WYNN RESORTS LTD
Form 10-K
February 28, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period__________to__________

Commission File No. 000-50028

WYNN RESORTS, LIMITED

(Exact name of registrant as specified in its charter)

NEVADA	**46-0484987**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

3131 Las Vegas Boulevard South Las Vegas, Nevada 89109

(Address of principal executive offices) (Zip Code)

(702) 770-7555

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	**Nasdaq Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the registrant s voting and non-voting common stock held by non-affiliates based on the closing price as reported on the NASDAQ Global Select Market on June 30, 2013 was approximately $10.3 billion.

As of February 14, 2014, 101,212,217 shares of the registrant s Common Stock, $.01 par value, were outstanding.

Portions of the registrant s Proxy Statement for its 2014 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the fiscal year covered by this report are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

Overview

Wynn Resorts, Limited, a Nevada corporation, was formed in June 2002, is led by Chairman and Chief Executive Officer, Stephen A. Wynn, and is a leading developer, owner and operator of destination casino resorts. Wynn Resorts, Limited currently owns 72.3% of Wynn Macau, Limited which operates a casino hotel resort property in the Macau Special Administrative Region of the People s Republic of China (Macau). In Las Vegas, Nevada, we own and operate Wynn Las Vegas, which includes Encore at Wynn Las Vegas. We present our results based on the following two segments: Macau Operations and Las Vegas Operations. For more information on the financial results for our segments, see Item 8 Financial Statements and Supplementary Data , Note 17 Segment Information.

Unless the context otherwise requires, all references herein to Wynn Resorts, the Company, we, us or our, or similar terms, refer to Wynn Resorts, Limited and its consolidated subsidiaries.

Wynn Resorts files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments of such reports with the Securities and Exchange Commission (SEC). Any document Wynn Resorts files may be inspected, without charge, at the SEC s public reference room at 100 F Street, N.E. Washington, D.C. 20549 or at the SEC s internet site address at http://www.sec.gov. Information related to the operation of the SEC s public reference room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, through our own internet address at www.wynnresorts.com, Wynn Resorts provides a hyperlink to a third-party SEC filing website which posts these filings as soon as reasonably practicable, where they can be reviewed without charge. The information found on our website is not a part of this Annual Report on Form 10-K or any other report we file or furnish to the SEC.

Our Resorts

Macau Operations

Wynn Macau opened on September 6, 2006. On April 21, 2010, we opened Encore at Wynn Macau, an expansion of Wynn Macau. We refer to the fully integrated Wynn Macau and Encore at Wynn Macau resort as Wynn Macau | Encore or as our Macau Operations. We believe that this resort offers exceptional accommodations, amenities and service.

Our Macau Operations feature 1,008 spacious guest rooms and suites, 493 table games, 866 slot machines and a poker pit in approximately 280,000 square feet of casino gaming space (including sky casinos and private gaming salons), casual and fine dining in eight restaurants, two spas and a salon, lounges, meeting facilities and approximately 57,000 square feet of retail space featuring boutiques from Bvlgari, Cartier, Chanel, Dior, Dunhill, Ermenegildo Zegna, Ferrari, Giorgio Armani, Graff, Gucci, Hermes, Hugo Boss, Jaeger-LeCoultre, Loro Piana, Louis Vuitton, Miu Miu, Piaget, Prada, Roger Dubuis, Rolex, Tiffany, Tudor, Vacheron Constantin, Van Cleef & Arpels, Versace, Vertu, and others. Our Macau Operations include a show in the rotunda featuring a Chinese zodiac-inspired ceiling along with gold prosperity tree and dragon of fortune attractions.

Las Vegas Operations

Wynn Las Vegas opened on April 28, 2005. On December 22, 2008, we opened Encore at Wynn Las Vegas, an expansion of Wynn Las Vegas. We refer to the fully integrated Wynn Las Vegas and Encore at Wynn Las Vegas resort as Wynn Las Vegas | Encore or as our Las Vegas Operations. We believe that this resort offers exceptional accommodations, amenities and service.

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Our Las Vegas Operations feature 4,748 hotel rooms and suites, 230 table games, 1,854 slot machines, a race and sports book and a poker room in approximately 186,000 square feet of casino gaming space (including a sky casino and private gaming salons), casual and fine dining in 34 food and beverage outlets, two spas and salons, lounges, and approximately 96,000 square feet of retail space featuring boutiques from Alexander McQueen, Brioni, Cartier, Chanel, Chloé, Chopard, Dior, Graff, Hermes, IWC Schaffhausen, Jaeger-LeCoultre, Loro Piana, Louis Vuitton, Manolo Blahnik, Nicholas Kirkwood, Oscar de la Renta, Piaget, Rolex, Vertu and others. Our Las Vegas Operations also offer three nightclubs, a beach club, a Ferrari and Maserati automobile dealership, wedding chapels, an 18-hole golf course, approximately 284,000 square feet of meeting space, a specially designed theater presenting Le Rêve-The Dream, a water-based theatrical production, and the Encore Theater presenting various headliner entertainment acts throughout the year.

See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations for more information.

Construction and Development Opportunities

In the ordinary course of our business, and as a market leader and innovator, we have made and continue to make certain enhancements and refinements to our resort complexes.

In September 2011, Palo Real Estate Company Limited (Palo) and Wynn Resorts (Macau), S.A. (Wynn Macau), each an indirect subsidiary of Wynn Macau, Limited, formally accepted the terms and conditions of a draft land concession contract from the Macau government for approximately 51 acres of land in the Cotai area of Macau. On May 2, 2012, the land concession contract was gazetted by the government of Macau evidencing the final step in the granting of the land concession.

The initial term of the land concession contract is 25 years from May 2, 2012, and it may be renewed with government approval for successive periods. The total land premium payable, including interest as required by the land concession contract, is $193.4 million. An initial payment of $62.5 million was paid in December 2011, with eight additional semi-annual payments of approximately $16.4 million each (including interest at 5%) which began in November 2012. As of December 31, 2013, the Company has recorded this obligation and related asset with $29.3 million included as a current liability and $46.8 million included as a long-term liability. The Company will also be required to make annual lease payments of $0.8 million during the resort construction period and annual lease payments of approximately $1.1 million once the development is completed.

On the land subject to the land concession discussed above, we are currently constructing Wynn Palace, a full-scale integrated resort containing a 1,700-room hotel, performance lake, meeting space, casino, spa, retail offerings and food and beverage outlets. The total project budget, including construction costs, capitalized interest, pre-opening expenses, land costs and financing fees, is $4 billion. As of December 31, 2013, we have invested $703.7 million in the project. We continue to remain on schedule for an opening in the first half of 2016.

On July 29, 2013, Wynn Macau and Palo executed a guaranteed maximum price construction (GMP) contract with Leighton Contractors (Asia) Limited, acting as the general contractor. Under the GMP contract, the general contractor is responsible for both the construction and design of the project. The general contractor is obligated to substantially complete the project in the first half of 2016 for a guaranteed maximum price of HK$20 billion (approximately $2.57 billion). An early completion bonus for achievement of substantial completion on or before January 25, 2016, will be paid to the general contractor if certain conditions are satisfied under the GMP contract. Both the contract time and guaranteed maximum price are subject to further adjustment under certain specified conditions. The performance of the general contractor is backed by a full completion guarantee given by Leighton Holdings Limited, the parent company of the general contractor, as well as a performance bond for 5% of the guaranteed maximum price.

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Our Strategy

We believe that Steve Wynn is the preeminent designer, developer and operator of destination casino resorts and has developed brand name status. Mr. Wynn s involvement with our casino resorts provides a distinct advantage over other gaming enterprises. We integrate luxurious surroundings, distinctive entertainment and superior amenities, including convention facilities, entertainment, fine dining and premium retail offerings, to create resorts that appeal to our international customer base.

Our resorts are designed, built and operated to provide a premium experience for our guests. Our business is dependent upon repeat visitation from our guests and we believe superior customer experience and service is the best marketing strategy to attract and retain our customers. Our company heavily emphasizes human resources and staff training to ensure our employees are prepared to provide the luxury service that our guests expect. We market our resorts directly to gaming customers using database marketing techniques, as well as traditional incentives, including reduced room rates and complimentary meals and suites. Our rewards system offers discounted and complimentary meals, lodging and entertainment for our guests. We also create general market awareness for our resorts through various media channels, including social media, television, radio, newspapers, magazines, the internet, direct mail and billboards.

Mr. Wynn and his team bring significant experience in designing, developing and operating casino resorts. The senior executive team has an average of over 25 years of experience in the hotel and gaming industries. We also have an approximately 125-person design, development and construction subsidiary, the senior management of which has significant experience in all major construction disciplines.

For the sixth consecutive year, Wynn Macau and The Spa at Wynn Macau received the Forbes five-star distinction, while Encore at Wynn Macau and the Spa at Encore at Wynn Macau received the Forbes five-star distinction for the second consecutive year. For the eighth consecutive year, The Tower Suites at Wynn Las Vegas has received the Forbes five-star distinction. The Spa at Wynn Las Vegas earned five-star recognition from Forbes for the sixth year in a row. The Tower Suites at Encore and the Spa at Encore are also recipients of the Forbes five-star distinction. In addition, a number of restaurants in our resorts have earned star-distinction from Forbes, with 38 stars in total for the current year.

We continually seek out new opportunities for additional gaming or related businesses, in the United States, and worldwide. On November 11, 2013, we announced that our Board had elected to withdraw the previously filed application for a gaming license in Pennsylvania. We have made an application for a gaming license in Massachusetts. The process is competitive and we do not expect to know the outcome until the end of the first half of 2014. Proceeding with this project will require significant expenditure of Company funds. In addition, we are exploring expansion opportunities in other international jurisdictions.

Market and Competition

The casino resort industry is highly competitive. Both our Macau Operations and our Las Vegas Operations compete with other high-quality casino resorts. Resorts located on or near our properties compete on the basis of overall atmosphere, range of amenities, level of service, price, location, entertainment, themes and size, among other factors. We seek to differentiate our Macau and Las Vegas resorts from other major resorts by concentrating on our fundamental elements of superior design, atmosphere, personal service and luxury.

Macau

Macau is governed as a special administrative region of China and is located approximately 37 miles southwest of, and approximately one hour away via ferry from, Hong Kong. Macau, which has been a casino destination for more than 50 years, consists principally of a peninsula on mainland China, with two neighboring islands, Taipa and Coloane, between which the Cotai area is located. In 2002, the government of Macau ended a

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40 year monopoly of the conduct of gaming operations by conducting a competitive process resulting in the issuance of concessions to conduct gaming operations to three concessionaires (including Wynn Macau), who in turn were permitted, subject to the approval of the government of Macau, to each grant one subconcession, resulting in a total of six gaming concessionaires. In addition to Wynn Macau, each of Sociedade de Jogos de Macau (SJM) and Galaxy Entertainment Group Limited are primary concessionaires and Sands China Ltd., Melco Crown and MGM China Holdings Limited operate under subconcessions. There is no limit to the number of casinos each concessionaire is permitted to operate, but each facility is subject to government approval. Currently, there are 35 operating casinos in Macau.

We believe that Macau is located in one of the world s largest concentrations of potential gaming customers. According to Macau Statistical Information, casinos in Macau, the largest gaming market in the world, generated approximately $45.2 billion in gaming revenue in 2013, an 18.6% increase over the approximately $38.1 billion generated in 2012, and a significant increase over the approximately $2.9 billion generated in 2002.

Macau s gaming market is primarily dependent on tourists. Tourist arrivals in 2013 were 29.3 million, compared to 28.1 million in 2012. The Macau market has also experienced tremendous growth in capacity in the last several years. As of December 31, 2013, there were 27,764 hotel rooms, 5,750 table games and 13,106 slot machines in Macau, compared to 12,978 hotel rooms, 2,762 table games and 6,546 slot machines as of December 31, 2006.

Gaming customers traveling to Macau have typically come from nearby destinations in Asia including Hong Kong, mainland China, Taiwan, South Korea and Malaysia. According to the Macau Statistics and Census Service Monthly Bulletin of Statistics, approximately 90% of the tourists who visited Macau in 2013 came from Hong Kong, mainland China and Taiwan. Travel to Macau by citizens of mainland China requires a visa. Chinese government officials have, on occasion, exercised their authority to adjust the visa policy and may do so in the future.

Wynn Macau faces competition from casinos located throughout Asia, as well as other major gaming centers located around the world, including Singapore, Australia, Las Vegas and cruise ships in Asia that offer gaming.

Las Vegas

Las Vegas is the largest gaming market in the United States. During 2013, the economic environment in the gaming and hotel markets in Las Vegas continued to improve with increased levels of gaming revenue and hotel room demand. While these gaming and hotel statistics have increased from prior year levels, uncertainty still exists in the Las Vegas market. During 2013, the average daily room rate increased 2.4%, visitation remained relatively flat at 39.7 million visitors, and Las Vegas Strip gaming revenues increased 4.8%, all as compared to the year ended December 31, 2012. During 2012, the average daily room rate increased 2.8%, visitation increased 2.1% to 39.7 million visitors, and Las Vegas Strip gaming revenues increased 2.3%, all as compared to the year ended December 31, 2011.

Our Las Vegas Operations are located on the Las Vegas Strip and compete with other high-quality resorts and hotel casinos in Las Vegas. Our Las Vegas Operations also compete, to some extent, with other casino resorts in Nevada and throughout the United States, and elsewhere in the world. The legalization of casino gaming in or near metropolitan areas from which we attract customers could have a negative effect on our business. New or renovated casinos in Asia, including Singapore, the Philippines, South Korea and Macau, could draw gaming customers away from Las Vegas.

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Geographic Data

Geographic data are reported in Item 8 Financial Statements and Supplementary Data , Note 17 Segment Information. Additional financial data about our geographic operations is provided in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations .

Regulation and Licensing

Macau

General. As a casino concessionaire, Wynn Macau, an indirect 72.3% owned subsidiary of the Company, is subject to the regulatory control of the Government of Macau. The government has adopted Laws and Administrative Regulations governing the operation of casinos in Macau. Only concessionaires or subconcessionaires are permitted to operate casinos. Subconcessions may be awarded subject to the approval of the Macau government and each concessionaire has issued one subconcession. Each concessionaire was required to enter into a concession agreement with the Macau government which, together with the Law and Administrative Regulations, form the framework for the regulation of the activities of the concessionaire.

Under the Law and Administrative Regulations, concessionaires are subject to suitability requirements relating to background, associations and reputation, as are stockholders of 5% or more of a concessionaire s equity securities, officers, directors and key employees. The same requirements apply to any entity engaged by a concessionaire to manage casino operations. Concessionaires are required to satisfy minimum capitalization requirements, demonstrate and maintain adequate financial capacity to operate the concession and submit to continuous monitoring of their casino operations by the Macau government. Concessionaires also are subject to periodic financial reporting requirements and reporting obligations with respect to, among other things, certain contracts, financing activities and transactions with directors, financiers and key employees. Transfers or the encumbering of interests in concessionaires must be reported to the Macau government and are ineffective without government approval.

Each concessionaire is required to engage an executive director who must be a permanent resident of Macau and the holder of at least 10% of the capital stock of the concessionaire. The appointment of the executive director and of any successor is ineffective without the approval of the Macau government. All contracts placing the management of a concessionaire s casino operations with a third party also are ineffective without the approval of the Macau government.

Concessionaires are subject to a special gaming tax of 35% of gross gaming revenue, and must also make an annual contribution of up to 4% of gross gaming revenue for the promotion of public interests, social security, infrastructure and tourism. Concessionaires are obligated to withhold applicable taxes, according to the rate in effect as set by the government, from any commissions paid to games promoters. The withholding rate may be adjusted from time to time.

A games promoter, also known as a junket representative, is a person who, for the purpose of promoting casino gaming activity, arranges customer transportation and accommodations, and provides credit in their sole discretion, food and beverage services and entertainment in exchange for commissions or other compensation from a concessionaire. Macau law provides that games promoters must be licensed by the Macau government in order to do business with and receive compensation from concessionaires. For a license to be obtained, direct and indirect owners of 5% or more of a games promoter (regardless of its corporate form or sole proprietor status), its directors and its key employees must be found suitable. Applicants are required to pay the cost of license investigations, and are required to maintain suitability standards during the period of licensure. The term of a games promoters license is one calendar year, and licenses can be renewed for additional periods upon the submission of renewal applications. Natural person junket representative licensees are subject to a suitability verification process every three years and business entity licensees are subject to the same requirement every six years. The Gaming Inspection and Coordination Bureau (DICJ) implemented certain instructions in 2009,

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which have the force of law, relating to commissions paid to, and by, games promoters. Such instructions also impose certain financial reporting and audit requirements on games promoters.

Under Macau law, licensed games promoters must identify outside contractors who assist them in their promotion activities. These contractors are subject to approval of the Macau government. Changes in the management structure of business entity games promoters licensees must be reported to the Macau government and any transfer or the encumbering of interests in such licensees is ineffective without prior government approval. To conduct gaming promotion activities licensees must be registered with one or more concessionaires and must have written contracts with such concessionaires, copies of which must be submitted to the Macau government.

Macau law further provides that concessionaires are jointly responsible with their games promoters for the activities of such representatives and their directors and contractors in the concessionaires casinos, and for their compliance with applicable laws and regulations. Concessionaires must submit annual lists of their games promoters, and must update such lists on a quarterly basis. The Macau government may designate a maximum number of games promoters and specify the number of games promoters a concessionaire is permitted to engage. Concessionaires are subject to periodic reporting requirements with respect to commissions paid to their games promoters representatives and are required to oversee their activities and report instances of unlawful activity.

The government of Macau may assume temporary custody and control over the operation of a concession in certain circumstances. During any such period, the costs of operations must be borne by the concessionaire. The government of Macau also may redeem a concession starting at an established date after the entering into effect of a concession. The government of Macau may also terminate a concession for cause, including, without limitation, failure of the concessionaire to fulfill its obligations under law or the concession contract.

Concession Agreement. The concession agreement between Wynn Macau and the Macau government required Wynn Macau to construct and operate one or more casino gaming properties in Macau, including, at a minimum, one full-service casino resort by the end of December 2006, and to invest not less than a total of 4 billion Macau patacas (approximately $500 million) in Macau-related projects by June 2009. These obligations were satisfied upon the opening of Wynn Macau in 2006.

Wynn Macau was also obligated to obtain, and did obtain, a 700 million Macau pataca (approximately $87 million) bank guarantee from Banco National Ultramarino, S.A. (BNU) that was effective until March 31, 2007. The amount of this guarantee was reduced to 300 million Macau patacas (approximately $37 million) for the period from April 1, 2007 until 180 days after the end of the term of the concession agreement. This guarantee, which is for the benefit of the Macau government, assures Wynn Macau s performance under the casino concession agreement, including the payment of premiums, fines and indemnity for any material failure to perform the concession agreement. Wynn Macau is obligated, upon demand by BNU, to promptly repay any claim made on the guarantee by the Macau government. BNU is currently paid an annual fee by Wynn Macau for the guarantee of approximately 5.2 million patacas (approximately $0.7 million).

The government of Macau may redeem the concession beginning on June 24, 2017, and in such event Wynn Macau will be entitled to fair compensation or indemnity. The amount of such compensation or indemnity will be determined based on the amount of revenue generated during the tax year prior to the redemption multiplied for the remaining years under the concession.

The government of Macau may unilaterally rescind the concession if Wynn Macau fails to fulfill its fundamental obligations under the concession agreement. The concession agreement expressly provides that the government of Macau may unilaterally rescind the concession agreement if Wynn Macau:

- conducts unauthorized games or activities that are excluded from its corporate purpose;
- abandons or suspends gaming operations in Macau for more than seven consecutive days (or more than 14 days in a civil year) without justification;

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- defaults in payment of taxes, premiums, contributions or other required amounts;
- does not comply with government inspections or supervision;
- systematically fails to observe its obligations under the concession system;
- fails to maintain bank guarantees or bonds satisfactory to the government;
- is the subject of bankruptcy proceedings or becomes insolvent;
- engages in serious fraudulent activity, damaging to the public interest; or,
- repeatedly and seriously violates applicable gaming laws.

If the government of Macau unilaterally rescinds the concession agreement for one of the reasons stated above, Wynn Macau will be required to compensate the government in accordance with applicable law, and the areas defined as casino under Macau law and all of the gaming equipment pertaining to the gaming operations of Wynn Macau will be transferred to the government without compensation. In addition, the government of Macau may, in the public interest, unilaterally terminate the concession at any time, in which case Wynn Macau would be entitled to reasonable compensation.

Nevada

Introduction. The ownership and operation of casino gaming facilities in the State of Nevada are subject to the Nevada Gaming Control Act and the regulations made under the Act, as well as to various local ordinances. Our Las Vegas Operations are subject to the licensing and regulatory control of the Nevada Gaming Commission, the Nevada State Gaming Control Board and the Clark County Liquor and Gaming Licensing Board, which we refer to herein collectively as the Nevada Gaming Authorities.

Policy Concerns of Gaming Laws. The laws, regulations and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy. Such public policy concerns include, among other things:

- preventing unsavory or unsuitable persons from being directly or indirectly involved with gaming at any time or in any capacity;
- establishing and maintaining responsible accounting practices and procedures;
- maintaining effective controls over the financial practices of licensees, including establishing minimum procedures for internal fiscal affairs and safeguarding assets and revenue, providing reliable recordkeeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;
- preventing cheating and fraudulent practices; and
- providing a source of state and local revenue through taxation and licensing fees.

Changes in applicable laws, regulations and procedures could have significant negative effects on our Las Vegas gaming operations and our financial condition and results of operations.

Owner and Operator Licensing Requirements. Our subsidiary, Wynn Las Vegas, LLC, the owner and operator of our Las Vegas Operations, has been approved by the Nevada Gaming Authorities as a limited liability company licensee, referred to as a company licensee, which includes approval to conduct casino gaming operations, including a race book and sports pool and pari-mutuel wagering. These gaming licenses are not transferable.

Company Registration Requirements. Wynn Resorts was found suitable by the Nevada Gaming Commission to own the equity interests of Wynn Resorts Holdings, LLC (Wynn Resorts Holdings), a wholly owned subsidiary of Wynn Resorts, and to be registered by the Nevada Gaming Commission as a publicly traded corporation, referred to as a registered company, for the purposes of the Nevada Gaming Control Act. Wynn Resorts Holdings was found suitable by the Nevada Gaming Commission to own the equity interests of Wynn

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Las Vegas, LLC and to be registered by the Nevada Gaming Commission as an intermediary company. In addition to being licensed, Wynn Las Vegas, LLC, as an issuer of debt securities registered with the SEC, also qualified as a registered company. Wynn Las Vegas Capital Corp., a co-issuer of the debt securities, was not required to be registered or licensed, but may be required to be found suitable as a lender or financing source.

Periodically, we are required to submit detailed financial and operating reports to the Nevada Gaming Commission and provide any other information that the Nevada Gaming Commission may require. Substantially all of our material loans, leases, sales of securities and similar financing transactions must be reported to, and/or approved by, the Nevada Gaming Commission.

Individual Licensing Requirements. No person may become a more than 5% stockholder or member of, or receive any percentage of the profits of, an intermediary company or company licensee without first obtaining licenses and approvals from the Nevada Gaming Authorities. The Nevada Gaming Authorities may investigate any individual who has a material relationship to or material involvement with us to determine whether the individual is suitable or should be licensed as a business associate of a gaming licensee. Certain of our officers, directors and key employees have been or may be required to file applications with the Nevada Gaming Authorities and are or may be required to be licensed or found suitable by the Nevada Gaming Authorities. All applications required as of the date of this report have been filed. However, the Nevada Gaming Authorities may require additional applications and may also deny an application for licensing for any reason which they deem appropriate. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. An applicant for licensing or an applicant for a finding of suitability must pay or must cause to be paid all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities and, in addition to their authority to deny an application for a finding of suitability or licensing, the Nevada Gaming Authorities have the jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director or key employee unsuitable for licensing or unsuitable to continue having a relationship with us, we would have to sever all relationships with that person. In addition, the Nevada Gaming Commission may require us to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or questions pertaining to licensing are not subject to judicial review in Nevada.

Redemption of Securities Owned By an Unsuitable Person. The Company s articles of incorporation provide that, to the extent required by the gaming authority making the determination of unsuitability or to the extent the Board of Directors determines, in its sole discretion, that a person is likely to jeopardize the Company s or any affiliate s application for, receipt of, approval for, right to the use of, or entitlement to, any gaming license, shares of Wynn Resorts capital stock that are owned or controlled by an unsuitable person or its affiliates are subject to redemption by Wynn Resorts. The redemption price will be the amount, if any, required by the gaming authority or, if the gaming authority does not determine the price, the sum deemed by the Board of Directors to be the fair value of the securities to be redeemed. If Wynn Resorts determines the redemption price, the redemption price will be capped at the closing price of the shares on the principal national securities exchange on which the shares are listed on the trading day before the redemption notice is given. If the shares are not listed on a national securities exchange, the redemption price will be capped at the closing sale price of the shares as quoted on The NASDAQ Global Select Market or if the closing price is not reported, the mean between the bid and ask prices, as quoted by any other generally recognized reporting system. Wynn Resorts right of redemption is not exclusive of any other rights that it may have or later acquire under any agreement, its bylaws or otherwise. The redemption price may be paid in cash, by promissory note, or both, as required, and pursuant to the terms established by, the applicable Gaming Authority and, if not, as the Board of Directors of Wynn Resorts elects, and as set forth in the Company s articles of incorporation.

On February 18, 2012, Wynn Resorts Gaming Compliance Committee concluded an investigation after receiving an independent report by Freeh, Sporkin & Sullivan, LLP (the Freeh Report) detailing a pattern of

misconduct by Aruze USA, Inc. (at the time a stockholder of Wynn Resorts), Universal Entertainment Corporation, Aruze USA, Inc. s parent company, and Kazuo Okada, (the majority shareholder of Universal Entertainment Corporation and a former member of the Board of Directors of Wynn Resorts and Wynn Macau, Limited) (collectively, the Okada Parties).

