetes, (6) multiple, (7) neurological disorders, (8) no disease, (9) other, and (10) respiratory diseases. 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, the only primary disease category within our portfolio that represents a concentration of over 10% is cardiovascular, which constitutes 20.8% of the value of our portfolio.

#### Portfolio Credit Risk Management

We rely on the payment of policy benefit claims by life insurance companies as our most significant source of revenue collection. The life insurance assets we own represent obligations of third-party life insurance companies to pay face value of the life insurance policy benefits. As a result, we manage this credit risk exposure by generally purchasing policies issued by insurance companies with investment-grade ratings from Standard & Poor's, and diversifying our portfolio among a number of insurance companies.

As of March 31, 2016, 97.6% of our life insurance policies, by face value benefits, were issued by insurance companies that maintained an investment-grade rating (BBB-or better) by Standard & Poor's. Our largest life insurance company credit exposures and their respective Standard & Poor's credit rating of their respective financial strength and claims paying ability is set forth below:

Rank	Policy Benefits	Percentage of Policy Benefit Amount	Insurance Company	Ins. Co. S&P Rating
1	\$ 143,974,000	14.0 %	AXA Equitable Life Insurance Company	A+
2	\$ 119,605,000	11.6 %	John Hancock Life Insurance Company (U.S.A.)	AA-
3	\$ 106,729,000	10.5 %	Transamerica Life Insurance Company	AA-
4	\$ 64,403,000	6.3 %	Voya Retirement Insurance and Annuity Company	A
5	\$ 60,569,000	5.9 %	Jefferson-Pilot Life Insurance Company	AA-
6	\$ 53,615,000	5.2 %	Lincoln National Life Insurance Company	AA-
7	\$ 50,646,000	4.9 %	Metropolitan Life Insurance Company	A+
8	\$ 47,675,000	4.6 %	American General Life Insurance Company	A+
9	\$ 44,250,000	4.3 %	Massachusetts Mutual Life Insurance Company	AA+
10	\$ 36,000,000	3.5 %	West Coast Life Insurance Company	AA-
	727,466,000	70.80 %		

The yield to maturity on bonds issued by life insurance carriers reflects, among other things, the credit risk (risk of default) of such insurance carrier. We follow the yields on certain publicly traded life insurance company bonds as this information is part of the data we consider when valuing our portfolio of life insurance policies for our financial statements according to GAAP.

Name of Bond	Maturity	YTM	Duration (Years)	Bond S&P Rating
AXA 7.125%	12/15/2020	3.29 %	5.0	BBB
Manulife Finl 4.9%	9/17/2020	2.54 %	4.7	A
Lincoln National Corp Ind 4%	9/1/2023	3.44 %	7.7	A-
Amer Intl Grp 5%	4/26/2023	3.23 %	7.3	A-
Protective Life 7.375%	10/15/2019	2.85 %	3.8	A-
Metlife 3.048%	12/15/2022	2.94 %	7.0	A-
Prudential Finl Inc Mtns Book 4.5%	11/16/2021	2.86 %	5.9	A
Average yield on insurance bonds		3.02 %	5.9	

The table above indicates the current yields to maturity (YTM) for the senior bonds of selected life insurance carriers with durations, on average, that are similar to our life insurance portfolio. The average yield to maturity of these bonds was 3.02% which, we believe, reflects in part the financial market's judgement that credit risk is low with

regard to these carriers' financial obligations. It should be noted that the obligations of life insurance carriers to pay life insurance policy benefits is senior in rank to any other obligation. This "super senior" priority is not reflected in the yield to maturity in the table and, if considered, would result in a lower yield to maturity all else being equal. As such, as long as the respective premium payments have been made, it is highly likely that the owner of the insurance policy will collect the insurance policy benefit upon the mortality of the insured.

The complete detail of our portfolio of life insurance policies, owned by our wholly owned subsidiaries as of March 31, 2016, organized by the current age of the insured and the associated policy benefits, sex, estimated life expectancy, issuing insurance carrier, and the credit rating of the issuing insurance carrier, is set forth below.

#### Life Insurance Portfolio Detail

(as of March 31, 2016)