Based on the Freeh Report, the Board of Directors of Wynn Resorts determined that the Okada Parties are unsuitable persons under Article VII of the Company s articles of incorporation. The Board of Directors was unanimous (other than Mr. Okada) in its determination. After authorizing the redemption of the Aruze shares, the Board of Directors took certain actions to protect the Company and its operations from any influence of an unsuitable person, including placing limitations on the provision of certain operating information to unsuitable persons and formation of an Executive Committee of the Board to manage the business and affairs of the Company during the period between each annual meeting. The Charter of the Executive Committee provides that Unsuitable Persons are not permitted to serve on the Committee. All members of the Board, other than Mr. Okada, were appointed to the Executive Committee on February 18, 2012. The Board of Directors also requested that Mr. Okada resign as a director of Wynn Resorts (under Nevada corporation law, a board of directors does not have the power to remove a director) and recommended that Mr. Okada be removed as a member of the Board of Directors of Wynn Macau, Limited. In addition, on February 18, 2012, Mr. Okada was removed from the Board of Directors of Wynn Las Vegas Capital Corp., an indirect wholly owned subsidiary of Wynn Resorts. On February 24, 2012, Mr. Okada was removed from the Board of Directors of Wynn Macau, Limited and on February 22, 2013, he was removed from the Board of Directors of Wynn Resorts by a stockholder vote in which 99.6% of the over 86 million shares voted were cast in favor of removal. Additionally, Mr. Okada resigned from the Board of Directors of Wynn Resorts on February 21, 2013. Although the Company has retained the structure of the Executive Committee, the Board has resumed its past role in managing the business and affairs of the Company.

Based on the Board of Directors finding of unsuitability, on February 18, 2012, Wynn Resorts redeemed and cancelled Aruze USA, Inc. s 24,549,222 shares of Wynn Resorts common stock. The Company engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then current trading price was appropriate because of, among other things, restrictions on most of the shares held by Aruze USA, Inc. under the terms of the Stockholders Agreement (as defined below). Pursuant to its articles of incorporation, Wynn Resorts issued the Redemption Price Promissory Note (the Redemption Note) to Aruze USA, Inc. in redemption of the shares. The Redemption Note has a principal amount of $1.94 billion, matures on February 18, 2022 and bears interest at the rate of 2% per annum, payable annually in arrears on each anniversary of the date of the Redemption Note. The Company may, in its sole and absolute discretion, at any time and from time to time, and without penalty or premium, prepay the whole or any portion of the principal or interest due under the Redemption Note. In no instance shall any payment obligation under the Redemption Note be accelerated except in the sole and absolute discretion of Wynn Resorts or as specifically mandated by law. The indebtedness evidenced by the Redemption Note is and shall be subordinated in right of payment, to the extent and in the manner provided in the Redemption Note, to the prior payment in full of all existing and future obligations of Wynn Resorts or any of its affiliates in respect of indebtedness for borrowed money of any kind or nature.

The Okada Parties have challenged the redemption of Aruze USA, Inc. s shares and the Company is currently involved in litigation with those parties as well as related shareholder derivative litigation. See Item 1A Risk Factors , Item 3 Legal Proceedings and Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies . The outcome of these various proceedings cannot be predicted. The Company s claims and the Okada Parties counterclaims are in a preliminary stage and management has determined that based on proceedings to date, it is currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any. An adverse judgment or settlement involving payment of a material amount could cause a material adverse effect on our financial condition.

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Consequences of Violating Gaming Laws. If the Nevada Gaming Commission determines that we have violated the Nevada Gaming Control Act or any of its regulations, it could limit, condition, suspend or revoke our registrations and gaming license. In addition, we and the persons involved could be subject to substantial fines for each separate violation of the Nevada Gaming Control Act, or of the regulations of the Nevada Gaming Commission, at the discretion of the Nevada Gaming Commission. Further, the Nevada Gaming Commission could appoint a supervisor to operate our Las Vegas Operations and, under specified circumstances, earnings generated during the supervisor s appointment (except for the reasonable rental value of the premises) could be forfeited to the State of Nevada. Limitation, conditioning or suspension of any of our gaming licenses and the appointment of a supervisor could, and revocation of any gaming license would, have a significant negative effect on our gaming operations.

Requirements for Voting or Nonvoting Securities Holders. Regardless of the number of shares held, any beneficial owner of Wynn Resorts voting or nonvoting securities may be required to file an application, be investigated and have that person s suitability as a beneficial owner of voting securities determined if the Nevada Gaming Commission has reason to believe that the ownership would be inconsistent with the declared policies of the State of Nevada. If the beneficial owner of the voting or nonvoting securities of Wynn Resorts who must be found suitable is a corporation, partnership, limited partnership, limited liability company or trust, it must submit detailed business and financial information including a list of its beneficial owners. The applicant must pay all costs of the investigation incurred by the Nevada Gaming Authorities in conducting any investigation.

The Nevada Gaming Control Act requires any person who acquires more than 5% of the voting securities of a registered company to report the acquisition to the Nevada Gaming Commission. The Nevada Gaming Control Act requires beneficial owners of more than 10% of a registered company s voting securities to apply to the Nevada Gaming Commission for a finding of suitability within 30 days after the Chairman of the Nevada State Gaming Control Board mails the written notice requiring such filing. However, an institutional investor, as defined in the Nevada Gaming Control Act, which beneficially owns more than 10% but not more than 11% of a registered company s voting securities as a result of a stock repurchase by the registered company may not be required to file such an application. Further, an institutional investor which acquires more than 10%, but not more than 25%, of a registered company s voting securities may apply to the Nevada Gaming Commission for a waiver of a finding of suitability if the institutional investor holds the voting securities for investment purposes only. An institutional investor that has obtained a waiver may hold more than 25% but not more than 29% of a registered company s voting securities and maintain its waiver where the additional ownership results from a stock repurchase by the registered company. An institutional investor will not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of the Board of Directors of the registered company, a change in the corporate charter, bylaws, management, policies or operations of the registered company, or any of its gaming affiliates, or any other action which the Nevada Gaming Commission finds to be inconsistent with holding the registered company s voting securities for investment purposes only. Activities which are not deemed to be inconsistent with holding voting securities for investment purposes only include:

- voting on all matters voted on by stockholders or interest holders;
- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in management, policies or operations; and,
- other activities that the Nevada Gaming Commission may determine to be consistent with such investment intent.

The articles of incorporation of Wynn Resorts include provisions intended to assist its implementation of the above restrictions.

Wynn Resorts is required to maintain a current stock ledger in Nevada which may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record

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holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make the disclosure may be grounds for finding the record holder unsuitable. We are required to provide maximum assistance in determining the identity of the beneficial owner of any of Wynn Resorts voting securities. The Nevada Gaming Commission has the power to require the stock certificates of any registered company to bear a legend indicating that the securities are subject to the Nevada Gaming Control Act. The certificates representing shares of Wynn Resorts common stock note that the shares are subject to a right of redemption and other restrictions set forth in Wynn Resorts articles of incorporation and bylaws and that the shares are, or may become, subject to restrictions imposed by applicable gaming laws.

Consequences of Being Found Unsuitable. Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Gaming Commission or by the Chairman of the Nevada State Gaming Control Board, or who refuses or fails to pay the investigative costs incurred by the Nevada Gaming Authorities in connection with the investigation of its application, may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any person found unsuitable and who holds, directly or indirectly, any beneficial ownership of any voting security or debt security of a registered company beyond the period of time as may be prescribed by the Nevada Gaming Commission may be guilty of a criminal offense. We will be subject to disciplinary action if, after we receive notice that a person is unsuitable to hold an equity interest or to have any other relationship with us, we:

- pay that person any dividend or interest upon any voting securities;
- allow that person to exercise, directly or indirectly, any voting right held by that person relating to Wynn Resorts;
- pay remuneration in any form to that person for services rendered or otherwise; or,
- fail to pursue all lawful efforts to require the unsuitable person to relinquish such person s voting securities including, if necessary, the immediate purchase of the voting securities for cash at fair market value.

Gaming Laws Relating to Debt Securities Ownership. The Nevada Gaming Commission may, in its discretion, require the owner of any debt or similar securities of a registered company, to file applications, be investigated and be found suitable to own the debt or other security of the registered company if the Nevada Gaming Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the State of Nevada. If the Nevada Gaming Commission decides that a person is unsuitable to own the security, then under the Nevada Gaming Control Act, the registered company can be sanctioned, including the loss of its approvals if, without the prior approval of the Nevada Gaming Commission, it:

- pays to the unsuitable person any dividend, interest or any distribution whatsoever;
- recognizes any voting right by the unsuitable person in connection with the securities;
- pays the unsuitable person remuneration in any form; or,
- makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation or similar transaction.

Approval of Public Offerings. We may not make a public offering without the prior approval of the Nevada Gaming Commission if the proceeds from the offering are intended to be used to construct, acquire or finance gaming facilities in Nevada, or to retire or extend obligations incurred for those purposes or for similar transactions. On March 21, 2013, the Nevada Gaming Commission granted us and Wynn Las Vegas, LLC prior approval, subject to certain conditions, to make public offerings for a period of three years (the Shelf Approval). The Shelf Approval also applies to any affiliated company wholly owned by us which is a publicly traded corporation or would thereby become a publicly traded

corporation pursuant to a public offering. The Shelf Approval may be rescinded for good cause without prior notice upon the issuance of an interlocutory stop

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order by the Chairman of the Nevada State Gaming Control Board. The Shelf Approval does not constitute a finding, recommendation or approval by any of the Nevada Gaming Authorities as to the accuracy or adequacy of the offering memorandum or the investment merits of the securities. Any representation to the contrary is unlawful.

Approval of Changes in Control. A registered company must obtain the prior approval of the Nevada Gaming Commission with respect to a change in control through merger; consolidation; stock or asset acquisitions; management or consulting agreements; or any act or conduct by a person by which the person obtains control of the registered company.

Entities seeking to acquire control of a registered company must satisfy the Nevada State Gaming Control Board and Nevada Gaming Commission with respect to a variety of stringent standards before assuming control of the registered company. The Nevada Gaming Commission may also require controlling stockholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control to be investigated and licensed as part of the approval process relating to the transaction.

Approval of Defensive Tactics. The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and corporate defense tactics affecting Nevada corporate gaming licensees or affecting registered companies that are affiliated with the operations of Nevada gaming licensees may be harmful to stable and productive corporate gaming. The Nevada Gaming Commission has established a regulatory scheme to reduce the potential adverse effects of these business practices upon Nevada s gaming industry and to further Nevada s policy in order to:

- assure the financial stability of corporate gaming licensees and their affiliated companies;
- preserve the beneficial aspects of conducting business in the corporate form; and,
- promote a neutral environment for the orderly governance of corporate affairs.

Approvals may be required from the Nevada Gaming Commission before a registered company can make exceptional repurchases of voting securities above its current market price and before a corporate acquisition opposed by management can be consummated. The Nevada Gaming Control Act also requires prior approval of a plan of recapitalization proposed by a registered company s Board of Directors in response to a tender offer made directly to its stockholders for the purpose of acquiring control.

Fees and Taxes. License fees and taxes, computed in various ways depending on the type of gaming or activity involved, are payable to the State of Nevada and to the counties and cities in which the licensed subsidiaries respective operations are conducted. Depending upon the particular fee or tax involved, these fees and taxes are payable monthly, quarterly or annually and are based upon:

- a percentage of the gross revenue received;
- the number of gaming devices operated; or,
- the number of table games operated.

A live entertainment tax also is imposed on admission charges and sales of food, beverages and merchandise where live entertainment is furnished.

Foreign Gaming Investigations. Any person who is licensed, required to be licensed, registered, required to be registered in Nevada, or is under common control with such persons (collectively, licensees), and who proposes to become involved in a gaming venture outside of Nevada, is required to deposit with the Nevada State Gaming Control Board, and thereafter maintain, a revolving fund in the amount of $10,000 to pay the expenses of investigation of the Nevada State Gaming Control Board of the licensee s or registrant s participation in such foreign gaming. The revolving fund is subject to increase or decrease at the discretion of the Nevada Gaming

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Commission. Licensees and registrants are required to comply with the foreign gaming reporting requirements imposed by the Nevada Gaming Control Act. A licensee or registrant is also subject to disciplinary action by the Nevada Gaming Commission if it:

- knowingly violates any laws of the foreign jurisdiction pertaining to the foreign gaming operation;
- fails to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations;
- engages in any activity or enters into any association that is unsuitable because it poses an unreasonable threat to the control of gaming in Nevada, reflects or tends to reflect, discredit or disrepute upon the State of Nevada or gaming in Nevada, or is contrary to the gaming policies of Nevada;
- engages in activities or enters into associations that are harmful to the State of Nevada or its ability to collect gaming taxes and fees; or,
- employs, contracts with or associates with a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of unsuitability.

Licenses for Conduct of Gaming and Sale of Alcoholic Beverages. The conduct of gaming activities and the service and sale of alcoholic beverages at Wynn Las Vegas are subject to licensing, control and regulation by the Clark County Liquor and Gaming Licensing Board, which has granted Wynn Las Vegas, LLC licenses for such purposes. In addition to approving Wynn Las Vegas, LLC, the Clark County Liquor and Gaming Licensing Board has the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming license. Clark County gaming and liquor licenses are not transferable. The County has full power to limit, condition, suspend or revoke any license. Any disciplinary action could, and revocation would, have a substantial negative impact upon our operations.

Other Regulations

In addition to gaming regulations, we are subject to extensive local, state, federal and foreign laws and regulations in the jurisdictions in which we operate. These include, but are not limited to, laws and regulations relating to alcoholic beverages, environmental matters, employment and immigration, currency and other transactions, taxation, zoning and building codes, marketing and advertising, lending, debt collection, privacy, telemarketing, money laundering, laws and regulations administered by the Office of Foreign Assets Control, and anti-bribery laws, including the Foreign Corrupt Practices Act. Such laws and regulations could change or could be interpreted differently in the future, or new laws and regulations could be enacted. Any material changes, new laws or regulations, or material differences in interpretations by courts or governmental authorities could adversely affect our business and operating results.

Seasonality

We may experience fluctuations in revenues and cash flows from month to month, however, we do not believe that our business is materially impacted by seasonality.

Employees

As of December 31, 2013, we had a total of approximately 16,500 full-time equivalent employees (including approximately 7,000 in Macau and 9,500 in Las Vegas).

We entered into a ten year collective bargaining agreement with the Culinary and Bartenders Union local covering approximately 5,575 employees at our Las Vegas Operations that will expire in 2015. We also entered into a ten year collective bargaining agreement with the Transportation Workers Union in November 2010, which covers the table games dealers at Wynn Las Vegas. Certain other unions may seek to organize the workers of our Las Vegas Operations.

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Intellectual Property

Among our most important marks are our trademarks and service marks that use the name WYNN. Wynn Resorts has registered with the U.S. Patent and Trademark Office (PTO) a variety of the WYNN-related trademarks and service marks in connection with a variety of goods and services. These marks include WYNN RESORTS, WYNN DESIGN AND DEVELOPMENT, WYNN LAS VEGAS, ENCORE and WYNN MACAU. Some of the applications are based upon ongoing use and others are based upon a bona fide intent to use the marks.

A common element of most of these marks is the use of the surname WYNN. As a general rule, a surname (or the portion of a mark primarily constituting a surname) is not eligible for registration unless the surname has acquired secondary meaning. Wynn Resorts has been successful in demonstrating to the PTO such secondary meaning for the Wynn name based upon factors including Mr. Wynn s prominence as a resort developer.

Federal registrations are not completely dispositive of the right to such marks. Third parties who claim prior rights with respect to similar marks may nonetheless challenge our right to obtain registrations or our use of the marks and seek to overcome the presumptions afforded by such registrations.

We have also filed applications with various foreign patent and trademark registries, including in Macau, China, Singapore, Hong Kong, Taiwan, Japan, certain European countries and various other jurisdictions throughout the world, to register a variety of WYNN-related trademarks and service marks in connection with a variety of goods and services. These marks include many of the same marks filed with the United States PTO and include WYNN MACAU, WYNN LAS VEGAS, WYNN PALACE and ENCORE. Some of the applications are based upon ongoing use and others are based upon a bona fide intent to use the marks.

We recognize that our intellectual property assets, including the word and logo version of WYNN, are among our most valuable assets. As a result, and in connection with expansion of our resorts and gaming activities outside the United States, we have undertaken a program to register our trademarks and other intellectual property rights in relevant jurisdictions. We have retained counsel and intend to take all steps necessary to protect our intellectual property rights against unauthorized use throughout the world.

On August 6, 2004, we entered into agreements with Mr. Wynn that confirm and clarify our rights to use the Wynn name and Mr. Wynn s persona in connection with our casino resorts. Under a Surname Rights Agreement, Mr. Wynn has acknowledged our exclusive, fully paid-up, perpetual, worldwide right to use, and to own and register trademarks and service marks incorporating, the Wynn name for casino resorts and related businesses, together with the right to sublicense the name and marks to our affiliates. Under a Rights of Publicity License, Mr. Wynn has granted us the exclusive, royalty-free, worldwide right to use his full name, persona and related rights of publicity for casino resorts and related businesses, together with the ability to sublicense the persona and publicity rights to our affiliates, until October 24, 2017.

We have also registered various domain names including, but not limited to, www.wynnlasvegas.com, www.wynnmacau.com, www.wynnmacaulimited.com, www.encorelasvegas.com and www.wynnresorts.com, with various domain registrars around the world. Our domain registrations extend to various foreign countries such as .com.cn and .com.hk. We pursue domain related infringement on a case by case basis depending on the infringing domain in question. The information found on these websites is not a part of this Annual Report on Form 10-K or any other report we file or furnish to the SEC.

Forward-Looking Statements

We make forward-looking statements in this Annual Report on Form 10-K based upon the beliefs and assumptions of our management and on information currently available to us. Forward-looking statements

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include, but are not limited to, information about our business strategy, development activities, competition and possible or assumed future results of operations, throughout this report and are often preceded by, followed by or include the words may, will, should, would, could, believe, expect, anticipate, estimate, intend, plan, continue or the negative of these terms or similar expressions.

Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those we express in these forward-looking statements, including the risks and uncertainties in Item 1A Risk Factors and other factors we describe from time to time in our periodic filings with the SEC, such as:

our dependence on Stephen A. Wynn and existing management;

regulatory or enforcement actions and probity investigations;

potential violations of law by Mr. Kazuo Okada, a former shareholder of ours;

changes in the valuation of the promissory note we issued in connection with the redemption of Mr. Okada s shares;

any violations by us of the Foreign Corrupt Practices Act or federal anti-money laundering laws;

pending or future legal proceedings;

decreases in levels of travel, leisure and consumer spending;

fluctuations in occupancy rates and average daily room rates;

competition in the casino/hotel and resort industries and actions taken by our competitors;

uncertainties over the development and success of new gaming and resort properties;

new development and construction activities of competitors;

our dependence on a limited number of resorts and locations for all of our cash flow;

adverse tourism and trends reflecting current domestic and international economic conditions;

general global macroeconomic conditions;

doing business in foreign locations such as Macau;

changes in gaming laws or regulations (including the legalization of gaming in certain jurisdictions);

the effect of environmental regulation on management and construction of projects;

our current and future insurance coverage levels;

our subsidiaries ability to pay us dividends and distributions;

our ability to protect our intellectual property rights;

our relationships with Macau games promoters;

our ability to maintain our customer relationships and collect and enforce gaming debts;

the maintenance of our concession from the Macau government;

changes in exchange rates;

cybersecurity risk including misappropriation of customer information or other breaches of information security;

changes in U.S. laws regarding healthcare;

changes in federal, foreign, or state tax laws or the administration of such laws;

- approvals under applicable jurisdictional laws and regulations (including gaming laws and regulations);

- volatility and weakness in world-wide credit and financial markets and from governmental intervention in the financial markets;

- conditions precedent to funding under our credit facilities;

- continued compliance with all provisions in our credit agreements;

- leverage and debt service (including sensitivity to fluctuations in interest rates);

- restrictions or conditions on visitation by citizens of mainland China to Macau;

- the impact that an outbreak of an infectious disease or the impact of extreme weather patterns or a natural disaster may have on the travel and leisure industry; and

- the consequences of military conflicts and any future security alerts and/or terrorist attacks.

Further information on potential factors that could affect our financial condition, results of operations and business are included in this report and our other filings with the SEC. You should not place undue reliance on any forward-looking statements, which are based only on information available to us at the time this statement is made. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

ITEM 1A. RISK FACTORS

You should carefully consider the risk factors set forth below, as well as the other information contained in this Annual Report on Form 10-K, regarding matters which could have an adverse effect, including a material one, on our business, financial condition, results of operations and cash flows. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to our Business

The loss of Stephen A. Wynn could significantly harm our business.

Our ability to maintain our competitive position is dependent to a large degree on the efforts, skills and reputation of Stephen A. Wynn, the Chairman of the Board, Chief Executive Officer and one of the principal stockholders of Wynn Resorts. Mr. Wynn s employment agreement expires in October 2020. However, we cannot assure you that Mr. Wynn will remain with Wynn Resorts, Limited. If we lose the services of Mr. Wynn, or if he is unable to devote sufficient attention to our operations for any other reason, our business may be significantly impaired.

Visitation to Macau may decline due to economic disruptions in mainland China as well as increased restrictions on visitations to Macau from citizens of mainland China.

A significant number of our gaming customers at Wynn Macau come from mainland China. Any economic disruption or contraction in China could disrupt the number of patrons visiting our property or the amount they may be willing to spend. In addition, any travel restrictions imposed by China on its citizens could disrupt the number of visitors from mainland China to our property. It is not known when, or if, policies similar to those implemented in 2009 restricting visitation by mainland Chinese citizens to Macau and Hong Kong, will be put in place and travel policies may be adjusted, without notice, in the future. The resulting decreased visitation would negatively affect our revenues and results of operations.

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Potential violations of law by Mr. Okada (former director and formerly the largest beneficial owner of our shares) and his affiliates could have adverse consequences to the Company.

On February 18, 2012, the Board of Directors of Wynn Resorts received a report from Freeh, Sporkin & Sullivan, LLP detailing numerous instances of conduct constituting prima facie violations of the Foreign Corrupt Practices Act (the FCPA) by Kazuo Okada (formerly the largest beneficial owner of our shares) and certain of his affiliates. See Item 3 Legal Proceedings and Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies. The Company has provided the Freeh Report to applicable regulators and has been cooperating with related investigations of such regulators. The conduct of Mr. Okada and his affiliates and the outcome of any resulting regulatory findings could have adverse consequences to the Company. A finding by regulatory authorities that Mr. Okada violated the FCPA on Company property and/or otherwise involved the Company in criminal or civil violations could result in actions by regulatory authorities against the Company. Relatedly, regulators have and may pursue separate investigations into the Company s compliance with applicable laws in connection with the Okada matter, as discussed in Item 3 Legal Proceedings . While the Company believes that it is in full compliance with all applicable laws, any such investigations could result in actions by regulators against the Company, which could negatively affect the Company s financial condition or results of operations.

Mr. Okada and his affiliates have challenged the redemption of Aruze USA, Inc. s Shares. An adverse judgment or settlement resulting from the related litigation could reduce our profits or limit our ability to operate our business.

On February 18, 2012, after receiving the Freeh Report, the Board of Directors of Wynn Resorts determined that Aruze USA, Inc., Universal Entertainment Corporation and Mr. Kazuo Okada (collectively, the Okada Parties) were unsuitable within the meaning of Article VII of Wynn Resorts articles of incorporation and redeemed all of Aruze USA, Inc. s shares of Wynn Resorts common stock. See Item 3 Legal Proceedings and Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies . On February 19, 2012, Wynn Resorts filed a complaint in the Eighth Judicial District Court, Clark County, Nevada against the Okada Parties (as amended, the Complaint), alleging breaches of fiduciary duty and related claims (the Redemption Action) arising from the activities addressed in the Freeh Report. The Company is seeking compensatory and special damages as well as a declaration that it acted lawfully and in full compliance with its articles of incorporation, bylaws and other governing documents in redeeming and cancelling the shares of Aruze, USA, Inc. On March 12, 2012, the Okada Parties filed an answer denying the claims and a counterclaim (as amended, the Counterclaim) against the Company, each of the members of the Company s Board of Directors (other than Mr. Okada) and Wynn Resorts General Counsel (collectively, the Wynn Parties), seeking, among other things a declaration that the redemption of Aruze USA, Inc. s shares was void, an injunction restoring Aruze USA, Inc. s share ownership, damages in an unspecified amount and rescission of the Amended and Restated Stockholders Agreement, dated as of January 6, 2010, by and among Aruze USA, Inc., Stephen A. Wynn, and Elaine Wynn (the Stockholders Agreement). In connection with the Redemption Action and Counterclaim (1) various Okada Parties filed a complaint in the Tokyo District Court against the Company, all members of the Board (other than Mr. Okada) and the Company s General Counsel alleging that the press release issued by the Company in connection with the Redemption Action has damaged their social evaluation and credibility and seeking damages and legal fees, (2) four federal derivative actions were commenced against the Company and all members of its Board of Directors, (3) two state derivative actions were commenced against the Company and all members of its Board of Directors and (4) regulatory inquiries and investigations were initiated against the Company. See Item 3 Legal Proceedings , for a full description of these matters and status as of the date of this report. The Company is vigorously pursuing its claims against the Okada Parties, and together with the other counter-defendants, vigorously defending against the Counterclaims and other actions asserted against them. However, as with all litigation, the outcome of these proceedings cannot be predicted. Any adverse judgments or settlements involving payment of a material sum of money could cause a material adverse effect on our financial condition and results of operations and could expose us to additional claims by third parties, including current or former investors or regulators. Any adverse judgments or settlements would reduce our profits and could limit our ability to operate our business.

Change in valuation of our Redemption Price Promissory Note could have a negative impact on our results of operations.

In connection with the redemption of the shares previously held by Aruze USA, Inc., we recorded the fair value of the Redemption Note of approximately $1.94 billion in accordance with applicable accounting guidance. We utilized an independent third party valuation to assist in the determination of this fair value. In determining this fair value, we estimated the Redemption Note s present value using discounted cash flows with a probability weighted expected return for redemption assumptions and a discount rate which included time value and non-performance risk adjustments commensurate with risk of the Redemption Note.

Considerations for the redemption assumptions included the stated maturity of the Redemption Note, uncertainty of the related cash flows as well as potential effects of the following: uncertainties surrounding the potential outcome and timing of pending litigation with the Okada Parties (see Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies); the outcome of on-going investigations of Aruze USA, Inc. by the United States Attorney s Office, the U.S. Department of Justice and by the Nevada Gaming Control Board; and other potential legal and regulatory actions. In addition, in the furtherance of various future business objectives, we considered our ability, at our sole option, to prepay the Redemption Note at any time in accordance with its terms without penalty. Accordingly, we reasonably determined that the estimated life of the Redemption Note could be less than the contractual life of the Redemption Note.

In determination of the appropriate discount rate to be used in the estimated present value, the Redemption Note s subordinated position relative to all other debt in our capital structure and credit ratings associated our traded debt were considered. Observable inputs for the risk free rate based on Federal Reserve rates for U.S. Treasury securities and credit risk spread based on a yield curve index of similarly rated debt was used. As a result of this analysis, we concluded the Redemption Notes stated rate of 2% approximated a market rate.

A change in any of the assumptions discussed above could result in a change in the fair value of this Redemption Note and significantly impact our results of operations.

Ongoing litigation and other disputes with Mr. Okada and certain of his affiliates could distract management and result in negative publicity and additional scrutiny of regulators.

There has been widespread publicity of the findings in the Freeh Report of prima facie violations of law by Mr. Okada and his affiliates, the Board s unsuitability finding, the redemption of shares and related litigation. The actions, litigation, and publicity could reduce demand for shares of Wynn Resorts and Wynn Macau, Limited and thereby have a negative impact on the trading prices of their respective shares. The disputes may also lead to additional scrutiny from regulators, which could lead to investigations relating to, and possibly a negative impact on, the Company s gaming licenses, and possibly have a negative impact on the Company s ability to bid successfully for new gaming market opportunities.

Any violation of the Foreign Corrupt Practices Act or applicable Anti-Money Laundering laws or regulations could have a negative impact on us.

A significant portion of our revenue is derived from operations outside the United States, which exposes the Company to complex foreign and U.S. regulations inherent in doing business cross-border and in each of the countries in which it transacts business. We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations by any of our resorts could have a negative effect on our results of operations. Compliance with international and U.S. laws and regulations that apply to our international operations also increases our cost of doing business in foreign jurisdictions.

We are subject to regulations imposed by the FCPA and other anti-corruption laws that generally prohibit U.S. companies and their intermediaries from offering, promising, authorizing or making improper payments to foreign government officials for the purpose of obtaining or retaining business. Violations of the FCPA and other anti-corruption laws may result in severe criminal and civil sanctions as well as other penalties and the SEC and U.S. Department of Justice have increased their enforcement activities with respect to the FCPA.

Internal control policies and procedures and employee training and compliance programs that we have implemented to deter prohibited practices may not be effective in prohibiting our directors, employees, contractors or agents from violating or circumventing our policies and the law. If our directors, employees or agents fail to comply with applicable laws or Company policies governing our international operations, the Company may face investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions. Any future government investigations, prosecutions or other legal proceedings or actions, however, could have a negative impact on us.

Kazuo Okada, one of our former directors, failed to comply with internal training in these matters and failed to return to the Company an executed Acknowledgment agreeing to comply with the Company s Code of Business Conduct and Ethics. For additional information on the Freeh Report, which detailed numerous instances of conduct constituting prima facie violations of the FCPA by Mr. Okada and certain of his affiliates, and the redemption of Aruze USA, Inc. s shares, see Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies. On February 19, 2012, the Company filed a complaint in Nevada state court against Mr. Okada and other entities alleging, among other things, breach of fiduciary duty in connection with alleged violations of the FCPA. For a detailed description of the legal proceedings between the Company and Mr. Okada and his affiliates, see Item 3 Legal Proceedings.

Our business is particularly sensitive to reductions in discretionary consumer and corporate spending as a result of downturns in the economy.

Consumer demand for hotel/casino resorts, trade shows and conventions and for the type of luxury amenities that we offer is particularly sensitive to downturns in the economy which adversely impact discretionary spending on leisure activities. Changes in discretionary consumer spending or consumer preferences brought about by factors such as perceived or actual general economic conditions, high unemployment, the housing foreclosure crisis, perceived or actual changes in disposable consumer income and wealth, an economic recession and changes in consumer confidence in the economy, or fears of war and future acts of terrorism could reduce customer demand for the luxury amenities and leisure activities we offer, and may have a significant negative impact on our operating results.

Our casino, hotel, convention and other facilities face intense competition, which may increase in the future.

The casino/hotel industry is highly competitive. Resorts located on or near the Las Vegas Strip compete with other Las Vegas Strip hotels and with other hotel casinos in Las Vegas on the basis of overall atmosphere, range of amenities, level of service, price, location, entertainment, theme and size, among other factors.

Wynn Las Vegas also competes with other hotel/casino facilities in other cities. The proliferation of gaming activities in other areas could significantly harm our business as well. In particular, the legalization or expansion of casino gaming in or near metropolitan areas from which we attract customers could have a negative effect on our business. In addition, new or renovated casinos in Macau or elsewhere in Asia could draw Asian gaming customers away from our Las Vegas Operations.

Our Macau operations also face intense competition. Currently there are 35 operating casinos in Macau. We hold a concession under one of only three gaming concessions and three subconcessions authorized by the Macau government to operate casinos in Macau. The Macau government has had the ability to grant additional gaming

concessions since April 2009. If the Macau government were to allow additional competitors to operate in Macau through the grant of additional concessions or subconcessions, we would face additional competition, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Current concessionaries and subconcessionaires can open additional facilities.

Our Macau resort complex also faces competition from casinos located in other areas of Asia, including the Marina Bay Sands and Resorts World Sentosa resorts operating in Singapore, Genting Highlands Resort, a major gaming and resort destination located outside of Kuala Lumpur, Malaysia, and casinos in the Philippines. We also encounter competition from other major gaming centers located around the world, including Australia and Las Vegas, cruise ships in Asia that offer gaming, and other casinos throughout Asia. Further, if current efforts to legalize gaming in other Asian countries are successful, our Wynn Macau resort will face additional regional competition.

We are entirely dependent on a limited number of resorts for all of our cash flow, which subjects us to greater risks than a gaming company with more operating properties.

We are entirely dependent upon our Macau Operations and Las Vegas Operations for all of our operating cash flow. As a result, we are subject to a greater degree of risk than a gaming company with more operating properties or greater geographic diversification. The risks to which we have a greater degree of exposure include the following:

- local economic and competitive conditions;
- changes in local and state governmental laws and regulations, including gaming laws and regulations;
- natural and other disasters;
- a decline in the number of visitors to Las Vegas or Macau;
- a decrease in gaming and non-casino activities at our resorts; and
- the outbreak of infectious diseases.

Any of the factors outlined above could negatively affect our ability to generate sufficient cash flow to make payments or maintain our covenants with respect to our debt.

Development costs of Wynn Palace may be higher than expected.

The total project budget, including construction costs, capitalized interest, pre-opening expenses, land costs and financing fees, is $4 billion.

These projected development costs reflect our best estimates and the actual development costs may be higher than expected. Owners contingencies that have been set aside to cover cost overruns may be insufficient to cover the full amount of such overruns. If these contingencies are not sufficient to cover these costs, we may not have the funds required to pay the excess costs and Wynn Palace may not be completed. Failure to complete Wynn Palace would negatively affect our financial condition, our results of operations and our ability to pay our debt.

There are significant risks associated with the construction of Wynn Palace, which could have an adverse effect on our financial condition, results of operations or cash flows from this planned facility.

Major construction projects of the scope and scale of Wynn Palace entail significant risks, including:

shortages of materials or skilled labor;

unforeseen engineering, environmental and/or geological problems;

work stoppages;

delays or interference from severe weather or natural disasters;

unanticipated cost increases; and

unavailability of construction equipment.

Construction, equipment or staffing problems or difficulties in obtaining any of the requisite licenses, permits and authorizations from regulatory authorities could increase the total cost, delay or prevent the construction or opening or otherwise affect the design and features of Wynn Palace.

We anticipate that only some of the subcontractors engaged for these projects will post bonds guaranteeing timely completion of the subcontractor s work and payment for all of that subcontractor s labor and materials. These bonds may not be adequate to ensure completion of the work.

Our Wynn Palace facility may not commence operations on schedule and construction costs for this project may exceed budgeted amounts. Failure to complete this project on schedule or within budget may have a significant negative effect on us and on our ability to make payments on our debt.

Our business relies on high-end, international customers. We often extend credit, and we may not be able to collect gaming receivables from our credit players or credit play may decrease.

General. A significant portion of our table games revenue at our resorts is attributable to the play of a limited number of international customers. The loss or a reduction in the play of the most significant of these customers could have a material adverse effect on our business, financial condition, results of operations and cashflows. A downturn in economic conditions in the countries in which these customers reside could cause a further reduction in the frequency of visits by and revenue generated from these customers.

We conduct our gaming activities on a credit as well as a cash basis. This credit is unsecured. We will extend credit to those customers whose level of play and financial resources, in the opinion of management, warrant such an extension. The collectability of receivables from international customers could be negatively affected by future business or economic trends or by significant events in the countries in which these customers reside.

In addition, premium gaming is more volatile than other forms of gaming, and variances in win-loss results attributable to high-end gaming may have a positive or negative impact on cash flow and earnings in a particular quarter.

Wynn Las Vegas. While gaming debts evidenced by a credit instrument, including what is commonly referred to as a marker, are enforceable under the current laws of Nevada, and judgments on gaming debts are enforceable in all states of the United States under the Full Faith and Credit Clause of the United States Constitution, other jurisdictions may determine that direct or indirect enforcement of gaming debts is against public policy. Although courts of some foreign nations will enforce gaming debts directly and the assets in the United States of foreign debtors may be used to satisfy a judgment, judgments on gaming debts from U.S. courts are not binding on the courts of many foreign nations. We cannot assure you that we will be able to collect the full amount of gaming debts owed to us, even in jurisdictions that enforce them. Recent changes in economic conditions may make it more difficult to assess creditworthiness and more difficult to collect the full amount of any gaming debt owed to us. Our inability to collect gaming debts could have a significant negative impact on our operating results.

Wynn Macau. Although the law in Macau permits casino operators to extend credit to gaming customers, Wynn Macau may not be able to collect all of its gaming receivables from its credit players. We expect that Wynn Macau will be able to enforce these obligations only in a limited number of jurisdictions, including

Macau. To the extent our gaming customers are visitors from other jurisdictions, we may not have access to a forum in which we will be able to collect all of our gaming receivables because, among other reasons, courts of many jurisdictions do not enforce gaming debts and we may encounter forums that will refuse to enforce such debts. Our inability to collect gaming debts could have a significant negative impact on our operating results.

Currently, the gaming tax in Macau is calculated as a percentage of gross gaming revenue. However, unlike Nevada, the gross gaming revenue calculation in Macau does not include deductions for uncollectible gaming debts. As a result, if we extend credit to our customers in Macau and are unable to collect on the related receivables from them, we remain obligated to pay taxes on our winnings from these customers.

We are subject to extensive state and local regulation and licensing and gaming authorities have significant control over our operations. The cost of compliance or failure to comply with such regulations and authorities could have a negative effect on our business.

The operations of our resorts are contingent upon our obtaining and maintaining all necessary licenses, permits, approvals, registrations, findings of suitability, orders and authorizations in the jurisdictions in which our resorts are located. The laws, regulations and ordinances requiring these licenses, permits and other approvals generally relate to the responsibility, financial stability and character of the owners and managers of gaming operations, as well as persons financially interested or involved in gaming operations. The Nevada Gaming Commission may require the holder of any debt or securities we or Wynn Las Vegas issue to file applications, be investigated and be found suitable to own Wynn Resorts securities if it has reason to believe that the security ownership would be inconsistent with the declared policies of the State of Nevada.

The Company s articles of incorporation also provide that, to the extent required by the gaming authority making the determination of unsuitability or to the extent the Board of Directors determines, in its sole discretion, that a person is likely to jeopardize the Company s or any affiliate s application for, receipt of, approval for, right to the use of, or entitlement to, any gaming license, shares of Wynn Resorts capital stock that are owned or controlled by an unsuitable person or its affiliates are subject to redemption by Wynn Resorts. The redemption price may be paid in cash, by promissory note, or both, as required, and pursuant to the terms established by, the applicable gaming authority and, if not, as Wynn Resorts elects.

On February 18, 2012, the Board of Directors of Wynn Resorts received the Freeh Report. See Item 3 Legal Proceedings , and Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies. After receiving the Freeh Report, the Board of Directors of Wynn Resorts determined that Aruze USA, Inc., Universal Entertainment Corporation and Mr. Okada were unsuitable within the meaning of Article VII of Wynn Resorts articles of incorporation and redeemed all of Aruze USA, Inc. s shares of Wynn Resorts common stock. See Item 3 Legal Proceedings and Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies .

Nevada regulatory authorities also have broad powers to request detailed financial and other information, to limit, condition, suspend or revoke a registration, gaming license or related approvals, approve changes in our operations and levy fines or require forfeiture of assets for violations of gaming laws or regulations. Complying with gaming laws, regulations and license requirements is costly. Any change in the Nevada laws, regulations or licenses applicable to our business or a violation of any current or future laws or regulations applicable to our business or gaming licenses could require us to make substantial expenditures and forfeit assets, and would negatively affect our gaming operations.

Wynn Macau s operations are subject to unique risks. Failure to adhere to the regulatory and gaming environment in Macau could result in the revocation of Wynn Macau s concession or otherwise negatively affect its operations in Macau. Moreover, we are subject to the risk that U.S. regulators could determine that Macau s gaming regulatory framework has not developed in a way that would permit us to conduct operations in Macau in a manner consistent with the way in which we intend, or the Nevada gaming authorities require us, to conduct our operations in the United States.

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Our information technology and other systems are subject to cyber security risk including misappropriation of customer information or other breaches of information security.

We rely on information technology and other systems to maintain and transmit customer financial information, credit card settlements, credit card funds transmissions, mailing lists and reservations information. The systems and processes we have implemented to protect customers, employees and company information are subject to the ever-changing risk of compromised security. These risks include cyber and physical security breaches, system failure, computer viruses, and negligent or intentional misuse by customers, company employees, or employees of third party vendors. The steps we take to deter and mitigate these risks may not be successful and our insurance coverage for protecting against cybersecurity risks may not be sufficient. Any disruption, compromise or loss of data or systems that results from a cybersecurity attack or breach could materially adversely impact, operations or regulatory compliance and could result in remedial expenses, fines, litigation, and loss of reputation, potentially impacting our financial results.

Our insurance coverage may not be adequate to cover all possible losses that we could suffer, including losses resulting from terrorism, and our insurance costs may increase.

We have comprehensive property and liability insurance policies for our properties with coverage features and insured limits that we believe are customary in their breadth and scope. However, in the event of a substantial loss, the insurance coverage we carry may not be sufficient to pay the full market value or replacement cost of our lost investment or could result in certain losses being totally uninsured. As a result, we could lose some or all of the capital we have invested in a property, as well as the anticipated future revenue from the property, and we could remain obligated for debt or other financial obligations related to the property.

Market forces beyond our control may limit the scope of the insurance coverage we can obtain in the future or our ability to obtain coverage at reasonable rates. Certain catastrophic losses may be uninsurable or too expensive to justify obtaining insurance. As a result, if we suffer such a catastrophic loss, we may not be successful in obtaining future insurance without increases in cost or decreases in coverage levels. Furthermore, our debt instruments and other material agreements require us to maintain a certain minimum level of insurance. Failure to satisfy these requirements could result in an event of default under these debt instruments or material agreements, which would negatively affect our business and financial condition.

Our business is particularly sensitive to the willingness of our customers to travel. Acts of terrorism, regional political events and developments in the conflicts in certain countries could cause severe disruptions in air travel that reduce the number of visitors to our facilities, resulting in a material adverse effect on our business and financial condition, results of operations or cash flows.

We are dependent on the willingness of our customers to travel. Only a small amount of our business is and will be generated by local residents. Most of our customers travel to reach our Las Vegas and Macau properties. Acts of terrorism may severely disrupt domestic and international travel, which would result in a decrease in customer visits to Las Vegas and Macau, including our properties. Regional conflicts could have a similar effect on domestic and international travel. Disruptions in air or other forms of travel as a result of any further terrorist act, outbreak of hostilities or escalation of war would have an adverse effect on our business and financial condition, results of operations or cash flows.

We are a parent company and our primary source of cash is and will be distributions from our subsidiaries.

We are a parent company with limited business operations of our own. Our main asset is the capital stock of our subsidiaries. We conduct most of our business operations through our direct and indirect subsidiaries. Accordingly, our primary sources of cash are dividends and distributions with respect to our ownership interests in our subsidiaries that are derived from the earnings and cash flow generated by our operating properties. Our subsidiaries might not generate sufficient earnings and cash flow to pay dividends or distributions in the future.

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Our subsidiaries payments to us will be contingent upon their earnings and upon other business considerations. In addition, our subsidiaries debt instruments and other agreements limit or prohibit certain payments of dividends or other distributions to us. We expect that future debt instruments for the financing of our other developments will contain similar restrictions. An inability of our subsidiaries to pay us dividends and distributions would have a significant negative effect on our liquidity.

If a third party successfully challenges our ownership of, or right to use, the Wynn-related trademarks and/or service marks, our business or results of operations could be harmed.

Our intellectual property assets, especially the logo version of Wynn, are among our most valuable assets. We have filed applications with the PTO and with various foreign patent and trademark registries including registries in Macau, China, Hong Kong, Singapore, Taiwan, Japan, certain European countries and various other jurisdictions throughout the world, to register a variety of WYNN-related trademarks and service marks in connection with a variety of goods and services. These marks include WYNN RESORTS, WYNN DESIGN AND DEVELOPMENT, WYNN LAS VEGAS, WYNN MACAU, WYNN PALACE and ENCORE. Some of the applications are based upon ongoing use and others ar based upon a bona fide intent to use the marks in the future.

A common element of most of these marks is the use of the surname WYNN. As a general rule, a surname (or the portion of a mark primarily constituting a surname) is not eligible for registration unless the surname has acquired secondary meaning. To date, we have been successful in demonstrating to the PTO such secondary meaning for the Wynn name, in certain of the applications, based upon factors including Mr. Wynn s prominence as a resort developer, but we cannot assure you that we will be successful with the other pending applications.

Federal registrations are not completely dispositive of the right to such marks. Third parties who claim prior rights with respect to similar marks may nonetheless challenge our right to obtain registrations or our use of the marks and seek to overcome the presumptions afforded by such registrations.

Furthermore, due to the increased use of technology in computerized gaming machines and in business operations generally, other forms of intellectual property rights (such as patents and copyrights) are becoming of increased relevance. It is possible that, in the future, third parties might assert superior intellectual property rights or allege that their intellectual property rights cover some aspect of our operations. The defense of such allegations may result in substantial expenses, and, if such claims are successfully prosecuted, may have a material impact on our business. Efforts we take to acquire and protect our intellectual property rights against unauthorized use throughout the world, which may include retaining counsel and commencing litigation in various jurisdictions, may be costly and may not be successful in protecting and preserving the status and value of our intellectual property assets.

We are subject to taxation by various governments and agencies. The rate of taxation could change.

We are subject to tax by various governments and agencies, both in the U.S. and in Macau. Changes in the rates of taxation, the amount of taxes we owe and the time when income is subject to taxation, our ability to claim U.S. foreign tax credits, failure to renew our Macau dividend agreement and Macau income tax exemption after 2015 and the imposition of foreign withholding taxes could increase our overall rate of taxation.

Because we own real property, we are subject to extensive environmental regulation, which creates uncertainty regarding future environmental expenditures and liabilities.

We have incurred costs to comply with environmental requirements, such as those relating to discharges into the air, water and land, the handling and disposal of solid and hazardous waste and the cleanup of properties affected by hazardous substances. Under these and other environmental requirements we may be required to

investigate and clean up hazardous or toxic substances or chemical releases at our property. As an owner or operator, we could also be held responsible to a governmental entity or third parties for property damage, personal injury and investigation and cleanup costs incurred by them in connection with any contamination.

These laws typically impose cleanup responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. The liability under those laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of the responsibility. The costs of investigation, remediation or removal of those substances may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to use our property.

Risks Associated with our Macau Operations

We depend upon games promoters for a significant portion of our gaming revenue. If we are unable to maintain, or develop additional, successful relationships with reputable games promoters, our ability to maintain or grow our gaming revenues could be adversely affected.

We may lose the clientele of our games promoters, who generate a significant portion of our gaming revenue. There is intense competition among casino operators in Macau for services provided by games promoters, which we expect to intensify as additional casinos open in Macau. If we are unable to maintain, or develop additional, successful relationships with reputable games promoters, or lose a significant number of our games promoters to our competitors, our ability to maintain or grow our gaming revenues will be adversely affected and we will have to seek alternative ways of developing relationships with VIP customers. In addition, if our games promoters are unable to develop or maintain relationships with our VIP customers, our ability to maintain or grow our gaming revenues will be hampered.

Increased competition for the services of games promoters may require us to pay increased commission rates to games promoters.

Certain games promoters have significant leverage and bargaining strength in negotiating operational agreements with casino operators. This leverage could result in games promoters negotiating changes to our operational agreements, including higher commissions, or the loss of business to a competitor or the loss of certain relationships with games promoters. If we need to increase our commission rates or otherwise change our practices with respect to games promoters due to competitive forces, our results of operations could be adversely affected.

Failure by the games promoters with whom we work to comply with Macau gaming laws and high standards of probity and integrity might affect our reputation and ability to comply with the requirements of our concession, Macau gaming laws and other gaming licenses.

The reputations and probity of the games promoters with whom we work are important to our own reputation and to our ability to operate in compliance with our concession, Macau gaming laws and other gaming licenses. We are not able to control our games promoters compliance with these high standards of probity and integrity, and our games promoters may violate provisions in their contracts with us designed to ensure such compliance. In addition, if we enter into a new business relationship with a games promoter whose probity is in doubt, this may be considered by regulators or investors to reflect negatively on our own probity. If our games promoters are unable to maintain required standards of probity and integrity, we may face consequences from gaming regulators with authority over our operations. Furthermore, if any of our games promoters violate the Macau gaming laws while on our premises, the Macau government may, in its discretion, take enforcement action against us, the games promoter, or each concurrently, and we may be sanctioned and our reputation could be harmed.

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The financial resources of our games promoters may be insufficient to allow them to continue doing business at our resort.

Our games promoters may encounter decreased liquidity, limiting their ability to grant credit to their patrons, resulting in decreased gaming volume at Wynn Macau. Furthermore, credit already extended by our games promoters to their patrons may become increasingly difficult for them to collect. This inability to grant credit and collect amounts due can negatively affect our games promoters operations, and as a result, our results of operations could be adversely impacted.

Revenues from our Macau gaming operations will end if we cannot secure an extension of our concession in 2022 or if the Macau government exercises its redemption right in 2017.

Our concession agreement with the Macau government expires in June 2022. Unless our concession is extended, in June 2022, all of our gaming operations and related equipment in Macau will be automatically transferred to the Macau government without compensation to us and we will cease to generate any revenues from these operations. Beginning in June 2017, the Macau government may redeem the concession agreement by providing us at least one year s prior notice. In the event the Macau government exercises this redemption right, we are entitled to fair compensation or indemnity. The amount of such compensation or indemnity will be determined based on the amount of revenue generated during the tax year prior to the redemption multiplied for the remaining years under the concession. We may not be able to renew or extend our concession agreement on terms favorable to us or at all and, if our concession is redeemed, the compensation paid to us may not be adequate to compensate us for the loss of future revenues. The redemption of or failure to extend our concession would have a material adverse effect on our results of operations.

If Wynn Macau fails to comply with the concession agreement, the Macau government can terminate our concession without compensation to us, which would have a material adverse effect on our business and financial condition.

The Macau government has the right to unilaterally terminate our concession in the event of our material non-compliance with the basic obligations under the concession and applicable Macau laws. The concession agreement expressly provides that the government of Macau may unilaterally rescind the concession agreement if Wynn Macau:

- conducts unauthorized games or activities that are excluded from its corporate purpose;
- suspends gaming operations in Macau for more than seven consecutive days (or more than 14 days in a civil year) without justification;
- defaults in payment of taxes, premiums, contributions or other required amounts;
- does not comply with government inspections or supervision;
- systematically fails to observe its obligations under the concession system;
- fails to maintain bank guarantees or bonds satisfactory to the government;
- is the subject of bankruptcy proceedings or becomes insolvent;
- engages in serious fraudulent activity, damaging to the public interest; or

repeatedly violates applicable gaming laws.

If the government of Macau unilaterally rescinds the concession agreement, Wynn Macau will be required to compensate the government in accordance with applicable law, and the areas defined as casino space under Macau law and all of the gaming equipment pertaining to our gaming operations will be transferred to the government without compensation. The loss of our concession would prohibit us from conducting gaming operations in Macau, which would have a material adverse effect on our business and financial condition.

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Our Macau subsidiaries indebtedness is secured by a substantial portion of their assets.

Subject to applicable laws, including gaming laws, and certain agreed upon exceptions, our Macau subsidiaries debt is secured by liens on substantially all of their assets. In the event of a default by such subsidiaries under their financing documents, or if such subsidiaries experience insolvency, liquidation, dissolution or reorganization, the holders of such secured debt would first be entitled to payment from their collateral security, and only then would holders of our Macau subsidiaries unsecured debt be entitled to payment from their remaining assets.

We compete for limited labor resources in Macau and Macau government policies may also affect our ability to employ imported labor.

The success of our operations in Macau will be affected by our success in hiring and retaining employees. We compete with a large number of casino resorts in Macau for a limited number of qualified employees. We have to seek employees from other countries to adequately staff our resort and certain Macau government policies affect our ability to import labor in certain job classifications. Despite our coordination with the Macau labor and immigration authorities to assure that our labor needs are satisfied, we may not be able to recruit and retain a sufficient number of qualified employees for our operations or obtain required work permits for those employees.

Wynn Macau may be affected by adverse political and economic conditions.

A significant portion of our revenue is derived from our Macau operations. Our Macau operations are subject to significant political, economic and social risks inherent in doing business in an emerging market. Macau s legislative, regulatory, legal, economic and cultural institutions are in a period of transition. The continued success of Wynn Macau will depend on political and economic conditions in Macau and mainland China. For example, fiscal decline and civil, domestic or international unrest in Macau, China or the surrounding region could significantly harm our business, not only by reducing customer demand for casino resorts, but also by increasing the risk of imposition of taxes and exchange controls or other governmental restrictions, laws or regulations that might impede Wynn Macau s operations or ability to repatriate funds.