	Face Amount	Gender	Age (ALB)	LE (mo.)	Insurance Company	S&P Rating
1	\$ 4,000,000	Male	95	33.8	MetLife Investors USA Insurance Company	A+
2	\$ 1,100,000	Male	95	28.4	Voya Retirement Insurance and Annuity Company	A
3	\$ 1,500,000	Female	95	31.3	Aviva Life Insurance Company	A-
4	\$ 1,000,000	Female	94	37.1	Transamerica Life Insurance Company	AA-
5	\$ 3,200,000	Male	94	26.5	West Coast Life Insurance Company	AA-
6	\$ 3,500,000	Male	93	38.8	Voya Retirement Insurance and Annuity Company	A
7	\$ 264,000	Female	93	24.0	Lincoln Benefit Life Company	BBB+
8	\$ 250,000	Male	93	21.3	Transamerica Life Insurance Company	AA-
9	\$ 572,429	Female	92	33.2	Voya Retirement Insurance and Annuity Company	A
10	\$ 3,000,000	Male	92	38.7	West Coast Life Insurance Company	AA-
11	\$ 500,000	Male	92	11.4	John Hancock Life Insurance Company (U.S.A.)	AA-
12	\$ 5,000,000	Female	92	49.6	American General Life Insurance Company	A+
13	\$ 2,000,000	Female	92	10.2	Pruco Life Insurance Company	AA-
14	\$ 500,000	Female	92	47.2	Sun Life Assurance Company of Canada (U.S.)	AA-
15	\$ 1,682,773	Female	91	47.7	Hartford Life and Annuity Insurance Company	BBB+
16	\$ 5,000,000	Male	91	30.2	John Hancock Life Insurance Company (U.S.A.)	AA-
17	\$ 3,100,000	Female	91	31.3	Lincoln Benefit Life Company	BBB+
18	\$ 500,000	Female	91	61.3	John Hancock Life Insurance Company	AA-
19	\$ 5,000,000	Female	91	28.6	John Hancock Life Insurance Company (U.S.A.)	AA-
20	\$ 500,000	Male	91	47.2	Voya Retirement Insurance and Annuity Company	A
21	\$ 1,000,000	Male	91	7.4	Voya Retirement Insurance and Annuity Company	A
22	\$ 300,000	Female	91	29.0	West Coast Life Insurance Company	AA-
23	\$ 3,845,000	Female	91	44.6	Pacific Life Insurance Company	A+
24	\$ 500,000	Male	90	44.9	Massachusetts Mutual Life Insurance Company	AA+

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25	\$	500,000	Female	90	20.7	Lincoln National Life Insurance Company	AA-
26	\$	1,000,000	Female	90	47.7	United of Omaha Life Insurance Company	AA-
27	\$	3,500,000	Female	90	68.3	John Hancock Life Insurance Company (U.S.A)	AA-
28	\$	1,500,000	Female	90	65.4	Jefferson-Pilot Life Insurance Company	AA-
29	\$	2,500,000	Female	90	4.7	AXA Equitable Life Insurance Company	A+
30	\$	2,500,000	Female	90	4.7	AXA Equitable Life Insurance Company	A+
31	\$	3,000,000	Female	90	30.9	Jefferson-Pilot Life Insurance Company	AA-
32	\$	5,000,000	Female	90	37.4	Voya Retirement Insurance and Annuity Company	A
33	\$	5,000,000	Female	90	16.0	Lincoln National Life Insurance Company	AA-
34	\$	715,000	Female	90	57.2	Jefferson-Pilot Life Insurance Company	AA-
35	\$	1,203,520	Male	90	41.0	Columbus Life Insurance Company	AA
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	Face Amount	Gender	Age (ALB)	LE (mo.)	Insurance Company	S&P Rating
36	\$ 1,350,000	Female	90	33.2	Jefferson-Pilot Life Insurance Company	AA-
37	\$ 600,000	Female	90	19.3	Columbus Life Insurance Company	AA
38	\$ 5,000,000	Female	89	47.2	Massachusetts Mutual Life Insurance Company	AA+
39	\$ 2,500,000	Female	89	44.6	American General Life Insurance Company	A+
40	\$ 2,500,000	Male	89	50.0	Pacific Life Insurance Company	A+
41	\$ 5,000,000	Male	89	49.0	AXA Equitable Life Insurance Company	A+
42	\$ 375,000	Male	89	37.5	Lincoln National Life Insurance Company	AA-
43	\$ 1,103,922	Female	89	55.5	Sun Life Assurance Company of Canada (U.S.)	AA-
44	\$ 1,500,000	Male	89	39.9	John Hancock Life Insurance Company (U.S.A)	AA-
45	\$ 1,500,000	Male	89	39.9	John Hancock Life Insurance Company (U.S.A)	AA-
46	\$ 1,000,000	Female	89	60.4	Transamerica Life Insurance Company	AA-
47	\$ 250,000	Female	89	60.4	Transamerica Life Insurance Company	AA-
48	\$ 1,050,000	Male	89	39.6	John Hancock Life Insurance Company (U.S.A)	AA-
49	\$ 3,000,000	Male	89	94.4	Transamerica Life Insurance Company	AA-
50	\$ 500,000	Male	89	57.6	Lincoln National Life Insurance Company	AA-
51	\$ 4,785,380	Female	89	42.3	John Hancock Life Insurance Company (U.S.A)	AA-
52	\$ 1,803,455	Female	89	45.4	Metropolitan Life Insurance Company	A+
53	\$ 1,529,270	Female	89	45.4	Metropolitan Life Insurance Company	A+
54	\$ 800,000	Male	89	63.1	Lincoln National Life Insurance Company	AA-
55	\$ 5,000,000	Male	89	48.1	John Hancock Life Insurance Company (U.S.A)	AA-
56	\$ 2,225,000	Female	89	79.3	Transamerica Life Insurance Company	AA-
57	\$ 3,000,000	Female	89	77.2	Massachusetts Mutual Life Insurance Company	AA+
58	\$ 1,500,000	Male	89	42.5	Union Central Life Insurance Company	A+
59	\$ 3,500,000	Female	89	37.3	Lincoln National Life Insurance Company	AA-
60	\$ 396,791	Male	89	30.3	Lincoln National Life Insurance Company	AA-
61	\$ 1,500,000	Male	89	100.0	Transamerica Life Insurance Company	AA-
62	\$ 3,000,000	Male	89	28.6	American General Life Insurance Company	A+
63	\$ 248,859	Female	88	29.3	Lincoln National Life Insurance Company	AA-
64	\$ 500,000	Female	88	62.7	Sun Life Assurance Company of Canada (U.S.)	AA-
65	\$ 5,000,000	Female	88	30.8	Transamerica Life Insurance Company	AA-
66	\$ 3,000,000	Male	88	43.4	Transamerica Life Insurance Company	AA-
67	\$ 250,000	Male	88	67.3	Metropolitan Life Insurance Company	A+
68	\$ 6,000,000	Female	88	51.5	Sun Life Assurance Company of Canada (U.S.)	AA-
69	\$ 4,000,000	Female	88	67.0	Transamerica Life Insurance Company	AA-
70	\$ 1,000,000	Female	88	34.0	New York Life Insurance Company	AA+
71	\$ 1,000,000	Male	88	50.8	AXA Equitable Life Insurance Company	A+
72	\$ 1,250,000	Male	88	31.6	Columbus Life Insurance Company	AA
73	\$ 300,000	Male	88	31.6	Columbus Life Insurance Company	AA
74	\$ 10,000,000	Female	88	66.7	West Coast Life Insurance Company	AA-