Macau may not have an adequate transportation infrastructure to accommodate the demand from future development.

Because of additional casino projects which are under construction and to be developed in the future, the ferry and helicopter services which provide transportation between Macau and Hong Kong may need to be expanded to accommodate the increased visitation of Macau. If transportation facilities to and from Macau are inadequate to meet the demands of an increased volume of gaming customers visiting Macau, the desirability of Macau as a gaming destination, as well as the results of operations of Wynn Macau, could be negatively impacted.

Extreme weather conditions may have an adverse impact on Wynn Macau.

Macau s subtropical climate and location on the South China Sea are subject to extreme weather conditions including typhoons and heavy rainstorms. Unfavorable weather conditions could negatively affect the profitability of our resort complex and prevent or discourage guests from traveling to Macau.

Conflicts of interest may arise because certain of our directors and officers are also directors of Wynn Macau, Limited.

In October 2009, Wynn Macau, Limited, an indirect wholly owned subsidiary of Wynn Resorts and the developer, owner and operator of Wynn Macau, listed its ordinary shares of common stock on The Stock

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Exchange of Hong Kong Limited. Wynn Macau, Limited sold through an initial public offering, 1,437,500,000 shares (27.7%) of this subsidiary s common stock. As a result of Wynn Macau, Limited having stockholders who are not affiliated with us, we and certain of our officers and directors who also serve as officers and/or directors of Wynn Macau, Limited may have conflicting fiduciary obligations to our stockholders and to the minority stockholders of Wynn Macau, Limited. Decisions that could have different implications for Wynn Resorts and Wynn Macau, Limited, including contractual arrangements that we have entered into or may in the future enter into with Wynn Macau, Limited, may give rise to the appearance of a potential conflict of interest.

Certain Nevada gaming laws apply to Wynn Macau s gaming activities and associations.

Certain Nevada gaming laws also apply to gaming activities and associations in jurisdictions outside the State of Nevada. With respect to our Wynn Macau operations, we and our subsidiaries that must be licensed to conduct gaming operations in Nevada are required to comply with certain reporting requirements concerning gaming activities and associations in Macau conducted by our Macau-related subsidiaries. We and our licensed Nevada subsidiaries also will be subject to disciplinary action by the Nevada Gaming Commission if our Macau-related subsidiaries:

- knowingly violate any Macau laws relating to their Macau gaming operations;
- fail to conduct Wynn Macau s operations in accordance with the standards of honesty and integrity required of Nevada gaming operations;
- engage in any activity or enter into any association that is unsuitable for us because it poses an unreasonable threat to the control of gaming in Nevada, reflects or tends to reflect discredit or disrepute upon the State of Nevada or gaming in Nevada, or is contrary to Nevada gaming policies;
- engage in any activity or enter into any association that interferes with the ability of the State of Nevada to collect gaming taxes and fees; or
- employ, contract with or associate with any person in the foreign gaming operation who has been denied a license or a finding of suitability in Nevada on the ground of unsuitability, or who has been found guilty of cheating at gambling.

Such disciplinary action could include suspension, conditioning, limitation or revocation of the registration, licenses or approvals held by us and our licensed Nevada subsidiaries, including Wynn Las Vegas, LLC, and the imposition of substantial fines.

In addition, if the Nevada State Gaming Control Board determines that any actual or intended activities or associations of our Macau-related subsidiaries may be prohibited pursuant to one or more of the standards described above, the Nevada State Gaming Control Board can require us and our licensed Nevada subsidiaries to file an application with the Nevada Gaming Commission for a finding of suitability of the activity or association. If the Nevada Gaming Commission finds that the activity or association in Macau is unsuitable or prohibited, our Macau-related subsidiaries will either be required to terminate the activity or association, or will be prohibited from undertaking the activity or association. Consequently, should the Nevada Gaming Commission find that our Macau-related subsidiary s gaming activities or associations in Macau are unsuitable, those subsidiaries may be prohibited from undertaking their planned gaming activities or associations in Macau, or be required to divest their investment in Macau, possibly on unfavorable terms.

Unfavorable changes in currency exchange rates may increase Wynn Macau s obligations under the concession agreement and cause fluctuations in the value of our investment in Macau.

The currency delineated in Wynn Macau s concession agreement with the government of Macau is the Macau pataca. The Macau pataca, which is not a freely convertible currency, is linked to the Hong Kong dollar, and the two are often used interchangeably in Macau. The Hong Kong dollar is linked to the U.S. dollar and the

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exchange rate between these two currencies has remained relatively stable over the past several years. However, the exchange linkages of the Hong Kong dollar and the Macau pataca, and the Hong Kong dollar and the U.S. dollar, are subject to potential changes due to changes in Chinese governmental policies and international economic and political developments.

If the Hong Kong dollar and the Macau pataca are no longer linked to the U.S. dollar, the exchange rate for these currencies may severely fluctuate. The current rate of exchange fixed by the applicable monetary authorities for these currencies may also change.

Because many of Wynn Macau s payment and expenditure obligations are in Macau patacas, in the event of unfavorable Macau pataca or Hong Kong dollar rate changes, Wynn Macau s obligations, as denominated in U.S. dollars, would increase. In addition, because we expect that most of the revenues for any casino that we operate in Macau will be in Hong Kong dollars, we are subject to foreign exchange risk with respect to the exchange rate between the Hong Kong dollar and the U.S. dollar. Also, if any of our Macau-related entities incur U.S. dollar-denominated debt, fluctuations in the exchange rates of the Macau pataca or the Hong Kong dollar, in relation to the U.S. dollar, could have adverse effects on our results of operations, financial condition and ability to service its debt.

Currency exchange controls and currency export restrictions could negatively impact Wynn Macau.

Currency exchange controls and restrictions on the export of currency by certain countries may negatively impact the success of Wynn Macau. For example, there are currently existing currency exchange controls and restrictions on the export of the renminbi, the currency of China. Restrictions on the export of the renminbi may impede the flow of gaming customers from China to Macau, inhibit the growth of gaming in Macau and negatively impact Wynn Macau s gaming operations.

Risks Related to Share Ownership and Stockholder Matters

Our largest stockholders are able to exert significant influence over our operations and future direction.

As of December 31, 2013, Mr. Wynn and Elaine P. Wynn own 10,026,708 shares and 9,659,355 shares, respectively, or in the aggregate approximately 19.5%, of our outstanding common stock. As a result, Mr. Wynn and Elaine P. Wynn, to the extent they vote their shares in a similar manner, may be able to exert significant influence over all matters requiring our stockholders approval, including the approval of significant corporate transactions. In addition, until February 2012, Aruze USA, Inc. owned 24,549,222 shares of our outstanding common stock. On February 18, 2012, the Company redeemed all of the shares of the Company s common stock held by Aruze USA, Inc. For additional information on the redemption, see Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies .

Under the Amended and Restated Stockholders Agreement, dated as of January 6, 2010, by and among Stephen A. Wynn, Elaine P. Wynn and Aruze USA, Inc. (the Amended and Restated Stockholders Agreement), Mr. Wynn and Elaine P. Wynn have agreed to vote the shares of the Company s common stock held by them subject to the terms of the Amended and Restated Stockholders Agreement in a manner so as to elect to our Board of Directors each of the nominees contained on each and every slate of directors endorsed by Mr. Wynn, which slate will include, subject to certain exceptions, Elaine P. Wynn. As a result of this voting arrangement, Mr. Wynn, as a practical matter, exercises significant influence over the slate of directors to be elected to our Board of Directors. In addition, with stated exceptions, the Amended and Restated Stockholders Agreement requires the written consent of the other party prior to any party selling any shares of the Company s common stock that it owns.

In June 2012, in connection with the pending litigation between the Company and Aruze USA, Inc., Elaine P. Wynn submitted a cross claim against Mr. Wynn and Kazuo Okada seeking to void the Amended and

Restated Stockholders Agreement. Certain Wynn Las Vegas indentures provide that if Mr. Wynn, together with certain related parties, in the aggregate beneficially owns a lesser percentage of the outstanding common stock of the Company than is beneficially owned by any other person, a change of control will have occurred. If Elaine Wynn prevails in her cross claim, Stephen A. Wynn would not beneficially own or control Elaine Wynn s shares and a change in control may result under the Wynn Las Vegas debt documents. For additional information on the cross claim, see Item 8 Financial Statements and Supplementary Data , Note 8 Long-Term Debt and Note 16 Commitments and Contingencies .

In November 2006, the Board of Directors of Wynn Resorts approved an amendment of its bylaws that exempts future acquisitions of shares of Wynn Resorts common stock by either Mr. Wynn or Aruze USA, Inc. from Nevada s acquisition of controlling interest statutes. In light of the determination by the Board of Directors on February 18, 2012 that each of Aruze USA, Inc., Universal Entertainment Corporation and Mr. Kazuo Okada is an Unsuitable Person under the Company s articles of incorporation and the redemption and cancellation of Aruze USA Inc. s shares of Company common stock, our Fifth Amended and Restated Bylaws amended these provisions to delete the reference to Aruze USA, Inc. and its affiliates. The Nevada acquisition of controlling interest statutes require stockholder approval in order to exercise voting rights in connection with any acquisition of a controlling interest in certain Nevada corporations unless the articles of incorporation or bylaws of the corporation in effect on the 10th day following the acquisition of a controlling interest by certain acquiring persons provide that these statutes do not apply to the corporation or to the acquisition specifically by types of existing or future stockholders. These statutes define a controlling interest as (i) one-fifth or more but less than one third, (ii) one-third or more but less than a majority, or (iii) a majority or more, of the voting power in the election of directors. As a result of these bylaws provisions, Mr. Wynn or his affiliates may acquire ownership of outstanding voting shares of Wynn Resorts permitting him or them to exercise more than one-third but less than a majority, or a majority or more, of all of the voting power of the Company in the election of directors, without requiring a resolution of the Company s stockholders granting voting rights in the control shares acquired.

Our stock price may be volatile.

The trading price of our common stock may be subject to wide fluctuations. Our stock price may fluctuate in response to a number of events and factors, such as general United States, China, and world economic and financial conditions, our own quarterly variations in operating results, increased competition, changes in financial estimates and recommendations by securities analysts, changes in applicable laws or regulations, changes affecting the travel industry. The stock market in general, and prices for companies in our industry in particular, has experienced extreme volatility that may be unrelated to the operating performance of a particular company. These broad market and industry fluctuations may adversely affect the price of our common stock, regardless of our operating performance.

Risks Related to our Substantial Indebtedness

We are highly leveraged and future cash flow may not be sufficient for us to meet our obligations, and we might have difficulty obtaining more financing.

We have a substantial amount of consolidated debt in relation to our equity. As of December 31, 2013, we had total outstanding debt of approximately $6.6 billion, which includes a portion of the funds we expect to need to construct Wynn Palace. We may, however, incur additional indebtedness in connection with the construction of Wynn Palace. See Item 1 Business , Construction and Development Opportunities . In addition, we are permitted to incur additional indebtedness if certain conditions are met, including conditions under our Wynn Macau credit facilities and our Wynn Las Vegas indentures in connection with other future potential development plans. On February 18, 2012, we issued a subordinated promissory note with a principal amount of approximately $1.94 billion in redemption of all of the shares of Wynn Resorts common stock held by Aruze USA, Inc. (the Redemption Note). For additional information on the redemption and the Redemption Note, see Item 3 Legal Proceedings and Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies .

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Our substantial indebtedness could have important consequences. For example:

- failure to meet our payment obligations could result in acceleration of our indebtedness, foreclosure upon our assets that serve as collateral or bankruptcy;

- servicing our indebtedness requires a substantial portion of our cash flow from the operations of Wynn Las Vegas and Wynn Macau and reduces the amount of available cash, if any, to fund working capital and other cash requirements;

- Aruze USA, Inc., Universal Entertainment Corporation and Kazuo Okada have challenged the redemption of Aruze USA, Inc. s shares and we are currently involved in litigation with those parties as well as related shareholder derivative litigation. The outcome of these various proceedings cannot be predicted. Any adverse judgments or settlements involving payment of a material sum of money could cause a material adverse effect on our financial condition and results of operations and could expose us to additional claims by third parties including current or former investors or regulators. Any adverse judgments or settlements would reduce our profits and could limit our ability to operate our business. See Item 3 Legal Proceedings and Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies ;

- we may experience decreased revenues from our operations due to decreased consumer spending levels and high unemployment, and could fail to generate sufficient cash to fund our liquidity needs and/or fail to satisfy the financial and other restrictive covenants to which we are subject under our existing indebtedness. Our business may not generate sufficient cash flow from operations to pay our indebtedness or to fund our other liquidity needs;

- we may not be able to obtain additional financing, if needed, to satisfy working capital requirements or pay for other capital expenditures, debt service or other obligations; and

- rates with respect to a portion of the interest we pay will fluctuate with market rates and, accordingly, our interest expense will increase if market interest rates increase.

Under the terms of the documents governing our debt facilities, subject to certain limitations, we are permitted to incur indebtedness. If we incur additional indebtedness, the risks described above will be exacerbated.

The agreements governing our debt facilities contain certain covenants that restrict our ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions.

Some of our debt facilities require us to satisfy various financial covenants, which include requirements for minimum interest coverage ratios and leverage ratios pertaining to total debt to earnings before interest, tax, depreciation and amortization (both currently required for our Wynn Macau credit facilities). Future indebtedness or other contracts could contain covenants more restrictive than those contained in our existing debt facilities.

The agreements governing our debt facilities also contain restrictions on our ability to engage in certain transactions and may limit our ability to respond to changing business and economic conditions. These restrictions include, among other things, limitations on our ability and the ability of our restricted subsidiaries to:

- pay dividends or distributions or repurchase equity;

- incur additional debt;

make investments;

create liens on assets to secure debt;

enter into transactions with affiliates;

issue stock of, or member s interests in, subsidiaries;

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- enter into sale-leaseback transactions;
- engage in other businesses;
- merge or consolidate with another company;
- transfer, sell or otherwise dispose of assets;
- issue disqualified stock;
- create dividend and other payment restrictions affecting subsidiaries; and
- designate restricted and unrestricted subsidiaries.

Our ability to comply with the terms of our outstanding facilities may be affected by general economic conditions, industry conditions and other events outside of our control. As a result, we may not be able to maintain compliance with these covenants. If our or Wynn Macau s operations fail to generate adequate cash flow, we may violate those covenants, causing a default under our agreements, which would materially and adversely affect our operating results and our financial condition or result in our lenders or holders of our debt taking action to enforce their security interests in our various assets or cause all outstanding amounts to be due and payable immediately.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Macau Land Concessions

The government of Macau owns most of the land in Macau. In most cases, private interests in real property located in Macau are obtained through long-term leases known as concessions and other grants of rights to use land from the government. In July 2004, our subsidiary, Wynn Macau, entered into a land concession contract under which Wynn Macau leases from the Macau government an approximately 16-acre parcel of land in downtown Macau s inner harbor area where Wynn Macau is located. The term of the land concession contract is 25 years from August 2004, and it may be renewed with government approval for successive periods. Wynn Macau paid a land concession premium of approximately 319.4 million Macau patacas (approximately US $40 million) for this land concession. In 2009, the Company and the Macau government agreed to modify this land concession as a result of the expansion of Wynn Macau with Encore at Wynn Macau and the additional square footage that was added as a result of such expansion. In November 2009, the Company made an additional one-time land premium payment of approximately 113.4 million Macau patacas (approximately US $14.2 million). Annual rent of approximately 4.2 million Macau patacas (approximately US $525,000) is being paid in accordance with the land concession contract.

In September 2011, Palo Real Estate Company Limited and Wynn Macau, each an indirect subsidiary of Wynn Macau Limited, formally accepted the terms and conditions of a draft land concession contract from the Macau government for approximately 51 acres of land in the Cotai area of Macau. On May 2, 2012, the land concession contract was gazetted by the government of Macau evidencing the final step in the granting of the land concession. We are currently constructing Wynn Palace in the Cotai area of Macau, a full-scale integrated resort containing a 1,700-room hotel, performance lake, meeting space, casino, spa, retail offerings and food and beverage outlets. The total project budget, including construction costs, capitalized interest, pre-opening expenses, land costs and financing fees, is $4 billion. As of December 31, 2013, we have invested $703.7 million in the project. We continue to remain on schedule for an opening in the first half of 2016.

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Las Vegas Land

We currently own approximately 238 acres of land on or near the Las Vegas Strip consisting of approximately 75 acres at the northeast corner of the intersection of Las Vegas Boulevard and Sands Avenue, on which Wynn Las Vegas is located, the approximately 140-acre golf course behind Wynn Las Vegas, approximately 5 acres adjacent to the golf course on which an office building is located, and approximately 18 acres located across from the Wynn Las Vegas site at Koval Lane and Sands Avenue, a portion of which is improved with an employee parking garage and an office building.

Las Vegas Water Rights

We own approximately 834 acre-feet of permitted and certificated water rights, which we currently use to irrigate the golf course. We also own approximately 151.5 acre-feet of permitted and certificated water rights for commercial use. There are significant cost savings and conservation benefits associated with using water supplied pursuant to our water rights. We anticipate using our water rights to support future development of the golf course land.

ITEM 3. LEGAL PROCEEDINGS

We are occasionally party to lawsuits. As with all litigation, no assurance can be provided as to the outcome of such matters and we note that litigation inherently involves significant costs. For more information regarding the Company s legal matters see Item 1A Risk Factors and Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies, in this Annual Report on Form 10-K.

Atlantic-Pacific Capital

On May 3, 2010, Atlantic-Pacific Capital, Inc. (APC) filed an arbitration demand with JAMS, a private alternative dispute resolution provider, regarding an agreement with the Company. The action concerns a claim for compensation of approximately $32 million pursuant to an agreement entered into between APC and the Company on or about March 30, 2008, whereby APC was engaged to raise private equity capital for a specific investment vehicle sponsored by the Company. APC is seeking compensation unrelated to the investment vehicle. The Company has denied APC s claims for compensation. The Company filed a Complaint for Damages and Declaratory Relief against APC in the Eighth Judicial District Court, Clark County, Nevada, on May 10, 2010, which APC removed to the United States District Court, District of Nevada. In March 2011, the District Court denied APC s motion to compel arbitration, and dismissed the action. APC appealed, and on November 13, 2012, the United States Court of Appeals for the Ninth Circuit reversed the District Court and compelled arbitration. The arbitration is set for April 2014. An arbitrator has been selected, and the parties have been engaging in discovery. Management believes that APC s claims against the Company are without merit, and the Company intends to continue to defend this matter vigorously.

Determination of Unsuitability and Redemption of Aruze USA, Inc. and Affiliates

On February 18, 2012, Wynn Resorts Gaming Compliance Committee concluded an investigation after receiving an independent report by Freeh, Sporkin & Sullivan, LLP (the Freeh Report) detailing a pattern of misconduct by Aruze USA, Inc. (at the time a stockholder of Wynn Resorts), Universal Entertainment Corporation, Aruze USA, Inc. s parent company, and Kazuo Okada, (the majority shareholder of Universal Entertainment Corporation and a former member of the Board of Directors of Wynn Resorts and Wynn Macau, Limited) (collectively, the Okada Parties). The factual record presented in the Freeh Report included evidence that the Okada Parties had provided valuable items to certain foreign gaming officials who were responsible for regulating gaming in a jurisdiction in which entities controlled by Mr. Okada were developing a gaming resort. Mr. Okada denied the impropriety of such conduct to members of the Board of Directors of Wynn Resorts and while serving as one of the Company s directors Mr. Okada refused to acknowledge or abide by Wynn Resorts anti-bribery policies and refused to participate in the training all other directors have received concerning these policies.

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Based on the Freeh Report, the Board of Directors of Wynn Resorts determined that the Okada Parties are unsuitable persons under Article VII of the Company s articles of incorporation. The Board of Directors was unanimous (other than Mr. Okada) in its determination. After authorizing the redemption of the Aruze shares, as discussed below, the Board of Directors took certain actions to protect the Company and its operations from any influence of an unsuitable person, including placing limitations on the provision of certain operating information to unsuitable persons and formation of an Executive Committee of the Board to manage the business and affairs of the Company during the period between each annual meeting. The Charter of the Executive Committee provides that Unsuitable Persons are not permitted to serve on the Committee. All members of the Board, other than Mr. Okada, were appointed to the Executive Committee on February 18, 2012. The Board of Directors also requested that Mr. Okada resign as a director of Wynn Resorts (under Nevada corporation law, a board of directors does not have the power to remove a director) and recommended that Mr. Okada be removed as a member of the Board of Directors of Wynn Macau, Limited. In addition, on February 18, 2012, Mr. Okada was removed from the Board of Directors of Wynn Las Vegas Capital Corp., an indirect wholly owned subsidiary of Wynn Resorts. On February 24, 2012, Mr. Okada was removed from the Board of Directors of Wynn Macau, Limited and on February 22, 2013, he was removed from the Board of Directors of Wynn Resorts by a stockholder vote in which 99.6% of the over 86 million shares voted were cast in favor of removal. Additionally, Mr. Okada resigned from the Board of Directors of Wynn Resorts on February 21, 2013. Although the Company has retained the structure of the Executive Committee, the Board has resumed its past role in managing the business and affairs of the Company.

Based on the Board of Directors finding of unsuitability, on February 18, 2012, Wynn Resorts redeemed and cancelled Aruze USA, Inc. s 24,549,222 shares of Wynn Resorts common stock. Following a finding of unsuitability, Article VII of Wynn Resorts articles of incorporation authorizes redemption at fair value of the shares held by unsuitable persons. The Company engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then current trading price was appropriate because of, among other things, restrictions on most of the shares held by Aruze USA, Inc. under the terms of the Stockholders Agreement (as defined below). Pursuant to its articles of incorporation, Wynn Resorts issued the Redemption Note to Aruze USA, Inc. in redemption of the shares. The Redemption Note has a principal amount of $1.94 billion, matures on February 18, 2022 and bears interest at the rate of 2% per annum, payable annually in arrears on each anniversary of the date of the Redemption Note. The Company may, in its sole and absolute discretion, at any time and from time to time, and without penalty or premium, prepay the whole or any portion of the principal or interest due under the Redemption Note. In no instance shall any payment obligation under the Redemption Note be accelerated except in the sole and absolute discretion of Wynn Resorts or as specifically mandated by law. The indebtedness evidenced by the Redemption Note is and shall be subordinated in right of payment, to the extent and in the manner provided in the Redemption Note, to the prior payment in full of all existing and future obligations of Wynn Resorts or any of its affiliates in respect of indebtedness for borrowed money of any kind or nature.

The Company provided the Freeh Report to appropriate regulators and law enforcement agencies and has been cooperating with related investigations that such regulators and agencies have undertaken. The conduct of the Okada Parties and any resulting regulatory investigations could have adverse consequences to the Company and its subsidiaries. A finding by regulatory authorities that Mr. Okada violated anti-corruption statutes and/or other laws or regulations applicable to persons affiliated with a gaming licensee on Company property and/or otherwise involved the Company in criminal or civil violations could result in actions by regulatory authorities against the Company and its subsidiaries.

Redemption Action and Counterclaim

On February 19, 2012, Wynn Resorts filed a complaint in the Eighth Judicial District Court, Clark County, Nevada against the Okada Parties (as amended, the Complaint), alleging breaches of fiduciary duty and related claims (the Redemption Action) arising from the activities addressed in the Freeh Report. The Company is seeking compensatory and special damages as well as a declaration that it acted lawfully and in full compliance with its articles of incorporation, bylaws and other governing documents in redeeming and cancelling the shares of Aruze, USA, Inc.

On March 12, 2012, the Okada Parties removed the action to the United States District Court for the District of Nevada (the action was subsequently remanded to Nevada state court). On that same date, the Okada Parties filed an answer denying the claims and a counterclaim (as amended, the Counterclaim) that purports to assert claims against the Company, each of the members of the Company s Board of Directors (other than Mr. Okada) and Wynn Resorts General Counsel (the Wynn Parties). The Counterclaim alleges, among other things: (1) that the shares of Wynn Resorts common stock owned by Aruze USA, Inc. were exempt from the redemption-for-unsuitability provisions in the Wynn Resorts articles of incorporation (the Articles) pursuant to certain agreements executed in 2002; (2) that the Wynn Resorts directors who authorized the redemption of Aruze USA, Inc. s shares acted at the direction of Stephen A. Wynn and did not independently and objectively evaluate the Okada Parties suitability, and by so doing, breached their fiduciary duties; (3) that the Wynn Resorts directors violated the terms of the Wynn Resorts Articles by failing to pay Aruze USA, Inc. fair value for the redeemed shares; and (4) that the terms of the Redemption Note that Aruze USA, Inc. received in exchange for the redeemed shares, including the Redemption Note s principal amount, duration, interest rate, and subordinated status, were unconscionable. Among other relief, the Counterclaim seeks a declaration that the redemption of Aruze USA, Inc. s shares was void, an injunction restoring Aruze USA, Inc. s share ownership, damages in an unspecified amount and rescission of the Amended and Restated Stockholders Agreement, dated as of January 6, 2010, by and among Aruze USA, Inc., Stephen A. Wynn, and Elaine Wynn (the Stockholders Agreement).

On June 19, 2012, Elaine Wynn responded to the Counterclaim and asserted a cross claim against Steve Wynn and Kazuo Okada seeking a declaration that (1) any and all of Elaine Wynn s duties under the Stockholders Agreement be discharged; (2) the Stockholders Agreement is subject to rescission and is rescinded; (3) the Stockholders Agreement is an unreasonable restraint on alienation in violation of public policy; and/or (4) the restrictions on sale of shares shall be construed as inapplicable to Elaine Wynn. Mr. Wynn filed his answer to Elaine Wynn s cross claim on September 24, 2012. The indentures for Wynn Las Vegas, LLC s 7 7/8% first mortgage notes due 2020, 7 3/4% first mortgage notes due 2020 (the 2020 Indentures) and the indenture for Wynn Las Vegas, LLC s 4 1/4% Senior Notes due 2023 (the 2023 Indenture, and, together with the 2020 Indentures, the Indentures) provide that if Stephen A. Wynn, together with certain related parties, in the aggregate beneficially owns a lesser percentage of the outstanding common stock of the Company than are beneficially owned by any other person, a change of control will have occurred. If Elaine Wynn prevails in her cross claim, Stephen A. Wynn would not beneficially own or control Elaine Wynn s shares and a change in control may result under the Wynn Las Vegas debt documents. Under the 2020 Indentures, the occurrence of a change of control requires that the Company make an offer to each holder to repurchase all or any part of such holder s notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest on the notes purchased, if any, to the date of repurchase (unless the notes have been previously called for redemption). Under the 2023 Indenture, if a change of control occurs and within 60 days after that occurrence the 4 1/4% Senior Notes due 2023 are rated below investment grade by both rating agencies that rate such notes, the Company is required to make an offer to each holder to repurchase all or any part of such holder s notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest on the notes purchased, if any, to the date of repurchase (unless the notes have been previously called for redemption). Mr. Wynn is opposing Ms. Wynn s cross claim.

The Company s Complaint and the Okada Parties Counterclaim have been, and continue to be, challenged through motion practice. At a hearing held on November 13, 2012, the Nevada state court granted the Wynn Parties motion to dismiss the Counterclaim with respect to the Okada Parties claim under the Nevada Racketeer Influenced and Corrupt Organizations Act with respect to certain Company executives but otherwise denied the motion. At a hearing held on January 15, 2013, the court denied the Okada Parties motion to dismiss the Company s Complaint. On April 22, 2013, the Company filed a second amended complaint. On August 30, 2013, the Okada Parties filed their third amended Counterclaim. On September 18, 2013, the Company filed a Partial Motion to Dismiss related to a claim in the third amended Counterclaim alleging civil extortion by Mr. Wynn and the Company s General Counsel. On October 29, 2013, the court granted the motion and dismissed the claim. On November 26, 2013, the Okada Parties filed their fourth amended Counterclaim, and the Company

filed an answer to that pleading on December 16, 2013. The parties had been engaged in discovery at the time the court entered the Stay (defined and discussed below). Therefore, although the court previously set a timetable for all discovery, pre-trial and trial deadlines, with a five-week jury trial scheduled to commence in April 2014, this schedule will necessarily change due to the Stay.

On February 13, 2013, the Okada Parties filed a motion in the Nevada state court asking the court to establish an escrow account (specifically, they asked the court to establish a disputed ownership fund, as defined in a federal tax regulation (DOF)) to hold the Redemption Note as well as the redeemed shares themselves (although those shares were previously cancelled in February 2012), until the resolution of the Redemption Action and Counterclaim. The Okada Parties subsequently filed reply papers in further support of their motion, in which they narrowed the relief they were seeking, specifically by withdrawing their request that the redeemed shares be placed into the escrow account. On April 17, 2013, the court entered an order granting the Okada Parties motion in part as to the narrowed relief outlined in their reply papers. Among other things, the court s order directed the Okada Parties to establish an escrow account with a third party (without making any ruling as to whether such an account would satisfy the requirements of a DOF) to hold interest payments tendered by the Company on the Redemption Note. Per the court s order, the Company is to have no responsibility for fees or costs of the account, and will receive a full release and indemnity related to the account. On each of February 14, 2013 and February 13, 2014, the Company issued checks to Aruze USA, Inc. in the amount of $38.7 million, representing the interest payments due on the Redemption Note at those times. However, as of the date of this report, the checks remain uncashed. The parties engaged in discussions regarding the terms of the escrow agreement contemplated by the court s order. However, the Okada Parties recently advised of their intent to deposit any checks for interest and principal, past and future, due under the terms of the Redemption Note to the Clerk of the Court for deposit into the Clerk s Trust Account.

On April 8, 2013, the United States Attorney s Office and the U.S. Department of Justice filed a Motion to Intervene and for Temporary and Partial Stay of Discovery in the Redemption Action. The motion stated that the federal government has been conducting a criminal investigation of the Okada Parties involving the same underlying allegations of misconduct that is, potential violations of the Foreign Corrupt Practice Act and related fraudulent conduct that form the basis of the Company s complaint, as amended, in the Redemption Action. The motion sought to stay all discovery in the Redemption Action related to the Okada Parties allegedly unlawful activities in connection with their casino project in the Philippines until the conclusion of the criminal investigation and any resulting criminal prosecution, with an interim status update to the court in six months. At a hearing on May 2, 2013, the court granted the motion and ordered that all discovery in the Redemption Action be stayed for a period of six months (the Stay). On May 30, 2013, Elaine Wynn filed a motion for partial relief from the Stay, to allow her to conduct limited discovery related to her cross and counterclaims. The Wynn Parties opposed the motion so as to not interfere with the United States government s investigation. At a hearing on August 1, 2013, the court denied the motion. On October 29, 2013, the United States Attorney s Office and the U.S. Department of Justice filed a Motion to Extend the Stay for a period of six months, expiring May 2, 2014. At a hearing on October 31, 2013, the court granted the requested extension based upon an affidavit provided under seal that outlined, among other things, concerns for witness safety. The court did, however, order the parties to exchange written discovery propounded prior to May 2, 2013, including discovery related to the Elaine Wynn cross and counterclaims referred to above.

Subject to the Stay, the Company will continue to vigorously pursue its claims against the Okada Parties, and the Company and the Wynn Parties will continue to vigorously defend against the counterclaims asserted against them. The Company s claims and the Okada Parties counterclaims remain in an early stage and management has determined that based on proceedings to date, it is currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any. An adverse judgment or settlement involving payment of a material amount could cause a material adverse effect on our financial condition. See Item 1A Risk Factors and Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies .

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Litigation Commenced by Kazuo Okada

Japan Action:

On August 28, 2012, Mr. Okada, Universal Entertainment Corporation and Okada Holdings (Okada Japan Parties) filed a complaint in Tokyo District Court against the Company, all members of the Board of Directors (other than Mr. Okada) and the Company s General Counsel (the Wynn Parties), alleging that the press release issued by the Company with respect to the redemption has damaged plaintiffs social evaluation and credibility. The Okada Japan Parties seek damages and legal fees from the Wynn Parties. After asking the Okada Japan Parties to clarify the allegations in their complaint, the Wynn Parties objected to the jurisdiction of the Japanese court. On April 30, 2013, the Wynn Parties filed a memorandum in support of their jurisdictional position. On October 21, 2013, the court dismissed the action on jurisdictional grounds. On November 1, 2013, the Okada Japan Parties filed an appeal moving the matter to the Tokyo High Court. An informal hearing on the matter has been scheduled for February 27, 2014.

Indemnification Action:

On March 20, 2013, Mr. Okada filed a complaint against the Company in Nevada state court for indemnification under the Company s Articles, bylaws and agreements with its directors. The complaint seeks advancement of Mr. Okada s costs and expenses (including attorney s fees) incurred pursuant to the various legal proceedings and related regulatory investigations described above. The Company believes there is no basis for the relief requested in the complaint and intends to vigorously defend against this matter. The Company s answer and counterclaim was filed on April 15, 2013. The counterclaim names each of the Okada Parties as defendants and seeks indemnification under the Company s Articles for costs and expenses (including attorney s fees) incurred pursuant to the various legal proceedings and related regulatory investigations described above. On April 30, 2013, Mr. Okada filed his reply to the counterclaim.

On June 14, 2013, Mr. Okada filed a motion for partial summary judgment that he was entitled to advancement of his expenses incurred in the various proceedings and investigations. Mr. Okada also filed a special motion to dismiss, arguing that the Company s counterclaims seek to infringe upon Mr. Okada s right to petition the court, and constitute a strategic lawsuit against public policy. The Company s counterclaims seek only to enforce Wynn Resorts contractual right to indemnity under Article VII, Section 4 of the Company s Articles. At a hearing on August 1, 2013, the court denied both motions and provided for limited discovery (*i.e*., discovery that does not implicate any of the issues subject to the Stay entered in the Redemption Action). On August 2, 2013, the court stayed discovery in the indemnification action related to the government investigations (consistent with the Stay in the Redemption Action), and ordered that all other discovery be conducted within ninety (90) days.

On August 22, 2013, the Company noticed Mr. Okada s deposition for September 16, 2013. Mr. Okada filed a motion for protective order seeking to vacate his deposition, arguing that he did not have any information relevant to his claims for advancement of fees and/or indemnity that he asserted against the Company. On October 18, 2013, after a full briefing by the parties, the court denied Mr. Okada s motion and entered an order stating that Mr. Okada s deposition testimony is relevant to the claims he asserted against the Company, that Mr. Okada may not designate someone else to testify on his behalf, and that the Company may sequence discovery in the action as it chooses. On February 4, 2014, the court entered an order on the parties stipulation that: (1) dismissed Okada s claims asserted against the Company in that action (i.e., all Okada s claims that relate to advancement); (2) reserved Okada s right to assert, in the future, any claims for indemnity following the resolution of the Redemption Action; and (3) stayed the claims asserted by the Company against Okada in that action pending the resolution of the Redemption Action.

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Related Investigations and Derivative Litigation

Investigations:

In the U.S. Department of Justice s Motion to Intervene and for Temporary and Partial Stay of Discovery in the Redemption Action, the Department of Justice states in a footnote that the government also has been conducting a criminal investigation into the Company s donation to the University of Macau discussed above. The Company has not received any target letter or subpoena in connection with such an investigation. The Company intends to cooperate fully with the government in response to any inquiry related to the donation to the University of Macau.

Other regulators may pursue separate investigations into the Company s compliance with applicable laws arising from the allegations in the matters described above and in response to the Counterclaim and other litigation filed by Mr. Okada suggesting improprieties in connection with the Company s donation to the University of Macau. While the Company believes that it is in full compliance with all applicable laws, any such investigations could result in actions by regulators against the Company.

Derivative Claims:

Six derivative actions were commenced against the Company and all members of its Board of Directors: four in the United States District Court, District of Nevada, and two in the Eighth Judicial District Court of Clark County, Nevada.

The four federal actions brought by the following plaintiffs have been consolidated: (1) The Louisiana Municipal Police Employees Retirement System, (2) Maryanne Solak, (3) Excavators Union Local 731 Welfare Fund, and (4) Boilermakers Lodge No. 154 Retirement Fund (collectively, the Federal Plaintiffs).

The Federal Plaintiffs filed a consolidated complaint on August 6, 2012, asserting claims for: (1) breach of fiduciary duty; (2) waste of corporate assets; (3) injunctive relief; and (4) unjust enrichment. The claims are against the Company and all Company directors, including Mr. Okada, however, the plaintiffs voluntarily dismissed Mr. Okada as a defendant in this consolidated action on September 27, 2012. The Federal Plaintiffs claim that the individual defendants breached their fiduciary duties and wasted assets by: (a) failing to ensure the Company s officers and directors complied with federal and state laws and the Company s Code of Conduct; (b) voting to allow the Company s subsidiary to make the donation to the University of Macau; and (c) redeeming Aruze USA, Inc. s stock such that the Company incurs the debt associated with the redemption. The Federal Plaintiffs seek unspecified compensatory damages, restitution in the form of disgorgement, reformation of corporate governance procedures, an injunction against all future payments related to the donation/pledge, and all fees (attorneys, accountants, and experts) and costs. The directors responded to the consolidated complaint by filing a motion to dismiss on September 14, 2012. On February 1, 2013, the federal court dismissed the complaint for failure to plead adequately the futility of a pre-suit demand on the Board. The dismissal was without prejudice to the Federal Plaintiffs ability to file a motion within 30 days seeking leave to file an amended complaint. On April 9, 2013, the Federal Plaintiffs filed their amended complaint. The Company and the directors filed their motion to dismiss the amended complaint on May 23, 2013. The Federal Plaintiffs filed their opposition on July 8, 2013, and the Company and directors filed their reply on August 8, 2013. The court has not yet ruled on this motion.

The two state court actions brought by the following plaintiffs have also been consolidated: (1) IBEW Local 98 Pension Fund and (2) Danny Hinson (collectively, the State Plaintiffs). Through a coordination of efforts by all parties, the directors and the Company (a nominal defendant) have been served in all of the actions. The State Plaintiffs filed a consolidated complaint on July 20, 2012 asserting claims for (1) breach of fiduciary duty; (2) abuse of control; (3) gross mismanagement; and (4) unjust enrichment. The claims are against the Company and all Company directors, including Mr. Okada, as well as the Company s Chief Financial Officer, who signs financial disclosures filed with the SEC. The State Plaintiffs claim that the individual defendants failed to

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disclose to the Company s stockholders the investigation into, and the dispute with director Okada as well as the alleged potential violations of the FCPA related to, the University of Macau Development Foundation donation. The State Plaintiffs seek unspecified monetary damages (compensatory and punitive), disgorgement, reformation of corporate governance procedures, an order directing the Company to internally investigate the donation, as well as attorneys fees and costs. On October 13, 2012, the court entered the parties stipulation providing for a stay of the state derivative action for 90 days, subject to the parties obligation to monitor the progress of the pending litigation, discussed above, between Wynn Resorts (among others) and Mr. Okada (among others). Per the stipulation, Wynn Resorts and the individual defendants were not required to respond to the consolidated complaint while the stay remained in effect. Following the expiration of the stay, the State Plaintiffs advised the Company and the individual defendants that they intended to resume the action by filing an amended complaint, which they did, on April 26, 2013. The Company and directors filed their motion to dismiss on June 10, 2013. However, on July 31, 2013, the parties agreed to a stipulation that was submitted to, and approved by the court. The stipulation contemplates a stay of the consolidated state court derivative action of equal duration as the Stay entered by the court in the Redemption Action. On February 5, 2014, the court entered a new stipulation between the parties that provides for a further stay of the state derivative action and directs the parties, within 30 days of the conclusion of the stay in the Redemption Action, to discuss how the state derivative action should proceed and to file a joint report with the court.

The individual defendants are vigorously defending against the claims pleaded against them in these derivative actions. We are unable to predict the outcome of these litigations at this time.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on the NASDAQ Global Select Market under the symbol WYNN. The following table sets forth the high and low sale prices for the indicated periods, as reported by the NASDAQ Global Select Market.

	High	Low
Year Ended December 31, 2013		
First Quarter	$ 126.98	$ 113.39
Second Quarter	$ 144.99	$ 114.41
Third Quarter	$ 159.85	$ 124.57
Fourth Quarter	$ 194.53	$ 155.77
Year Ended December 31, 2012		
First Quarter	$ 132.59	$ 104.62
Second Quarter	$ 138.28	$ 95.82
Third Quarter	$ 116.47	$ 90.11
Fourth Quarter	$ 123.64	$ 103.34

Holders

There were approximately 195 holders of record of our common stock as of February 14, 2014.

Dividends

Wynn Resorts is a holding company and, as a result, our ability to pay dividends is dependent on our ability to obtain funds and our subsidiaries ability to provide funds to us. Restrictions imposed by our subsidiaries debt instruments significantly restrict certain key subsidiaries holding a majority of our assets, including Wynn Las Vegas, LLC and Wynn Macau, from making dividends or distributions to Wynn Resorts. Specifically, Wynn Las Vegas, LLC and certain of its subsidiaries are restricted under the indentures governing the first mortgage notes from making certain restricted payments, as defined in the indentures. These restricted payments include the payment of dividends or distributions to any direct or indirect holders of equity interests of Wynn Las Vegas, LLC. Restricted payments cannot be made unless certain financial and non-financial criteria have been satisfied. In addition, the terms of the other loan agreements of Wynn Las Vegas, LLC and Wynn Macau contain similar restrictions. Our Company has paid the following dividends:

In December 2013, we paid a cash dividend of $3.00 per share. In each of March 2013, June 2013, August 2013 and November 2013, we paid a cash dividend of $1.00 per share.

In November 2012, we paid a cash dividend of $8.00 per share. In each of March 2012, June 2012 and August 2012, we paid a cash dividend of $0.50 per share.

The Company has increased its quarterly dividend to $1.25 per share in 2014. On January 30, 2014, we announced a cash dividend of $1.25 per share, payable on February 27, 2014 to Stockholders of record as of February 13, 2014. Our Board of Directors will continue to periodically assess the level and appropriateness of any cash dividends.

ITEM 6. SELECTED FINANCIAL DATA

The following tables reflect selected consolidated financial data of Wynn Resorts and its subsidiaries. This data should be read together with our Consolidated Financial Statements and Notes thereto, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and the other

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information contained in this Annual Report on Form 10-K. Operating results for the periods presented are not indicative of the results that may be expected for future years. Significant events impacting our selected financial data include:

On April 28, 2005, we opened our Wynn Las Vegas resort.

On September 6, 2006, we opened our Wynn Macau resort.

On December 24, 2007, we opened an expansion of our Wynn Macau resort.

On December 22, 2008, we opened Encore at Wynn Las Vegas, an expansion of Wynn Las Vegas.

On October 9, 2009, Wynn Macau, Limited listed its shares of common stock on The Stock Exchange of Hong Kong Limited. Wynn Macau, Limited sold 27.7% of its common stock through an initial public offering.

On April 21, 2010, we opened Encore at Wynn Macau, a further expansion of Wynn Macau.

On February 18, 2012, we redeemed and cancelled Aruze USA, Inc. s 24,549,222 shares of Wynn Resorts common stock.

	Years Ended December 31, (in thousands, except per share amounts)				
	2013	2012	2011	2010	2009
Consolidated Statements of Income Data:					
Net revenues	$ 5,620,936	$ 5,154,284	$ 5,269,792	$ 4,184,698	$ 3,045,611
Pre-opening costs	3,169	466		9,496	1,817
Operating income	1,290,091	1,029,276	1,008,240	625,252	234,963
Net income	1,004,157	728,699	825,113	316,596	39,107
Less: Net income attributable to noncontrolling interest[1]	(275,505)	(226,663)	(211,742)	(156,469)	(18,453)
Net income attributable to Wynn Resorts, Limited	728,652	502,036	613,371	160,127	20,654
Basic income per share	$ 7.25	$ 4.87	$ 4.94	$ 1.30	$ 0.17
Diluted income per share	$ 7.17	$ 4.82	$ 4.88	$ 1.29	$ 0.17

	As of December 31, (in thousands, except per share amounts)				
	2013	2012	2011	2010	2009
Consolidated Balance Sheets Data:					
Cash and cash equivalents	$ 2,435,041	$ 1,725,219	$ 1,262,587	$ 1,258,499	$ 1,991,830
Construction in progress	558,624	110,490	28,477	22,901	457,594
Total assets	8,377,030	7,276,594	6,899,496	6,674,497	7,581,769
Total long-term obligations[2]	6,789,145	6,041,285	3,096,149	3,405,983	3,695,821
Stockholders equity[3]	132,351	103,932	2,223,454	2,380,585	3,160,363
Cash distributions declared per common share	$ 7.00	$ 9.50	$ 6.50	$ 8.50	$ 4.00

[1] In October 2009, Wynn Macau, Limited, our indirect wholly owned subsidiary and the developer, owner and operator of Wynn Macau, listed its ordinary shares of common stock on The Stock Exchange of Hong Kong Limited. Wynn Macau, Limited sold 1,437,500,000 shares (27.7%) of its common stock through an initial public offering. Net income attributable to noncontrolling interest represents the noncontrolling interests share of our net income of Wynn Macau, Limited.

[2] Includes long-term debt, the required contract premium payments under our land concession contract at Wynn Macau, future charitable contributions and deferred income taxes.

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[3] In February 2012, in connection with the redemption and cancellation of Aruze USA, Inc. s 24,549,222 shares of Wynn Resorts common stock, stockholders equity was reduced by $1.94 billion, the face amount of the Redemption Note. Aruze USA has challenged the redemption and cancellation of the 24,549,222 shares and legal proceedings are ongoing. Please see Item 3 Legal Proceedings .

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K.

Overview

We are a developer, owner and operator of destination casino resorts. In the Macau Special Administrative Region of the People s Republic of China (Macau), we operate and own 72.3% of Wynn Macau, which opened on September 6, 2006. On April 21, 2010, we opened Encore at Wynn Macau, a further expansion of Wynn Macau. We refer to the fully integrated Wynn Macau and Encore at Wynn Macau resort as Wynn Macau | Encore or as our Macau Operations. In Las Vegas, Nevada, we own and operate Wynn Las Vegas | Encore, which we refer to as our Las Vegas Operations. We are developing Wynn Palace, a full-scale casino resort in the Cotai area of Macau.

Our Resorts

The following table sets forth information about our resorts as of February 14, 2014:

	Hotel Rooms & Suites	Approximate Casino Square Footage	Approximate Number of Table Games	Approximate Number of Slots
Macau Operations	1,008	280,000	493	866
Las Vegas Operations	4,748	186,000	230	1,854

Macau Operations

We operate Wynn Macau | Encore under a 20-year casino concession agreement granted by the Macau government in June 2002.

Our Macau resort complex features:

- Approximately 280,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons, sky casinos and a poker pit;
- Two luxury hotel towers with a total of 1,008 spacious guest rooms and suites;
- Casual and fine dining in eight restaurants;
- Approximately 57,000 square feet of high-end, brand-name retail shopping, including stores and boutiques by Bvlgari, Cartier, Chanel, Dior, Dunhill, Ferrari, Giorgio Armani, Graff, Gucci, Hermes, Hugo Boss, Jaegar-LeCoultre, Loro Piana, Louis Vuitton, Miu Miu, Piaget, Prada, Roger Dubuis, Rolex, Tiffany, Tudor, Vacheron Constantin, Van Cleef & Arpels, Versace, Vertu, Ermenegildo Zegna and others;
- Recreation and leisure facilities, including two health clubs and spas, a salon, a pool; and

Lounges and meeting facilities.

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During 2013, we made renovations to our spa, VIP gaming area and various other areas on our property. In response to our evaluation of our Macau Operations and the reactions of our guests, we have made and expect to continue to make enhancements and refinements to this resort complex.

Las Vegas Operations

Wynn Las Vegas | Encore is located at the intersection of the Las Vegas Strip and Sands Avenue, and occupies approximately 215 acres of land fronting the Las Vegas Strip. In addition, we own approximately 18 acres across Sands Avenue, a portion of which is utilized for employee parking and an office building, and approximately 5 acres adjacent to the golf course on which an office building is located.

Our Las Vegas resort complex features:

- Approximately 186,000 square feet of casino space, offering 24-hour gaming and a full range of games, including private gaming salons, a sky casino, a poker room, and a race and sports book;
- Two luxury hotel towers with a total of 4,748 spacious guest rooms, suites and villas;
- 34 food and beverage outlets featuring signature chefs;
- A Ferrari and Maserati automobile dealership;
- Approximately 96,000 square feet of high-end, brand-name retail shopping, including stores and boutiques by Alexander McQueen, Brioni, Cartier, Chanel, Chloé, Chopard, Dior, Graff, Hermes, IWC Schaffhausen, Jaeger-LeCoultre, Loro Piana, Louis Vuitton, Manolo Blahnik, Nicholas Kirkwood, Oscar de la Renta, Piaget, Rolex, Vertu and others;
- Recreation and leisure facilities, including an 18-hole golf course, swimming pools, private cabanas and two full service spas and salons;
- Two showrooms; and
- Three nightclubs and a beach club.

During 2013, we remodeled our villas and two of our restaurants. In response to our evaluation of our Las Vegas Operations and the reactions of our guests, we have and expect to continue to make enhancements and refinements to this resort complex.

Future Development

We are currently constructing Wynn Palace in the Cotai area of Macau, a full-scale integrated resort containing a 1,700-room hotel, performance lake, meeting space, casino, spa, retail offerings and food and beverage outlets. The total project budget, including construction costs, capitalized interest, pre-opening expenses, land costs and financing fees, is $4 billion. As of December 31, 2013, we have invested $703.7 million in the project. We continue to remain on schedule for an opening in the first half of 2016.

On July 29, 2013, Wynn Macau and Palo finalized and executed a GMP contract with Leighton Contractors (Asia) Limited, acting as the general contractor. Under the GMP contract, the general contractor is responsible for both the construction and design of the Wynn Palace project. The general contractor is obligated to substantially complete the project in the first half of 2016 for a guaranteed maximum price of HK$20 billion

(approximately $2.57 billion). An early completion bonus for achievement of substantial completion on or before January 25, 2016 will be paid to the general contractor if certain conditions are satisfied under the GMP contract. Both the contract time and guaranteed maximum price are subject to further adjustment under certain specified conditions. The performance of the general contractor is backed by a full completion guarantee given by Leighton Holdings Limited, the parent company of the general contractor, as well as a performance bond for 5% of the guaranteed maximum price.

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We continually seek out new opportunities for additional gaming or related businesses, in the United States, and worldwide. On November 11, 2013, we announced that our Board had elected to withdraw the previously filed application for a gaming license in Pennsylvania. We have made an application for a gaming license in Massachusetts. The process is competitive and we expect to know the outcome by the end of the first half of 2014. Proceeding with this project will require significant expenditure of Company funds. In addition, we are exploring various international jurisdictions for expansion opportunities.

Results of Operations

The table below presents our net revenues (amounts in thousands).

	Years Ended December 31,		
	2013	**2012**	**2011**
Net Revenues:			
Macau Operations	$ 4,040,526	$ 3,667,454	$ 3,789,073
Las Vegas Operations	1,580,410	1,486,830	1,480,719
	$ 5,620,936	$ 5,154,284	$ 5,269,792

Reliance on only two resort complexes (in two geographic regions) for our operating cash flow exposes us to certain risks that competitors, whose operations are more geographically diversified, may be better able to control. In addition to the concentration of operations in two resort complexes, many of our customers are premium gaming customers who wager on credit, thus exposing us to increased credit risk. High-end gaming also increases the potential for variability in our results.

Operating Measures

Certain key operating statistics specific to the gaming industry are included in our discussion of our operational performance for the periods for which a Consolidated Statement of Income is presented. Below are definitions of these key operating statistics discussed:

Table games win is the amount of drop or turnover that is retained and recorded as casino revenue.

Drop is the amount of cash and net markers issued that are deposited in a gaming table s drop box.

Turnover is the sum of all losing rolling chip wagers within our Wynn Macau Operations VIP program.

Rolling chips are identifiable chips that are used to track turnover for purposes of calculating incentives.

Slot win is the amount of handle (representing the total amount wagered) that is retained by us and is recorded as casino revenue.

Average Daily Rate (ADR) is calculated by dividing total room revenue including the retail value of promotional allowances (less service charges, if any) by total rooms occupied including complimentary rooms.