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75	\$	2,500,000	Male	88	43.8	Transamerica Life Insurance Company	AA-
76	\$	1,000,000	Female	88	46.1	West Coast Life Insurance Company	AA-
77	\$	2,000,000	Female	88	46.1	West Coast Life Insurance Company	AA-
78	\$	800,000	Male	88	50.8	National Western Life Insurance Company	A
79	\$	500,000	Female	88	45.5	Transamerica Life Insurance Company	AA-
80	\$	400,000	Female	88	45.5	Lincoln Benefit Life Company	BBB+
81	\$	1,269,017	Male	88	29.5	Hartford Life and Annuity Insurance Company	BBB+
82	\$	200,000	Male	88	44.3	Lincoln Benefit Life Company	BBB+
83	\$	4,445,467	Male	88	54.1	Penn Mutual Life Insurance Company	A+
84	\$	7,500,000	Male	88	45.1	Jefferson-Pilot Life Insurance Company	AA-
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	Face Amount	Gender	Age (ALB)	LE (mo.)	Insurance Company	S&P Rating
85	\$ 3,600,000	Female	88	53.2	AXA Equitable Life Insurance Company	A+
86	\$ 1,000,000	Female	88	30.1	John Hancock Life Insurance Company (U.S.A)	AA-
87	\$ 4,513,823	Female	88	20.5	Aviva Life Insurance Company	A-
88	\$ 3,000,000	Male	88	38.7	Jefferson-Pilot Life Insurance Company	AA-
89	\$ 309,000	Male	88	31.5	Transamerica Life Insurance Company	AA-
90	\$ 2,000,000	Male	88	42.4	John Hancock Life Insurance Company (U.S.A)	AA-
91	\$ 100,000	Female	88	50.2	American General Life Insurance Company	A+
92	\$ 100,000	Female	88	50.2	American General Life Insurance Company	A+
93	\$ 2,000,000	Female	88	71.0	U.S. Financial Life Insurance Company	A+
94	\$ 1,000,000	Male	87	56.2	John Hancock Life Insurance Company (U.S.A)	AA-
95	\$ 2,000,000	Male	87	56.2	John Hancock Life Insurance Company (U.S.A)	AA-
96	\$ 5,000,000	Male	87	46.3	Jefferson-Pilot Life Insurance Company	AA-
97	\$ 1,200,000	Male	87	67.6	Transamerica Life Insurance Company	AA-
98	\$ 1,000,000	Female	87	81.2	Voya Retirement Insurance and Annuity Company	A
99	\$ 200,000	Female	87	79.6	Lincoln National Life Insurance Company	AA-
100	\$ 3,000,000	Male	87	73.6	AXA Equitable Life Insurance Company	