Revenue per Available Room (REVPAR) is calculated by dividing total room revenue including the retail value of promotional allowances (less service charges, if any) by total rooms available.

Occupancy is calculated by dividing total occupied rooms, including complimentary rooms, by the total rooms available. Below is a discussion of the methodologies used to calculate win percentage at our resorts.

In our VIP casino in Macau, customers primarily purchase non-negotiable chips, commonly referred to as rolling chips, from the casino cage and there is no deposit into a gaming table drop box from chips purchased

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from the cage. Non-negotiable chips can only be used to make wagers. Winning wagers are paid in cash chips. The loss of the non-negotiable chips in the VIP casino is recorded as turnover and provides a base for calculating VIP casino win percentage. It is customary in Macau to measure VIP casino play using this rolling chip method. We expect our win as a percentage of turnover to be within the range of 2.7% to 3.0%.

The measurement base used in the general casino is not the same as what is used in the VIP casino. In our general casino in Macau, customers may purchase cash chips at either the gaming tables or at the casino cage. The cash used to purchase the cash chips at the gaming tables is deposited in the gaming table s drop box. This is the base of measurement that we use for calculating win percentage in our general casino. We do not report an expected range for the win percentage in our general casino as chips purchased at the casino cage are excluded from table games drop and distort our expected win percentage. With increased purchases at the casino cage, we believe the relevant indicator of volumes in the mass market segment should be table games win.

The measurements in our VIP casino and the general casino are not comparable as the general casino tracks the initial purchase of chips at the table while the measurement method in our VIP casino tracks the sum of all losing wagers. Accordingly, the base measurement in the VIP casino is much larger than the base measurement in the general casino. As a result, the expected win percentage with the same amount of gaming win is smaller in the VIP casino when compared to the general casino.

In Las Vegas, customers purchase chips at the gaming tables. The cash and net markers used to purchase chips are deposited in the gaming table s drop box. This is the base of measurement that we use for calculating win percentage in Las Vegas. Each type of table game has its own theoretical win percentage. Our expected table games win percentage in Las Vegas is 21% to 24%.

Financial results for the year ended December 31, 2013 compared to the year ended December 31, 2012.

Revenues

Net revenues for the year ended December 31, 2013 are comprised of $4,490.6 million in casino revenues (79.9% of total net revenues) and $1,130.3 million of net non-casino revenues (20.1% of total net revenues). Net revenues for the year ended December 31, 2012 are comprised of $4,034.8 million in casino revenues (78.3% of total net revenues) and $1,119.5 million of net non-casino revenues (21.7% of total net revenues).

Casino revenues are primarily comprised of the net win from our table games and slot machine operations. Casino revenues for the year ended December 31, 2013 of $4,490.6 million represents a $455.9 million (11.3%) increase from casino revenues of $4,034.8 million for the year ended December 31, 2012. Our Macau Operations experienced a $365.4 million (10.6%) increase in casino revenues to $3,807.8 million for the year ended December 31, 2013, compared to the prior year casino revenues of $3,442.5 million due primarily to stronger table game volumes in our general casino and VIP casino. Our Las Vegas Operations experienced a $90.5 million (15.3%) increase in casino revenues to $682.8 million, compared to the prior year casino revenues of $592.3 million due to a significant increase in our table games win percentage (before discounts).

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The table below sets forth key gaming statistics related to our Macau and Las Vegas operations.

	Years Ended December 31,			
	2013	2012	Increase/ (Decrease)	Percent Change
	(amounts in thousands, except for win per day amounts)			
Macau Operations:				
VIP Casino				
VIP turnover	$ 122,991,763	$ 119,251,854	$ 3,739,909	3.14%
VIP win as a % of turnover	3.01%	2.84%	0.17 pts	
General Casino				
Drop(1)	$ 2,633,870	$ 2,764,664	$ (130,794)	(4.73)%
Table games win	$ 992,872	$ 843,001	$ 149,871	17.8%
Table games win %(1)	37.7%	30.5%	7.2 pts	
Table games win per unit per day	$ 13,098	$ 11,549	$ 1,549	13.4%
Slot machine handle	$ 4,846,938	$ 4,697,463	$ 149,475	3.2%
Slot machine win	$ 245,578	$ 247,020	$ (1,442)	(0.6)%
Slot machine win per unit per day	$ 777	$ 718	$ 59	8.2%
Las Vegas Operations:				
Drop	$ 2,617,634	$ 2,591,833	$ 25,801	1.0%
Table games win	$ 657,927	$ 567,014	$ 90,913	16.0%
Table games win %	25.1%	21.9%	3.2 pts	
Table games win per unit per day	$ 7,729	$ 7,031	$ 698	9.9%
Slot machine handle	$ 2,874,646	$ 2,908,678	$ (34,032)	(1.2)%
Slot machine win	$ 177,452	$ 177,420	$ 32	0.0%
Slot machine win per unit per day	$ 239	$ 206	$ 33	16.0%

(1) Customers purchase general casino gaming chips at either the gaming tables or the casino cage. Chips purchased at the casino cage are excluded from table games drop and will increase the expected win percentage. With the increased purchases at the casino cage in our Macau general casino, we believe the relevant indicator of volumes in the general casino should be table games win.

For the year ended December 31, 2013, room revenues were $492.2 million, an increase of $12.2 million (2.6%) compared to prior year room revenue of $480 million. Room revenue at our Macau Operations decreased $3 million (2.6%) to $114.6 million compared to the prior year period of $117.7 million. During 2013, we renovated approximately 600 guestrooms in the original Wynn Macau tower, contributing to an approximate 4.8% reduction in the number of available room-nights during the year. Room revenue at our Las Vegas Operations increased $15.3 million (4.2%) to $377.6 million compared to the prior year room revenue of $362.3 million. In Las Vegas, during 2013, we experienced an increase in occupancy and an increase in room rates compared to 2012.

The table below sets forth key operating measures related to room revenue.

	Years Ended December 31,	
	2013	**2012**
Average Daily Rate		
Macau	$ 313	$ 315
Las Vegas	258	252
Occupancy		
Macau	95.5%	93.0%
Las Vegas	84.6%	82.9%
REVPAR		
Macau	$ 299	$ 293
Las Vegas	218	209

Other non-casino revenues for the year ended December 31, 2013, included food and beverage revenues of $586.7 million, retail revenues of $278.9 million, entertainment revenues of $65.4 million, and other revenues from outlets such as the spa and salon, of $74.4 million. Other non-casino revenues for the year ended December 31, 2012, included food and beverage revenues of $588.4 million, retail revenues of $261.6 million, entertainment revenues of $81.8 million, and other revenues from outlets, including the spa and salon, of $73.8 million. Food and beverage revenues were relatively flat year-over-year at our Macau Operations and Las Vegas Operations. Retail revenues at our Macau Operations increased $10.5 million (5.9%) due to stronger business in our leased stores. Retail revenues at our Las Vegas Operations increased $6.7 million (8.0%) as we completed the reconfiguration to certain stores in our retail area during the first half of 2013. Entertainment revenues decreased $16.4 million (20%) due to a Las Vegas show that ended its run in November 2012.

Departmental, Administrative and Other Expenses

For the year ended December 31, 2013, departmental expenses included casino expenses of $2.8 billion, room expenses of $133.5 million, food and beverage expenses of $323.6 million, and entertainment, retail and other expenses of $175.3 million. Also included are general and administrative expenses of approximately $448.8 million and $11.9 million charged as a provision for doubtful accounts receivable. For the year ended December 31, 2012, departmental expenses included casino expenses of $2.6 billion, room expenses of $126.5 million, food and beverage expenses of $308.4 million, and entertainment, retail and other expenses of $189.8 million. Also included are general and administrative expenses of approximately $441.7 million and approximately $18.1 million charged as a provision for doubtful accounts receivable. Casino expenses have increased during the year ended December 31, 2013 due primarily to higher gaming taxes commensurate with the increase in casino revenue at our Las Vegas Operations and Macau Operations (where we incur a gaming tax and other levies at a rate totaling 39% in accordance with the concession agreement). Food and beverage expenses increased over the prior year period primarily due to additional nightclub promotional costs at our Las Vegas Operations. The decrease in entertainment, retail and other expenses was due primarily to a Las Vegas show that ended its run in November 2012. General and administrative expense increased primarily due to higher stock-based compensation expense related to the accelerated vesting of a restricted stock award that was previously granted to our former chief operating officer and increased development costs partially offset by higher expenses related to the share redemption and litigation with a former shareholder that were incurred during the prior year period. During the years ended 2013 and 2012, we recorded adjustments of $14.9 million and $30.9 million, respectively, to our reserve estimates for casino accounts receivable based on the results of historical collection patterns and current collection trends.

Pre-opening costs

During the year ended December 31, 2013, we incurred $3.2 million of pre-opening costs as compared to $0.5 million for the year ended December 31, 2012. We began to incur pre-opening costs during October 2012

related to the design and planning for Wynn Palace. We expect our pre-opening costs to increase in the future as construction and development of Wynn Palace continues toward the expected completion in the first half of 2016.

Depreciation and amortization

Depreciation and amortization for the year ended December 31, 2013, was $371.1 million compared to $373.2 million for the year ended December 31, 2012.

During the construction of our resorts, costs incurred in the construction of the buildings, improvements to land and the purchases of assets for use in operations were capitalized. Once these resorts opened, their assets were placed into service and we began recognizing the associated depreciation expense. Depreciation expenses will continue throughout the estimated useful lives of these assets. In addition, we continually evaluate the useful life of our property and equipment, intangibles and other assets and adjust them when warranted.

The maximum useful life of assets at our Macau Operations is the remaining life of the gaming concession or land concession, which currently expire in June 2022 and August 2029, respectively. Consequently, depreciation related to our Macau Operations is charged on an accelerated basis when compared to our Las Vegas Operations.

Property charges and other

Property charges and other for the year ended December 31, 2013, was $17.1 million compared to $40 million for the year ended December 31, 2012. For the year ended December 31, 2013, property charges and other related primarily to miscellaneous renovations and abandonments at our resorts, a contract termination fee and entertainment development costs. For the year ended December 31, 2012, property charges and other related primarily to a remodel of a Las Vegas restaurant, charges related to the cancellation of a Las Vegas show which ended its run in November 2012, and miscellaneous renovations and abandonments.

In response to our evaluation of our resorts and the reactions of our guests, we continue to remodel and make enhancements at our resorts.

Other non-operating costs and expenses

Interest income was $15.7 million and $12.5 million for the years ended December 31, 2013 and 2012, respectively. This increase is mainly due to higher cash balances during 2013. During 2013 and 2012, our short-term investment strategy was to preserve capital while retaining sufficient liquidity. The majority of our short-term investments were primarily in money market accounts, time deposits and fixed deposits with a maturity of three months or less.

Interest expense was $299 million, net of capitalized interest of $10.5 million for the year ended December 31, 2013, compared to $288.8 million, net of capitalized interest of $2 million, for the year ended December 31, 2012. Our interest expense increased compared to the prior year period primarily due to the issuance of the Wynn Las Vegas $500 million 4 1/4% Senior Notes in May 2013 and a full period of expense for the $1.94 billion Redemption Note and the Wynn Las Vegas $900 million 5 3/8% first mortgage notes, which were issued in 2012. Capitalized interest increased due to the construction costs of Wynn Palace. Capitalized interest will continue to increase with the ongoing borrowings and construction costs of Wynn Palace.

We recorded a gain of $14.2 million and $1 million for the years ended December 31, 2013 and December 31, 2012, respectively, resulting from the changes in the fair value of our interest rate swaps during those years. For further information on our interest rate swaps, see Item 7A Quantitative and Qualitative Disclosures about Market Risk.

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During the year ended December 31, 2013, we recognized $40.4 million in loss from extinguishment of debt. On May 22, 2013, Wynn Las Vegas completed the purchase of $274.7 million of the 7 7/8% First Mortgage Notes due 2017 (the 2017 Notes) pursuant to a tender offer for any and all of the 2017 Notes. In connection with this tender offer, Wynn Las Vegas paid $19.6 million in consideration to holders who tendered their notes. Additionally, Wynn Las Vegas expensed $6.7 million of unamortized financing costs and original issue discount related to the 2017 Notes and incurred other fees of approximately $0.3 million related to the tender offer. On November 1, 2013, Wynn Las Vegas redeemed the untendered 2017 Notes plus accrued and unpaid interest. As a result of the redemption, we incurred redemption fees of $8.9 million and expensed $4.9 million of unamortized financing costs and original issue discount.

During the year ended December 31, 2012, we recognized $25.2 million in loss from extinguishment of debt primarily attributable to the amendment of our credit agreements. In March 2012, Wynn Las Vegas entered into an eighth amendment to its Amended and Restated Credit Agreement (the Wynn Las Vegas Credit Agreement). In connection with this amendment, Wynn Las Vegas prepaid all term loans under the Wynn Las Vegas Credit Agreement, terminated all of its revolving credit commitments that were due to expire in 2013, and terminated all but $100 million of its revolving credit commitments expiring in 2015. In connection with this transaction, we expensed deferred financing fees of $4.8 million. Additionally, as described in Item 8 Financial Statements and Supplementary Data , Note 8 Long-Term Debt to our Consolidated Financial Statements, we amended our Wynn Macau credit facilities in July 2012. In connection with amending the Wynn Macau credit facilities, we expensed $17.7 million of deferred financing costs and third party fees.

Income Taxes

For the year ended December 31, 2013, we recorded a tax benefit of $17.6 million. Our income tax benefit is primarily related to a decrease in our deferred tax liabilities reduced by foreign taxes assessable on the dividends of Wynn Macau. Since June 30, 2010, we have no longer considered our portion of the tax earnings and profits of Wynn Macau, Limited to be permanently reinvested. No additional U.S. tax provision has been made with respect to amounts not considered permanently reinvested as we anticipate that U.S. foreign tax credits should be sufficient to eliminate any U.S. tax provision relating to such repatriation. We have not provided deferred U.S. income taxes or foreign withholding taxes on temporary differences which are considered indefinitely reinvested. On November 30, 2010, Wynn Macau received a second 5-year exemption from Macau s 12% Complementary Tax on casino gaming profits, thereby exempting the casino gaming profits of Wynn Macau through December 31, 2015. Accordingly, we were exempted from the payment of approximately $107.3 million and $87.1 million in such taxes for the years ended December 31, 2013 and 2012, respectively. Our non-gaming profits remain subject to the Macau Complementary Tax and casino winnings remain subject to the Macau Special Gaming tax and other levies at a rate totaling 39% in accordance with our concession agreement.

In April 2012, the Company reached an agreement with the Appellate division of the Internal Revenue Service (IRS) regarding issues raised during the examination of the 2006 through 2009 U.S. income tax returns. The settlement with the Appellate division did not impact the Company s unrecognized tax benefits. The settlement of the 2006 through 2009 examination issues resulted in a cash tax payment of $1.3 million and the utilization of $3.1 million and $0.9 million in foreign tax credit and general business credit carryforwards, respectively.

During December 2012, the IRS completed an examination of the Company s 2010 U.S. income tax return and had no changes. In May 2013, the Company received notification that the IRS completed its examination of the Company s 2011 U.S. income tax return and had no changes.

For tax year 2012, the Company is participating in the IRS Compliance Assurance Program (CAP), which accelerates IRS examination of key transactions with the goal of resolving any issues before the taxpayer files its return. The Company believes the IRS will complete their examination of the 2012 tax year in the next 12 months. In March 2013, the Company received notification that it had been selected for the Compliance

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Maintenance phase of CAP for the 2013 tax year. In the Compliance Maintenance phase, the IRS, at its discretion, may reduce the level of review of the taxpayer s tax positions based on the complexity and number of issues, and the taxpayer s history of compliance, cooperation and transparency in the CAP. The Company does not expect a change in its unrecognized tax benefits as a result of the completion of these examinations.

In July 2012, the Macau Financial Services Bureau commenced an examination of the 2008 Macau income tax return of Wynn Macau. In November 2012, the Company received the results of the examination. While no additional tax was due, adjustments were made to the Company s foreign net operating loss carryforwards.

In January 2013, the Macau Financial Services Bureau examined the 2009 and 2010 Macau income tax returns of Palo, which is a co-holder of the land concession for Wynn Palace. The exam resulted in no change to the tax returns.

In March 2013, the Macau Financial Services Bureau commenced an examination of the 2009, 2010, and 2011 Macau income tax returns of Wynn Macau. Since the examination is in its initial stages, the Company is unable to determine if it will conclude within the next 12 months. The Company believes that its liability for uncertain tax positions is adequate with respect to these years.

Net income attributable to noncontrolling interests

In October 2009, Wynn Macau, Limited, an indirect wholly owned subsidiary, listed its ordinary shares of common stock on The Stock Exchange of Hong Kong Limited. Wynn Macau, Limited sold 1,437,500,000 shares (27.7%) of its common stock through an initial public offering. We recorded net income attributable to noncontrolling interests of $275.5 million for the year ended December 31, 2013, compared to $226.7 million for the year ended December 31, 2012. This represents the noncontrolling interests share of net income from Wynn Macau, Limited for each year.

Financial results for the year ended December 31, 2012 compared to the year ended December 31, 2011.

Revenues

Net revenues for the year ended December 31, 2012 are comprised of $4,034.8 million in casino revenues (78.3% of total net revenues) and $1,119.5 million of net non-casino revenues (21.7% of total net revenues). Net revenues for the year ended December 31, 2011 are comprised of $4,190.5 million in casino revenues (79.5% of total net revenues) and $1,079.3 million of net non-casino revenues (20.5% of total net revenues).

Casino revenues are primarily comprised of the net win from our table games and slot machine operations. Casino revenues for the year ended December 31, 2012 of $4,034.8 million represents a $155.7 million (3.7%) decrease from casino revenues of $4,190.5 million for the year ended December 31, 2011. Our Las Vegas Operations experienced a $32.9 million (5.3%) decrease in casino revenues to $592.3 million, compared to the prior year casino revenues of $625.2 million due to a decrease in our table games win percentage (before discounts). Our Macau Operations experienced a $122.8 million (3.4%) decrease in casino revenues to $3,442.5 million for the year ended December 31, 2012, compared to the prior year due to lower turnover and hold percentage in our VIP casino.

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The table below sets forth key gaming statistics related to our Macau and Las Vegas operations.

	Years Ended December 31,			
	2012	2011	Increase/ (Decrease)	Percent Change
	(amounts in thousands, except for win per day amounts)			
Macau Operations:				
VIP Casino				
VIP turnover	$ 119,251,854	$ 123,099,838	$ (3,847,984)	(3.1)%
VIP win as a % of turnover	2.84%	2.93%	(0.09) pts	
General Casino				
Drop(1)	$ 2,764,664	$ 2,769,284	$ (4,620)	(0.2)%
Table games win	$ 843,001	$ 787,678	$ 55,323	7.0%
Table games win %(1)	30.5%	28.4%	2.1 pts	
Table games win per unit per day	$ 11,549	$ 10,045	$ 1,504	15.0%
Slot machine handle	$ 4,697,463	$ 5,400,697	$ (703,234)	(13.0)%
Slot machine win	$ 247,020	$ 277,124	$ (30,104)	(10.9)%
Slot machine win per unit per day	$ 718	$ 760	$ (42)	(5.5)%
Las Vegas Operations:				
Drop	$ 2,591,833	$ 2,366,711	$ 225,122	9.5%
Table games win	$ 567,014	$ 589,093	$ (22,079)	(3.7)%
Table games win %	21.9%	24.9%	(3.0) pts	
Table games win per unit per day	$ 7,031	$ 7,188	$ (157)	(2.2)%
Slot machine handle	$ 2,908,678	$ 2,738,261	$ 170,417	6.2%
Slot machine win	$ 177,420	$ 170,027	$ 7,393	4.3%
Slot machine win per unit per day	$ 206	$ 184	$ 22	12.0%

(1) Customers purchase general casino gaming chips at either the gaming tables or the casino cage. Chips purchased at the casino cage are excluded from table games drop and will increase the expected win percentage. With the increased purchases at the casino cage in our Macau general casino, we believe the relevant indicator of volumes in the general casino should be table games win.

For the year ended December 31, 2012, room revenues were $480 million, an increase of $7.9 million (1.7%) compared to prior year room revenue of $472.1 million. Room revenue at our Las Vegas Operations increased $8.3 million (2.3%) to $362.3 million compared to the prior year room revenue of $354 million. In Las Vegas, we experienced an increase in room rates during the year ended December 31, 2012, however our occupancy rate decreased 3.2 percentage points, both compared to the prior year. We were able to achieve an increase in ADR as we adjusted rates to attract a higher quality customer who would take advantage of all aspects of our resort. Room revenue at our Macau Operations did not change significantly during the year ended December 31, 2012.

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The table below sets forth key operating measures related to room revenue.

	Years Ended December 31,	
	2012	2011
Average Daily Rate		
Macau	$ 315	$ 315
Las Vegas	252	242
Occupancy		
Macau	93.0%	91.8%
Las Vegas	82.9%	86.1%
REVPAR		
Macau	$ 293	$ 289
Las Vegas	209	208

Other non-casino revenues for the year ended December 31, 2012, included food and beverage revenues of $588.4 million, retail revenues of $261.6 million, entertainment revenues of $81.8 million, and other revenues from outlets such as the spa and salon, of $73.8 million. Other non-casino revenues for the year ended December 31, 2011, included food and beverage revenues of $547.7 million, retail revenues of $260.8 million, entertainment revenues of $82.2 million, and other revenues from outlets, including the spa and salon, of $71.8 million. Food and beverage revenues at our Las Vegas Operations increased $36.3 million (8%), while our Macau Operations increased $4.4 million (4.8%), as compared to the prior year. The increase in Las Vegas is due primarily to strong business in our beach club and nightclubs. Retail revenues at our Macau Operations increased $2.6 million (1.5%), while retail at our Las Vegas Operations decreased by $1.8 million (2.1%). The increase at Wynn Macau is due primarily to strong same-store sales growth combined with new stores from the first half of 2012. Retail revenues at our Las Vegas Operations decreased as we reconfigured the Encore retail area and rebranded several retail outlets. Entertainment revenues decreased $0.4 million (0.5%) from the prior year primarily due to a Las Vegas show that ended its run in November 2012 and another Las Vegas show that ended in April 2011.

Departmental, Administrative and Other Expenses

For the year ended December 31, 2012, departmental expenses included casino expenses of $2,626.8 million, room expenses of $126.5 million, food and beverage expenses of $308.4 million, and entertainment, retail and other expenses of $189.8 million. Also included are general and administrative expenses of approximately $441.7 million and $18.1 million charged as a provision for doubtful accounts receivable. For the year ended December 31, 2011, departmental expenses included casino expenses of $2,686.4 million, room expenses of $125.3 million, food and beverage expenses of $283.9 million, and entertainment, retail and other expenses of $214.4 million. Also included are general and administrative expenses of approximately $389.1 million and approximately $33.8 million charged as a provision for doubtful accounts receivable. Casino expenses have decreased during the year ended December 31, 2012 due to lower volume which caused lower junket commission expense and lower gaming taxes at our Macau Operations (where we incur a gaming tax and other levies at a rate totaling 39% in accordance with the concession agreement). Although our room revenues increased $7.9 million (1.7%), room expenses increased only $1.2 million (1%) as the revenue increase was driven primarily by increased ADR. Food and beverage expenses increased over the prior year primarily due to additional nightclub promotional costs in Las Vegas. The decrease in entertainment, retail and other expenses was driven by the conversion of certain owned retail stores to leased outlets in Macau resulting in lower cost of sales. General and administrative expense increased primarily due to legal and other costs incurred related to the share redemption and litigation with a former stockholder, higher advertising costs, development and other activities. The provision for doubtful accounts decreased during the year ended December 31, 2012 as we recorded an adjustment of $30.9 million that benefitted our reserve estimates for casino accounts receivable based on the results of historical collection patterns and current collection trends.

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Pre-opening costs

We began to incur pre-opening costs during October 2012 related to the design and planning for our Wynn Palace Resort. We expect our pre-opening costs to increase in the future as construction and development of Wynn Palace continues toward the expected completion in the first half of 2016. There were no pre-opening expenses incurred during the year ended December 31, 2011.

Depreciation and amortization

Depreciation and amortization for the year ended December 31, 2012, was $373.2 million compared to $398 million for the year ended December 31, 2011. Depreciation expense decreased due to assets with a 5-year life being fully depreciated as of September 2011 at our Macau Operations and assets with a three and six year life becoming fully depreciated throughout 2011 at our Las Vegas Operations.

During the construction of our resorts, costs incurred in the construction of the buildings, improvements to land and the purchases of assets for use in operations were capitalized. Once these resorts opened, their assets were placed into service and we began recognizing the associated depreciation expense. Depreciation expenses will continue throughout the estimated useful lives of these assets. In addition, we continually evaluate the useful life of our property and equipment, intangibles and other assets and adjust them when warranted.

The maximum useful life of assets at our Macau Operations is the remaining life of the gaming concession or land concession, which currently expire in June 2022 and August 2029, respectively. Consequently, depreciation related to our Macau Operations is charged on an accelerated basis when compared to our Las Vegas Operations.

Property charges and other

Property charges and other for the year ended December 31, 2012, were $40 million compared to $130.6 million for the year ended December 31, 2011. Property charges and other for the year ended December 31, 2012 include the remodel of a Las Vegas restaurant, charges associated with the termination of a Las Vegas show that ended its run in November 2012, charges associated with the reconfiguration of Las Vegas retail areas and miscellaneous renovations and abandonments at our resorts.

Property charges and other for the year ended December 31, 2011 include a charge of $109.6 million reflecting the present value of a charitable contribution made by Wynn Macau to the University of Macau Development Foundation. This contribution consists of a $25 million payment made in May 2011, and a commitment for additional donations of $10 million each year for the calendar years 2012 through 2022 inclusive, for a total of $135 million. The amount reflected in the accompanying Consolidated Statements of Income has been discounted using our then estimated borrowing rate over the time period of the remaining committed payments. Also included are the write off of certain off-site golf memberships by Wynn Las Vegas, miscellaneous renovations and abandonments at our resorts, including modifications of the Encore at Wynn Las Vegas and Wynn Macau retail esplanades, closure of the Blush nightclub and the write off of certain costs related to a show that ended its run in Las Vegas in April 2011.

Other non-operating costs and expenses

Interest income was $12.5 million and $7.7 million for the years ended December 31, 2012 and 2011, respectively. This increase in mainly due to higher cash balances during 2012. During 2012 and 2011, our short-term investment strategy was to preserve capital while retaining sufficient liquidity. Beginning in April 2011, we have invested in certain corporate bond securities and commercial paper, in addition to holding money-market accounts, U.S. Treasury Bills and bank time deposits with a maturity of three months or less, which has contributed to the increase in interest income.

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Interest expense was $288.8 million, net of capitalized interest of $2 million for the year ended December 31, 2012, compared to $229.9 million, net of capitalized interest of $0, for the year ended December 31, 2011. Our interest expense increased compared to the prior year primarily due to the issuance of the $1.94 billion Redemption Note by Wynn Resorts, the issuance of the Wynn Las Vegas $900 million 5 3/8% first mortgage notes in March 2012, and the increase in the Wynn Macau term loan offset by the reduction of $370.9 million in Wynn Las Vegas term loan borrowings, all as described in Item 8 Financial Statements and Supplementary Data , Note 8 Long-Term Debt .

Changes in the fair value of our interest rate swaps are recorded as an increase (decrease) in swap fair value in each period. We recorded a gain of $1 million for the year ended December 31, 2012, resulting from the changes in the fair value of our interest rate swaps during the year. For the year ended December 31, 2011, we recorded a gain of $14.2 million resulting from the increase in the fair value of interest rate swaps between December 31, 2010 and December 31, 2011. For further information on our interest rate swaps, see Item 7A Quantitative and Qualitative Disclosures about Market Risk.

Income Taxes

For the year ended December 31, 2012, we recorded a tax expense of $4.3 million. Our income tax expense is primarily related to the timing of the payment of dividends from Macau, stock option exercises and capital expenditures. Since June 30, 2010, we have no longer considered our portion of the tax earnings and profits of Wynn Macau, Limited to be permanently reinvested. No additional U.S. tax provision has been made with respect to amounts not considered permanently reinvested as we anticipate that U.S. foreign tax credits should be sufficient to eliminate any U.S. tax provision relating to such repatriation. We have not provided deferred U.S. income taxes or foreign withholding taxes on temporary differences which are considered indefinitely reinvested. On November 30, 2010, Wynn Macau received a second 5-year exemption from Macau s 12% Complementary Tax on casino gaming profits, thereby exempting the casino gaming profits of Wynn Macau through December 31, 2015. Accordingly, we were exempted from the payment of approximately $87.1 million and $82.7 million in such taxes for the years ended December 31, 2012 and 2011, respectively. Our non-casino profits remain subject to the Macau Complementary Tax and casino winnings remain subject to the Macau Special Gaming tax and other levies at a rate totaling 39% in accordance with our concession agreement.

In April 2012, the Company reached an agreement with the Appellate division of the IRS regarding issues raised during the examination of the 2006 through 2009 U.S. income tax returns. The settlement with the Appellate division did not impact the Company s unrecognized tax benefits. The settlement of the 2006 through 2009 examination issues resulted in a cash tax payment of $1.3 million and the utilization of $3.1 million and $0.9 million in foreign tax credit and general business credit carryforwards, respectively.

Net income attributable to noncontrolling interests

We recorded net income attributable to noncontrolling interests of $226.7 million for the year ended December 31, 2012, compared to $211.7 million for the year ended December 31, 2011. The increase is attributable to the noncontrolling interests share of net income from Wynn Macau, Limited for each year.

Adjusted Property EBITDA

We use adjusted property EBITDA to manage the operating results of our segments. Adjusted property EBITDA is earnings before interest, taxes, depreciation, amortization, pre-opening costs, property charges and other, corporate expenses, intercompany golf course and water rights leases, stock-based compensation, and other non-operating income and expenses, and includes equity in income from unconsolidated affiliates. Adjusted property EBITDA is presented exclusively as a supplemental disclosure because we believe that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. We use adjusted property EBITDA as a measure of the operating performance of our segments and to compare the operating performance

of our properties with those of our competitors. We also present adjusted property EBITDA because it is used by some investors as a way to measure a company s ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported EBITDA as a supplement to financial measures in accordance with U.S. generally accepted accounting principles (GAAP). In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including us, have historically excluded from their EBITDA calculations pre-opening expenses, property charges, corporate expenses and stock-based compensation that do not relate to the management of specific casino properties. However, adjusted property EBITDA should not be considered as an alternative to operating income as an indicator of our performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure determined in accordance with GAAP. Unlike net income, adjusted property EBITDA does not include depreciation or interest expense and therefore does not reflect current or future capital expenditures or the cost of capital. We have significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in adjusted property EBITDA. Also, our calculation of adjusted property EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

The following table (amounts in thousands) summarizes adjusted property EBITDA for our Macau and Las Vegas Operations as reviewed by management and summarized in Item 8 Financial Statements and Supplementary Data , Note 17 Segment Information. That footnote also presents a reconciliation of adjusted property EBITDA to net income.

	Years Ended December 31,		
	2013	**2012**	**2011**
Macau Operations	$ 1,324,119	$ 1,167,340	$ 1,196,232
Las Vegas Operations	486,682	408,472	439,036
Total Adjusted Property EBITDA	$ 1,810,801	$ 1,575,812	$ 1,635,268

For the year ended December 31, 2013, the adjusted property EBITDA at both our Macau and Las Vegas Operations benefitted from stronger operating results primarily in the casino department due to an increase in table games volume and win percentage. Refer to the discussions above regarding the specific details of our results of operations.

Liquidity and Capital Resources

Operating Activities

Our operating cash flows primarily consist of our operating income generated by our Macau and Las Vegas operations (excluding depreciation and other non-cash charges), interest paid, and changes in working capital accounts such as receivables, inventories, prepaid expenses, and payables. Our table games play both in Macau and Las Vegas is a mix of cash play and credit play, while our slot machine play is conducted primarily on a cash basis. A significant portion of our table games revenue is attributable to the play of a limited number of premium international customers that gamble on credit. The ability to collect these gaming receivables may impact our operating cash flow for the period. Our rooms, food and beverage, and entertainment, retail, and other revenue is conducted primarily on a cash basis or as a trade receivable. Accordingly, operating cash flows will be impacted by changes in operating income and accounts receivables.

Net cash provided from operations for the year ended December 31, 2013 was $1.7 billion compared to $1.2 billion provided by operations for the year ended December 31, 2012. Cash flow from operations improved due to significant changes in ordinary working capital accounts such as accounts payables and accrued expenses. Also benefitting operating cash flow was increased operating income that was driven primarily by stronger operating results in the casino department.

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During the year ended December 31, 2012, our operating activities provided $1.2 billion compared to $1.5 billion during the year ended December 31, 2011. This decrease is primarily due to lower casino department profitability and changes in ordinary working capital accounts.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2013 was $677.6 million compared to $344.9 million for the year ended December 31, 2012. Net cash used in investing activities was primarily driven by capital expenditures, net of construction payables and retention of $506.8 million and $241 million for the years ended December 31, 2013 and 2012, respectively. During the year ended December 31, 2013, capital expenditures included $381.1 million in site preparation costs and piling work for Wynn Palace, along with capital expenditures for various other renovations at our resorts. Capital expenditures during the year ended December 31, 2012 primarily related to various renovations at our resorts, a one-time payment of $50 million in consideration of an unrelated third party s relinquishment of certain rights in and to any future development on the Cotai land that we are using for constructing Wynn Palace, as well as site preparation costs for Wynn Palace.

During the year ended December 31, 2011, our net cash used in investing activities was $459.1 million. Our primary use of cash was for the investment of $215.5 million in corporate debt securities and commercial paper, net of maturities, and $184.1 million in capital expenditures primarily for room and suite remodel at Wynn Las Vegas and various other renovations at our resorts.

Financing Activities

Net cash flows used in financing activities were $291.1 million for the year ended December 31, 2013, which was primarily attributable to payment of dividends of $1,035 million and the redemption of first mortgage notes of $500 million, offset by proceeds from the issuance of senior notes of $1,100 million and the increase in our senior term loan facility of $200 million.

Net cash flows used in financing activities were $382.5 million for the year ended December 31, 2012, which was primarily attributable to principal payments of $1,022.8 million on term loan facilities and payment of dividends of $955.5 million, partially offset by proceeds of $1,648.6 million from the issuance of first mortgage notes of $900 million and proceeds of $748.6 million from the fully funded senior term loan facility.

During the year ended December 31, 2011, we used cash flows in financing activities of $1,057.6 million primarily attributable to payment of dividends.

Macau Operations

On October 16, 2013, Wynn Macau, Limited (WML), an indirect subsidiary of Wynn Resorts, Limited, entered into an Indenture, dated as of October 16, 2013 (the WML Indenture), between WML and Deutsche Bank Trust Company Americas, as trustee, pursuant to which WML issued $600 million aggregate principal amount of 5 1/4% Senior Notes due 2021 (the 2021 Notes). WML received net proceeds of approximately $591.5 million from the offering of the 2021 Notes after deducting commissions and estimated expenses of the offering and will use the net proceeds for working capital requirements and general corporate purposes.

The WML Indenture contains covenants limiting WML s (and certain of its subsidiaries) ability to, among other things: merge or consolidate with another company; transfer or sell all or substantially all of its properties or assets; and lease all or substantially all of its properties or assets. The terms of the WML Indenture contain customary events of default, including, but not limited to: default for 30 days in the payment when due of interest on the 2021 Notes; default in the payment when due of the principal of, or premium, if any, on the 2021 Notes; failure to comply with any payment obligations relating to the repurchase by WML of the 2021 Notes upon a change of control; failure to comply with certain covenants in the WML Indenture; certain defaults on certain

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other indebtedness; failure to pay judgments against WML or certain subsidiaries that, in the aggregate, exceed $50 million; and certain events of bankruptcy or insolvency. In the case of an event of default arising from certain events of bankruptcy or insolvency, all 2021 Notes then outstanding will become due and payable immediately without further action or notice.

During the year ended December 31, 2012, Wynn Macau repaid $150.4 million of borrowings under the Wynn Macau Senior Revolving Credit Facility. On June 27, 2012, the Wynn Macau Senior Revolving Credit Facility matured with an outstanding balance of $0.

On July 31, 2012, Wynn Macau amended and restated its credit facilities, dated September 14, 2004 (as so amended and restated, the Amended Wynn Macau Credit Facilities), and appointed Bank of China Limited, Macau Branch as intercreditor agent, facilities agent and security agent. The Amended Wynn Macau Credit Facilities took effect on July 31, 2012 and expand availability under Wynn Macau s senior secured bank facility to $2.3 billion equivalent, consisting of a $750 million equivalent fully funded senior secured term loan facility and a $1.55 billion equivalent senior secured revolving credit facility. Borrowings under the Amended Wynn Macau Credit Facilities, which consist of both Hong Kong Dollar and United States Dollar tranches, were used to refinance Wynn Macau s existing indebtedness, and will be used to fund the design, development, construction and pre-opening expenses of Wynn Palace, and for general corporate purposes.

On July 30, 2013, Wynn Macau exercised its option to increase the senior term loan facility by $200 million equivalent pursuant to the terms and provisions of the Amended Wynn Macau Credit Facilities. The $200 million equivalent was fully funded as of July 31, 2013 and is required to be used for the payment of certain Wynn Palace related construction and development costs.

The term loan facility matures in July 2018, and the revolving credit facility matures in July 2017. The principal amount of the term loan is required to be repaid in two equal installments in July 2017 and July 2018. The senior secured facilities will bear interest for the first six months after closing at LIBOR or HIBOR plus a margin of 2.50% and thereafter will be subject to LIBOR or HIBOR plus a margin of between 1.75% to 2.50% based on Wynn Macau s leverage ratio.

Borrowings under the Amended Wynn Macau Credit Facilities are guaranteed by Palo Real Estate Company Limited (Palo), a subsidiary of Wynn Macau, and by certain subsidiaries of the Company that own equity interests in Wynn Macau, and are secured by substantially all of the assets of Wynn Macau, the equity interests in Wynn Macau and substantially all of the assets of Palo.

In connection with amending the Wynn Macau credit facilities, we expensed $17.7 million and capitalized $33.2 million of financing costs in the year ended December 31, 2012.

The Amended Wynn Macau Credit Facilities contain a requirement that the Company must make mandatory repayments of indebtedness from specified percentages of excess cash flow. If the Wynn Macau subsidiary has a Consolidated Leverage Ratio, as defined in the Amended Wynn Macau Credit Facilities, of greater than 4.0 to 1, such repayment is defined as 50% of Excess Cash Flow, as defined in the Amended Wynn Macau Credit Facilities. If the Consolidated Leverage Ratio is equal or less than 4.0 to 1, then no excess cash flow prepayment is required. Based on current estimates the Company does not believe that the Wynn Macau Consolidated Leverage Ratio during the year ending December 31, 2014 will exceed 4.0 to 1. Accordingly, the Company does not expect to make any mandatory repayments pursuant to this requirement during 2014.

The Amended Wynn Macau Credit Facilities contain customary covenants restricting certain activities including, but not limited to: the incurrence of additional indebtedness, the incurrence or creation of liens on any of its property, sales and leaseback transactions, the ability to dispose of assets, and make loans or other investments. In addition, Wynn Macau was required by the financial covenants to maintain a Leverage Ratio, as defined in the Amended Wynn Macau Credit Facilities, of not greater than 4.0 to 1 as of December 31, 2013, and

an Interest Coverage Ratio, as defined, of not less than 2.00 to 1. Management believes that Wynn Macau was in compliance with all covenants at December 31, 2013.

Las Vegas Operations

On May 15, 2013, Wynn Las Vegas, LLC commenced the tender offer for any and all of the outstanding $500 million aggregate principal amount of the 2017 Notes of Wynn Las Vegas and Wynn Las Vegas Capital Corp., an indirect wholly owned subsidiary of Wynn Resorts, Limited (together with Wynn Las Vegas, the Issuers), and a solicitation of consents to certain proposed amendments to the indenture (the 2017 Indenture) governing the 2017 Notes.

The tender offer expired on May 21, 2013 and at the time of expiration, Wynn Las Vegas had received valid tenders with respect to approximately $274.7 million of the $500 million aggregate principal amount of the 2017 Notes outstanding. On May 22, 2013, note holders who validly tendered their 2017 Notes received the total consideration of $1,071.5 for each $1,000 principal amount of 2017 Notes, the premium portion of which totaled approximately $19.6 million. In accordance with accounting standards, the tender offer premium was expensed and is included in loss on extinguishment of debt in the accompanying Consolidated Statements of Income. In addition, upon the tender offer completion, the Issuers entered into a supplemental indenture, which eliminated substantially all of the restrictive covenants and certain events of default from the 2017 Indenture.

Also in connection with this transaction, unamortized financing costs and original issue discount related to the 2017 Notes totaling $6.7 million were expensed and are included in loss on extinguishment of debt in the accompanying Consolidated Statements of Income.

On November 1, 2013, the Company redeemed the untendered 2017 Notes principal amount of $225.3 million. The redemption price was equal to 103.938% of the aggregate principal amount of the 2017 Notes plus accrued and unpaid interest on November 1, 2013. The total redemption fees paid were $8.9 million and we expensed $4.9 million of unamortized financing costs and original issue discount.

Separately, on May 22, 2013, the Issuers completed the issuance of $500 million aggregate principal amount of 4 1/4% Senior Notes due 2023 (the 2023 Notes) pursuant to an indenture, dated as of May 22, 2013 (the 2023 Indenture), among the Issuers, all of the Issuers subsidiaries, other than Wynn Las Vegas Capital Corp. which was a co-issuer, and U.S. Bank National Association, as trustee. The 2023 Notes were issued at par. The Issuers used the net proceeds from the 2023 Notes to cover the cost of purchasing the 2017 Notes tendered in the tender offer. In addition, the Issuers satisfied and discharged the 2017 Indenture and, in November 2013, used the remaining net proceeds to redeem any and all of the 2017 Notes not previously tendered. In connection with the issuance of the 2023 Notes, the Company capitalized approximately $4.1 million of financing costs.

The 2023 Notes will mature on May 30, 2023 and bear interest at the rate of 5 1/4% per annum. The Issuers may redeem all or a portion of the 2023 Notes at any time, which redemption price includes a make-whole premium if redeemed before February 28, 2023. The 2023 Notes are also subject to mandatory redemption requirements imposed by gaming laws and regulations of gaming authorities in Nevada.

The 2023 Indenture contains covenants limiting the Issuers and the Issuers restricted subsidiaries ability to: create liens on assets to secure debt; enter into sale-leaseback transactions; and merge or consolidate with another company. These covenants are subject to a number of important and significant limitations, qualifications and exceptions.

The 2023 Notes are the Issuers senior unsecured obligations and rank pari passu in right of payment with the Issuers outstanding 7 7/8% First Mortgage Notes due 2020 (7 7/8% 2020 Notes), 7 3/4% First Mortgage Notes due 2020 (the 7 3/4% 2020 Notes) and 5 3/8% First Mortgage Notes Due 2022 (the 2022 Notes and, together with the 7 7/8% 2020 Notes and 7 3/4% Notes, the Existing Notes). The 2023 Notes are secured by a first priority pledge of the Company s equity interests, the effectiveness of which is subject to the prior approval of the Nevada gaming authorities. The equity interests of the Company also secure the Existing Notes. If Wynn Resorts, Limited receives an investment grade rating from one or more ratings agencies, the first priority pledge securing the 2023 Notes will be released.

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On March 12, 2012, the Issuers issued, in a private offering, $900 million aggregate principal amount of 2022 Notes pursuant to an Indenture, dated as of March 12, 2012 (the 2022 Indenture). A portion of the proceeds were used to repay all amounts outstanding under the Wynn Las Vegas term loan facilities. In October 2012, the Issuers commenced an offer to exchange all of the 2022 Notes for notes registered under the Securities Act of 1933, as amended. The exchange offer closed on November 6, 2012.

The 2022 Notes will mature on March 15, 2022 and bear interest at the rate of 5 3/8% per annum. The Issuers may redeem all or a portion of the 2022 Notes at any time on or after March 15, 2017, at a premium decreasing ratably to zero, plus accrued and unpaid interest. In addition, prior to March 15, 2015, the Issuers may redeem up to 35% of the aggregate principal amount of the 2022 Notes with the net proceeds of one or more qualified equity contributions made to the Issuers by their parent, Wynn Resorts, Limited. The 2022 Notes are also subject to mandatory redemption requirements imposed by gaming laws and regulations of gaming authorities in Nevada.

The 2022 Indenture contains covenants limiting the Issuers and the Issuers restricted subsidiaries ability to: pay dividends or distributions or repurchase equity; incur additional debt; make investments; create liens on assets to secure debt; enter into transactions with affiliates; issue stock of, or member s interests in, subsidiaries; enter into sale-leaseback transactions; engage in other businesses; merge or consolidate with another company; transfer and sell assets; issue disqualified stock; create dividend and other payment restrictions affecting subsidiaries; and designate restricted and unrestricted subsidiaries. These covenants are subject to a number of important and significant limitations, qualifications and exceptions.

Concurrently with the issuance of the 2022 Notes, Wynn Las Vegas, LLC entered into an eighth amendment (Amendment No. 8) to its Amended and Restated Credit Agreement (the Wynn Las Vegas Credit Agreement). Amendment No. 8 amended the Wynn Las Vegas Credit Agreement to, among other things, permit the issuance of the 2022 Notes. With the issuance of the 2022 Notes, Wynn Las Vegas prepaid all term loans under the Wynn Las Vegas Credit Agreement, terminated all of its revolving credit commitments that were due to expire in 2013, and terminated all but $100 million of its revolving credit commitments expiring in 2015. In connection with this transaction, Wynn Las Vegas expensed deferred financing costs of $4.8 million.

On September 17, 2012, Wynn Las Vegas terminated the Wynn Las Vegas Credit Agreement. No loans were outstanding under the Wynn Las Vegas Credit Agreement at the time of termination. Prior to such termination, certain letters of credit in which lenders had participated pursuant to the Wynn Las Vegas Credit Agreement were reallocated to a separate, unsecured letter of credit facility provided by Deutsche Bank, A.G. Wynn Las Vegas, LLC did not incur any early termination penalties in connection with the termination.

In connection with the termination, the Company expensed $2.6 million of previously deferred financing costs and third party fees related to the Wynn Las Vegas Credit Agreement.

For more information on our outstanding first mortgage notes, see Item 8 Financial Statements and Supplementary Data , Note 8 Long-Term Debt.

Capital Resources

At December 31, 2013, we had approximately $2,435 million of cash and cash equivalents and $254.4 million of available-for-sale investments in foreign and domestic debt securities with maturities of up to 2 years. Our cash is available for operations, debt service and retirement, development activities, general corporate purposes and enhancements to our resorts. In addition, we had $199.9 million of restricted cash for Wynn Palace related construction and development costs. Of these amounts, Wynn Macau, Limited and its subsidiaries held $1,822.3 million and $4.9 million in cash and available-for-sale investments, respectively, of which we own 72.3%. If our portion of this cash was repatriated to the U.S. on December 31, 2013, approximately two-thirds of this amount would be subject to U.S. tax in the year of repatriation. Wynn Resorts, Limited, which is not a

guarantor of the debt of its subsidiaries, held $381.6 million (including cash of its subsidiaries other than those of Wynn Las Vegas and Wynn Macau) and $249.5 million of cash and available-for-sale investments, respectively. Wynn Las Vegas LLC held cash balances of $231.2 million.

On July 30, 2013, Wynn Macau exercised its option to increase the senior term loan facility by $200 million equivalent pursuant to the terms and provisions of the Amended Wynn Macau Credit Facilities. The $200 million equivalent was fully funded as of July 31, 2013 and is required to be used for the payment of certain Wynn Palace related construction and development costs.

We believe that cash flow from operations, availability under our Wynn Macau credit facility and our existing cash balances will be adequate to satisfy our anticipated uses of capital during 2014. If any additional financing becomes necessary, we cannot provide assurance that future borrowings will be available.

Cash and cash equivalents include cash in bank and fixed deposits, investments in money market funds, domestic and foreign bank time deposits and commercial paper, all with maturities of less than 90 days.

Redemption Price Promissory Note

Based on the Board of Directors finding of unsuitability, on February 18, 2012, we redeemed and cancelled Aruze USA, Inc. s 24,549,222 shares of Wynn Resorts common stock. Following a finding of unsuitability, our articles of incorporation authorize redemption at fair value of the shares held by unsuitable persons. We engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then current trading price was appropriate because of, among other things, restrictions on most of the shares which are subject to the terms of an existing stockholder agreement. Pursuant to our articles of incorporation, we issued the Redemption Price Promissory Note (the Redemption Note) to Aruze USA, Inc., a former stockholder and related party, in redemption of the shares. The Redemption Note has a principal amount of approximately $1.94 billion, matures on February 18, 2022 and bears interest at the rate of 2% per annum, payable annually in arrears on each anniversary of the date of the Redemption Note. We may, in our sole and absolute discretion, at any time and from time to time, and without penalty or premium, prepay the whole or any portion of the principal or interest due under the Redemption Note. In no instance shall any payment obligation under the Redemption Note be accelerated except in the sole and absolute discretion of Wynn Resorts or as specifically mandated by law. The indebtedness evidenced by the Redemption Note is and shall be subordinated in right of payment, to the extent and in the manner provided in the Redemption Note, to the prior payment in full of all existing and future obligations of Wynn Resorts and of its affiliates in respect of indebtedness for borrowed money of any kind or nature. Aruze USA, Inc., Universal Entertainment Corporation and Kazuo Okada have challenged the redemption of Aruze USA, Inc. s shares and we are currently involved in litigation with those parties as well as related shareholder derivative litigation. The outcome of these various proceedings cannot be predicted. If any of these proceedings were to be determined adversely to us or a settlement involving a payment of a material sum of money were to occur, there could be a material adverse effect on our financial condition and results of operations. See Item 1A Risk Factors , Item 3 Legal Proceedings and Item 8 Financial Statements and Supplementary Data , Note 16 Commitments and Contingencies .

Wynn Resorts, Limited

During the years ended December 31, 2013, 2012 and 2011, we paid cash dividends totaling $7.00 per share, $9.50 per share and $6.50 per share, respectively.

Our Board of Directors has authorized an equity repurchase program of up to $1.7 billion. The repurchase program may include repurchases from time to time through open market purchases, in privately negotiated transactions, and under plans complying with Rules 10b5-1 and 10b-18 under the Exchange Act. As of December 31, 2013, we had purchased a cumulative total of 12,978,085 shares of our common stock for a net cost of $1.1 billion under the program, with no purchases made under this program during the years ended December 31, 2013, 2012, and 2011.

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During 2013 and 2012, the Company repurchased a total of 114,355 (8,796 shares were purchased during the fourth quarter 2013) and 7,640 shares, respectively, in satisfaction of tax withholding obligations on vested restricted stock.

Off Balance Sheet Arrangements

We have not entered into any transactions with special purpose entities nor do we engage in any derivatives except for previously discussed interest rate swaps. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity. At December 31, 2013, we had unsecured outstanding letters of credit totaling $16.7 million.

Contractual Obligations and Commitments

The following table summarizes our scheduled contractual commitments at December 31, 2013 (amounts in millions):

	Payments Due By Period				
	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years	Total
Long-term debt obligations	$ 1.1	$ 2.8	$ 981.5	$ 5,608.5	$ 6,593.9
Fixed interest payments	269.9	539.7	539.7	661.5	2,010.8
Estimated variable interest payments[1]	22.9	45.8	26.5		95.2
Operating leases	8.8	14.7	3.4	4.8	31.7
Construction contracts and commitments	970.0	1,327.8			2,297.8
Leasehold interest in land	29.3	46.8			76.1
Employment agreements	53.5	60.8	19.1	9.1	142.5
Other[2]	80.6	67.8	42.1	99.3	289.8
Total commitments	$ 1,436.1	$ 2,106.2	$ 1,612.3	$ 6,383.2	$ 11,537.8

[1] Amounts for all periods represent our estimated future interest payments on our debt facilities based upon amounts outstanding and LIBOR or HIBOR rates at December 31, 2013. Such rates continue at historical lows as of December 31, 2013. Actual rates will vary.

[2] Other includes open purchase orders, future charitable contributions, fixed gaming tax payments in Macau and other contracts. As further discussed in Item 8 Financial Statements and Supplementary Data , Note 15 Income Taxes , of this report, we had $89.5 million of unrecognized tax benefits as of December 31, 2013. Due to the inherent uncertainty of the underlying tax positions, it is not practicable to assign this liability to any particular year and therefore it is not included in the table above as of December 31, 2013.

Other Liquidity Matters

Wynn Resorts is a holding company and, as a result, our ability to pay dividends is highly dependent on our ability to obtain funds and our subsidiaries ability to provide funds to us. Restrictions imposed by our Wynn Macau and Wynn Las Vegas debt instruments significantly restrict our ability to pay dividends. Specifically, Wynn Las Vegas, LLC and certain of its subsidiaries are restricted under the indentures governing its notes from making certain restricted payments as defined in the indentures. These restricted payments include the payment of dividends or distributions to any direct or indirect holders of equity interests of Wynn Las Vegas, LLC. These restricted payments may not be made unless certain financial and non-financial criteria have been satisfied. While the Amended Wynn Macau Credit Facilities contain similar restrictions, Wynn Macau is currently in compliance with all requirements, namely satisfaction of its leverage ratio, which must be met in order to pay dividends and is presently able to pay dividends in accordance with the Amended Wynn Macau Credit Facilities.

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Wynn Las Vegas, LLC intends to fund its operations and capital requirements from cash on hand and operating cash flow. We cannot assure you however, that our Las Vegas Operations will generate sufficient cash flow from operations or the availability of additional indebtedness will be sufficient to enable us to service and repay Wynn Las Vegas, LLC s indebtedness and to fund its other liquidity needs. Similarly, we expect that our Macau Operations will fund Wynn Macau s debt service obligations with existing cash, operating cash flow and availability under the Amended Wynn Macau Credit Facilities. However, we cannot assure you that operating cash flows will be sufficient to do so. We may refinance all or a portion of our indebtedness on or before maturity. We cannot assure you that we will be able to refinance any of the indebtedness on acceptable terms or at all. Certain legal matters may also impact our liquidity. As described in our Notes to Consolidated Financial Statements, Note 16 Commitments and Contingencies , Elaine Wynn has submitted a cross claim against Steve Wynn and Kazuo Okada. The Indentures for Wynn Las Vegas provide that if Stephen A. Wynn, together with certain related parties, in the aggregate beneficially owns a lesser percentage of the outstanding common stock of the Company than are beneficially owned by any other person, a change of control will have occurred. If Elaine Wynn prevails in her cross claim, Stephen A. Wynn would not beneficially own or control Elaine Wynn s shares and a change in control may result under the Wynn Las Vegas debt documents.

In the future, we may periodically consider repurchasing our outstanding notes for cash. The amount of any notes to be repurchased, as well as the timing of any repurchases, will be based on business, market and other conditions and factors, including price, contractual requirements or consents, and capital availability. Any repurchases might be made using a variety of methods, which may include open market purchases, privately negotiated transactions, or by any combination of those methods, in compliance with applicable securities laws and regulations.

New business developments or other unforeseen events may occur, resulting in the need to raise additional funds. We continue to explore opportunities to develop additional gaming or related businesses in domestic and international markets. There can be no assurances regarding the business prospects with respect to any other opportunity. Any new development would require us to obtain additional financing. We may decide to conduct any such development through Wynn Resorts or through subsidiaries separate from the Las Vegas or Macau-related entities.

The Company s articles of incorporation provide that, to the extent required by the gaming authority making the determination of unsuitability or to the extent the Board of Directors determines, in its sole discretion, that a person is likely to jeopardize the Company s or any affiliate s application for, receipt of, approval for, right to the use of, or entitlement to, any gaming license, shares of Wynn Resorts capital stock that are owned or controlled by an unsuitable person or its affiliates are subject to redemption by the Company. The redemption price may be paid in cash, by promissory note or both, as required by the applicable gaming authority and, if not, as we elect. Any promissory note that we issue to an unsuitable person or its affiliate in exchange for its shares could increase our debt to equity ratio and would increase our leverage ratio.

On February 18, 2012, the Board of Directors of Wynn Resorts determined that Aruze USA, Inc., Universal Entertainment Corporation and Mr. Kazuo Okada are unsuitable under our articles of incorporation and redeemed and cancelled all of Aruze USA, Inc. s, 24,549,222 shares of Wynn Resorts common stock. Pursuant to our articles of incorporation, we issued the Redemption Note to Aruze USA, Inc. in redemption of the shares. For additional information on the redemption and the Redemption Note, see Notes to Consolidated Financial Statements, Note 16 Commitments and Contingencies.

Critical Accounting Policies and Estimates

Management s discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements. Our consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America. A summary of our significant accounting policies are presented in Note 2 to the Consolidated Financial Statements. Certain of our

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accounting policies require management to apply significant judgment in defining the appropriate assumptions integral to financial estimates. On an ongoing basis, management evaluates those estimates, including those relating to the estimated lives of depreciable assets, asset impairment, allowances for doubtful accounts, accruals for customer loyalty rewards, contingencies, litigation and other items. Judgments are based on historical experience, terms of existing contracts, industry trends and information available from outside sources, as appropriate. However, by their nature, judgments are subject to an inherent degree of uncertainty, and therefore actual results could differ from our estimates.

Development, Construction and Property and Equipment Estimates

During the construction and development of a resort, pre-opening or start-up costs are expensed when incurred. In connection with the construction and development of our resorts, significant start-up costs are incurred and charged to pre-opening costs through their respective openings. Once our resorts open, expenses associated with the opening of the resorts are no longer charged as pre-opening costs.

During the construction and development stage, direct costs such as those incurred for the design and construction of our resorts, including applicable portions of interest, are capitalized. Accordingly, the recorded amounts of property and equipment increase significantly during construction periods. Depreciation expense related to capitalized construction costs is recognized when the related assets are placed in service. Upon the opening of our resorts, we began recognizing depreciation expense on the resort s fixed assets. The remaining estimated useful lives of assets are periodically reviewed.

Our leasehold interest in land in Macau under the land concession contracts entered into in August 2004 and May 2012 are being amortized over 25 years, to the initial term of the concession contract, which currently terminate in August 2029 and May 2037. Depreciation on a majority of the assets comprising Wynn Macau commenced in September of 2006, when Wynn Macau opened. The maximum useful life of assets at Wynn Macau is deemed to be the remaining life of the land concession which currently expires in August 2029, or the gaming concession which currently expires in June 2022. Consequently, depreciation related to Wynn Macau will generally be charged over shorter periods when compared to Wynn Las Vegas.

Costs of repairs and maintenance are charged to expense when incurred. The cost and accumulated depreciation of property and equipment retired or otherwise disposed of are eliminated from the respective accounts and any resulting gain or loss is included in operating income.

We also evaluate our property and equipment and other long-lived assets for impairment in accordance with applicable accounting standards. For assets to be disposed of, we recognize the asset at the lower of carrying value or fair market value less costs of disposal, as estimated based on comparable asset sales, solicited offers, or a discounted cash flow model. For assets to be held and used, we review for impairment whenever indicators of impairment exist. In reviewing for impairment, we compare the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, an impairment is recorded based on the fair value of the asset, typically measured using a discounted cash flow model. If an asset is still under development, future cash flows include remaining construction costs. All recognized impairment losses, whether for assets to be disposed of or assets to be held and used, are recorded as operating expenses.

Redemption Price Promissory Note

In connection with the redemption of the shares previously held by Aruze USA, Inc., we recorded the fair value of the Redemption Note of approximately $1.94 billion in accordance with applicable accounting guidance. We utilized an independent third party valuation to assist in the determination of this fair value. In determining this fair value, we estimated the Redemption Note s present value using discounted cash flows with a probability weighted expected return for redemption assumptions and a discount rate which included time value and non-performance risk adjustments commensurate with risk of the Redemption Note.

Considerations for the redemption assumptions included the stated maturity of the Redemption Note, uncertainty of the related cash flows as well as potential effects of the following: uncertainties surrounding the potential outcome and timing of pending litigation with the Aruze USA, Inc. (at the time a stockholder of Wynn Resorts), Universal Entertainment Corporation (Aruze USA, Inc. s parent company), and Kazuo Okada (the majority shareholder of Universal Entertainment Corporation and former director of the Company and certain of its subsidiaries and affiliates) (collectively, the Okada Parties) (see Note 16 Commitments and Contingencies); the outcome of on-going investigations of Aruze USA, Inc. by the United States Attorney s Office, the U.S. Department of Justice and the Nevada Gaming Control Board; and other potential legal and regulatory actions. In addition, in the furtherance of various future business objectives, we considered our ability, at our sole option, to prepay the Redemption Note at any time in accordance with its terms without penalty. Accordingly, we reasonably determined that the estimated life of the Redemption Note could be less than the contractual life of the Redemption Note.

In determination of the appropriate discount rate to be used in the estimated present value, the Redemption Note s subordinated position relative to all other debt in our capital structure and credit ratings associated our traded debt were considered. Observable inputs for the risk free rate based on Federal Reserve rates for U.S. Treasury securities and credit risk spread based on a yield curve index of similarly rated debt were used. As a result of this analysis, we concluded the Redemption Notes stated rate of 2% approximated a market rate.

Investments and Fair Value

We have made investments in domestic and foreign corporate debt securities and commercial paper. Our investment policy requires investments to be investment grade and limits the amount of exposure to any one issuer with the objective of minimizing the potential risk of principal loss. We determine the appropriate classification (held-to-maturity/available-for-sale) of our investments at the time of purchase and reevaluate such designation as of each balance sheet date. Our investments are reported at fair value, with unrealized gains and losses, net of tax, reported in other comprehensive income (loss). Adjustments are made for amortization of premiums and accretion of discounts to maturity computed under the effective interest method. Such amortization is included in interest income together with realized gains and losses and the stated interest on such securities.

We measure certain of our financial assets and liabilities, such as cash equivalents, available-for-sale securities and interest rate swaps, at fair value on a recurring basis pursuant to accounting standards for fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These accounting standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

We obtain pricing information in determining the fair value of our available-for-sale securities from independent pricing vendors. Based on our inquiries, the pricing vendors use various pricing models consistent with what other market participants would use. The assumptions and inputs used by the pricing vendors are derived from market observable sources including: reported trades, broker/dealer quotes, issuer spreads, benchmark curves, bids, offers and other market-related data. We have not made adjustments to such prices. Each quarter, we validate the fair value pricing methodology to determine the fair value consistent with applicable accounting guidance and to confirm that the securities are classified properly in the fair value hierarchy. We also compare the pricing received from our vendors to independent sources for the same or similar securities.

Allowance for Estimated Doubtful Accounts Receivable

A substantial portion of our outstanding receivables relates to casino credit play. Credit play, through the issuance of markers, represents a significant portion of the table games volume at our Las Vegas Operations. While offered, the issuance of credit at our Macau Operations is less significant when compared to Las Vegas.

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Our goal is to maintain strict controls over the issuance of credit and aggressively pursue collection from those customers who fail to pay their balances in a timely fashion. These collection efforts may include the mailing of statements and delinquency notices, personal contacts, the use of outside collection agencies, and litigation. Markers issued at our Las Vegas Operations are generally legally enforceable instruments in the United States, and United States assets of foreign customers may be used to satisfy judgments entered in the United States.

The enforceability of markers and other forms of credit related to gaming debt outside of the United States varies from country to country. Some foreign countries do not recognize the enforceability of gaming related debt, or make enforcement burdensome. We closely consider the likelihood and difficulty of enforceability, among other factors, when issuing credit to customers who are not residents of the United States. In addition to our internal credit and collection departments, located in both Las Vegas and Macau, we have a network of legal, accounting and collection professionals to assist us in our determinations regarding enforceability and our overall collection efforts.

As of December 31, 2013 and 2012, approximately 86% and 84% of our casino accounts receivable were owed by customers from foreign countries, primarily in Asia. In addition to enforceability issues, the collectability of markers given by foreign customers is affected by a number of factors including changes in currency exchange rates and economic conditions in the customers home countries.

We regularly evaluate our reserve for bad debts based on a specific review of customer accounts as well as management s prior experience with collection trends in the casino industry and current economic and business conditions. In determining our allowance for estimated doubtful accounts receivable, we apply loss factors based on historical marker collection history to aged account balances and we specifically analyze the collectability of each account with a balance over a specified dollar amount, based upon the age, the customer s financial condition, collection history and any other known information.

The following table presents key statistics related to our casino accounts receivable (amounts in thousands):

	December 31, 2013	December 31, 2012
Casino accounts receivable	$ 252,998	$ 275,302
Allowance for doubtful casino accounts receivable	$ 73,561	$ 101,548
Allowance as a percentage of casino accounts receivable	29.1%	36.9%
Percentage of casino accounts receivable outstanding over 180 days	30.3%	34.3%

Our reserve for doubtful casino accounts receivable is based on our estimates of amounts collectible and depends on the risk assessments and judgments by management regarding realizability, the state of the economy and our credit policy. In June 2013, the Company recorded an adjustment to its reserve estimates for casino accounts receivable based on the results of historical collection patterns and current collection trends. For the year ended December 31, 2013, this adjustment benefitted operating income by $14.9 million and net income attributable to Wynn Resorts, Limited by $12 million (or $0.12 per share on a fully diluted basis). For the year ended December 31, 2012, this adjustment benefitted operating income by $30.9 million and net income attributable to Wynn Resorts, Limited by $23.3 million (or $0.22 per share on a fully diluted basis). Our reserve methodology is applied similarly to credit extended at each of our resorts. As of December 31, 2013 and 2012, approximately 24.8% and 30.8%, respectively, of our outstanding casino account receivable balance originated at our Macau Operations.

At December 31, 2013, a 100 basis-point change in the allowance for doubtful accounts as a percentage of casino accounts receivable would change the provision for doubtful accounts by approximately $2.5 million.

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As our customer payment experience evolves, we will continue to refine our estimated reserve for bad debts. Accordingly, the associated provision for doubtful accounts expense may fluctuate. Because individual customer account balances can be significant, the reserve and the provision can change significantly between periods, as we become aware of additional information about a customer or changes occur in a region s economy or legal system.

Derivative Financial Instruments

We seek to manage our market risk, including interest rate risk associated with variable rate borrowings, through balancing fixed-rate and variable-rate borrowings and the use of derivative financial instruments. We account for derivative financial instruments in accordance with applicable accounting standards. Derivative financial instruments are recognized as assets or liabilities, with changes in fair value affecting net income. As of December 31, 2013, changes in our interest rate swap fair values are being recorded in our Consolidated Statements of Income, as the swaps do not qualify for hedge accounting.

We measure the fair value of our interest rate swaps on a recurring basis. We categorize our interest rate swap contracts as Level 2 in the hierarchy as described above. The fair value approximates the amount we would receive (pay) if these contracts were settled at the respective valuation dates. Fair value is estimated based upon current, and predictions of future, interest rate levels along a yield curve, the remaining duration of the instruments and other market conditions, and therefore is subject to significant estimation and a high degree of variability of fluctuation between periods. We adjust this amount by applying a non-performance valuation, considering our creditworthiness or the creditworthiness of our counterparties at each settlement date, as applicable.

Stock-Based Compensation

Accounting standards for stock-based payments establish standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services or incurs a liability in exchange for goods and services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. It requires an entity to measure the costs of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognize that cost over the service period. We use the Black-Scholes valuation model to value the equity instruments we issue. The Black-Scholes valuation model uses assumptions of expected volatility, risk-free interest rates, the expected term of options granted, and expected rates of dividends. Management determines these assumptions by reviewing current market rates, making industry comparisons and reviewing conditions relevant to our Company.

The expected volatility and expected term assumptions can significantly impact the fair value of stock options. We believe that the valuation techniques and the approach utilized to develop our assumptions are reasonable in calculating the fair value of the options we grant. We estimate the expected stock price volatility using a combination of implied and historical factors related to our stock price in accordance with applicable accounting standards. As our stock price fluctuates, this estimate will change. For example, a 10% change in the volatility assumption for the 77,800 options granted in 2013 would have resulted in an approximate $0.01 million change in fair value. Expected term represents the estimated average time between the option s grant date and its exercise date. A 10% change in the expected term assumption for the 77,800 options granted in 2013 would have resulted in an approximate $0.3 million change in fair value. These assumed changes in fair value would have been recognized over the vesting schedule of such awards.

Accounting standards also require the classification of stock compensation expense in the same financial statement line items as cash compensation, and therefore impacts our departmental expenses (and related operating margins), pre-opening costs and construction in progress for our development projects, and our general and administrative expenses (including corporate expenses).

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Income Taxes

We are subject to income taxes in the United States and other foreign jurisdictions where we operate. Accounting standards require the recognition of deferred tax assets, net of applicable reserves, and liabilities for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on the income tax provision and deferred tax assets and liabilities is recognized in the results of operations in the period that includes the enactment date. Accounting standards require recognition of a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied.

As of December 31, 2013, we have a foreign tax credit carryover of $2,615 million and we have recorded a valuation allowance of $2,543 million against this asset based on our estimate of future realization. The foreign tax credits are attributable to the Macau special gaming tax which is 35% of gross gaming revenue in Macau. The U.S. taxing regime only allows a credit for 35% of net foreign source income. Due to our current operating history of U.S. losses, we currently do not rely on forecasted taxable income in order to support the utilization of the foreign tax credits. As we become more profitable, each year we reevaluate our methodology in determining the need for valuation allowances. The estimated future foreign tax credit realization was based upon the estimated future taxable income from the reversal of net U.S. taxable temporary differences that we expect will reverse during the 10-year foreign tax credit carryover period. The amount of the valuation allowance is subject to change based upon the actual reversal of temporary differences and future taxable income exclusive of reversing temporary differences.

Our income tax returns are subject to examination by the IRS and other tax authorities in the locations where we operate. We assess potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes. The accounting standards prescribe a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

Uncertain tax position accounting standards apply to all tax positions related to income taxes. These accounting standards utilize a two-step approach for evaluating tax positions. Recognition (Step I) occurs when the Company concludes that a tax position, based on its technical merits, is more likely than not to be sustained upon examination. Measurement (Step II) is only addressed if the position is deemed to be more likely than not to be sustained. Under Step II, the tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon settlement. Use of the term more likely than not is consistent with how that term is used in accounting for income taxes (i.e., likelihood of occurrence is greater than 50%).

Tax positions failing to qualify for initial recognition are recognized in the first subsequent interim period that they meet the more likely than not standard. If it is subsequently determined that a previously recognized tax position no longer meets the more likely than not standard, it is required that the tax position is derecognized. Accounting standards for uncertain tax positions specifically prohibit the use of a valuation allowance as a substitute for derecognition of tax positions. As applicable, we recognize accrued penalties and interest related to unrecognized tax benefits in the provision for income taxes.

Recently Issued Accounting Standards

In July 2013, the Financial Accounting Standards Board (FASB) issued an accounting standards update that amends the presentation requirements of an unrecognized tax benefit when a loss or other carryforward exists. The update would require the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. The effective date for this update is for the annual and interim periods beginning after December 15, 2013. The Company is currently evaluating the impact, if any, of adopting this statement on its consolidated financial statements.

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In February 2013, the FASB issued an accounting standards update that amends the presentation requirements for reclassifications out of accumulated other comprehensive income. The amendment would require an entity to present amounts reclassified out of accumulated other comprehensive income by component either on the face of the statement where net income is presented or in the notes. This update is effective prospectively for reporting periods beginning after December 15, 2012. The Company has adopted this update; Item 8 Financial Statements and Supplementary Data , Note 3 Accumulated Other Comprehensive Income.

In July 2012, the FASB issued an accounting standards update that is intended to simplify the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill. The update allows for the consideration of qualitative factors in determining whether it is necessary to perform quantitative impairment tests. The effective date for this update is for the years and interim impairment tests performed for years beginning after September 15, 2012. The adoption of this guidance did not have a material effect on the Company s financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices.

Interest Rate Risks

One of our primary exposures to market risk is interest rate risk associated with our debt facilities that bear interest based on floating rates. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Activities. We attempt to manage interest rate risk by managing the mix of long-term fixed rate borrowings and variable rate borrowings supplemented by hedging activities as believed by us to be appropriate. We cannot assure you that these risk management strategies have had the desired effect, and interest rate fluctuations could have a negative impact on our results of operations.

The following table provides estimated future cash flow information derived from our best estimates of repayments at December 31, 2013 of our expected long-term indebtedness and related weighted average interest rates by expected maturity dates. However, we cannot predict the LIBOR or HIBOR rates that will be in effect in the future. As of December 31, 2013, such rates remain at historic lows. Actual rates will vary. The one-month LIBOR and HIBOR rates at December 31, 2013 of 0.1677% and 0.2100%, respectively were used for all variable rate calculations in the table below.

The information is presented in U.S. dollar equivalents as applicable

	Years Ending December 31, Expected Maturity Date						
	2014	2015	2016	2017	2018	Thereafter	Total
	(in millions)						
Long-term debt:							
Fixed rate	$	$	$	$	$	$ 5,608	$ 5,608
Average interest rate	%	%	%	%	%	4.8%	4.8%
Variable rate	$ 1.1	$ 1.4	$ 1.4	$ 405	$ 576	$	$ 985
Average interest rate	1.4%	1.4%	1.4%	1.9%	2.0%	%	1.9%

Interest Rate Swap Information

We have entered into floating-for-fixed interest rate swap arrangements relating to certain of our floating-rate debt facilities. We measure the fair value of our interest rate swaps on a recurring basis. Changes in the fair values of our interest rate swaps for each reporting period recorded are, and will continue to be, recognized as an increase (decrease) in swap fair value in our Consolidated Statements of Income, as the swaps do not qualify for hedge accounting.

Macau Operations

Effective, September 28, 2012, we entered into two interest rate swap agreements intended to hedge a portion of the underlying interest rate risk on borrowings under the Amended Wynn Macau Credit Facilities. Under the two swap agreements, the Company pays a fixed interest rate (excluding the applicable interest margin) of 0.73% on notional amounts corresponding to borrowings of HK$3.95 billion (approximately $509.4 million) incurred under the Amended Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable HIBOR at the time of payment. These interest rate swaps fix the all-in interest rate on such amounts at 2.48% to 3.23%. These interest rate swap agreements mature in July 2017.

Effective October 31, 2012, we entered into a third interest rate swap agreement intended to hedge a portion of the underlying interest rate risk on borrowings under the Amended Wynn Macau Credit Facilities. Under this swap agreement, the Company pays a fixed interest rate (excluding the applicable interest margin) of 0.6763% on notional amounts corresponding to borrowings of $243.8 million incurred under the Amended Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable rate based on the applicable LIBOR at the time of payment. This interest rate swap fixes the all-in interest rate on such amounts at 2.4263% to 3.1763%. This interest rate swap agreement matures in July 2017.

As of December 31, 2013, the interest rate swaps were recorded as an asset of $10.3 million and included in deposits and other assets. As of December 31, 2012, the interest rate swaps were recorded as a liability of $3.9 million and included in other long-term liabilities.

The fair value approximates the amount we would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based upon current, and predictions of future, interest rate levels along a yield curve, the remaining duration of the instruments and other market conditions, and therefore, is subject to significant estimation and a high degree of variability of fluctuation between periods. We adjust this amount by applying a non-performance valuation, considering our creditworthiness or the creditworthiness of our counterparties at each settlement date, as applicable.

Las Vegas Operations

In June 2012, we terminated our only Wynn Las Vegas swap for a payment of $2.4 million.

Other Interest Rate Swap Information

The following table provides information about our interest rate swaps, by contractual maturity dates, as of December 31, 2013 and using estimated future LIBOR and HIBOR rates based upon implied forward rates in the yield curve. The information is presented in U.S. dollar equivalents, which is our reporting currency:

	Years Ending December 31, Expected Maturity Date						
	2014	2015	2016	2017	2018	Thereafter	Total
	(in millions)						
Average notional amount	$	$	$	$ 753.0	$	$	$ 753.0
Average pay rate	%	%	%	0.71%	%	%	0.71%
Average receive rate	%	%	%	0.60%	%	%	0.60%

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We do not use derivative financial instruments, other financial instruments or derivative commodity instruments for trading or speculative purposes.

Interest Rate Sensitivity

As of December 31, 2013, approximately 96% all of our debt was based on fixed rates, including the notional amounts related to interest rate swaps. Based on our borrowings as of December 31, 2013, an assumed 1% change in the variable rates would cause our annual interest cost to change by $2.3 million.

Foreign Currency Risks

The currency delineated in Wynn Macau s concession agreement with the government of Macau is the Macau pataca. The Macau pataca, which is not a freely convertible currency, is linked to the Hong Kong dollar, and in many cases the two are used interchangeably in Macau. The Hong Kong dollar is linked to the U.S. dollar and the exchange rate between these two currencies has remained relatively stable over the past several years. However, the exchange linkages of the Hong Kong dollar and the Macau pataca, and the Hong Kong dollar and the U.S. dollar, are subject to potential changes due to, among other things, changes in Chinese governmental policies and international economic and political developments.

If the Hong Kong dollar and the Macau pataca are not linked to the U.S. dollar in the future, severe fluctuations in the exchange rate for these currencies may result. We also cannot assure you that the current rate of exchange fixed by the applicable monetary authorities for these currencies will remain at the same level.

Because many of Wynn Macau s payment and expenditure obligations are in Macau patacas, in the event of unfavorable Macau pataca or Hong Kong dollar rate changes, Wynn Macau s obligations, as denominated in U.S. dollars, would increase. In addition, because we expect that most of the revenues for any casino that Wynn Macau operates in Macau will be in Hong Kong dollars, we are subject to foreign exchange risk with respect to the exchange rate between the Hong Kong dollar and the U.S. dollar. Also, if any of our Macau-related entities incur U.S. dollar-denominated debt, fluctuations in the exchange rates of the Macau pataca or the Hong Kong dollar, in relation to the U.S. dollar, could have adverse effects on Wynn Macau s results of operations, financial condition, and ability to service its debt. To date, we have not engaged in hedging activities intended to protect against foreign currency risk. Approximately 53% of our cash balances are denominated in foreign currencies, primarily the Hong Kong Dollar. Based on our balances at December 31, 2013, an assumed 1% change in the US dollar/Hong Kong dollar exchange rate would cause a foreign currency transaction gain/loss of approximately $12.3 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Wynn Resorts, Limited and subsidiaries:

We have audited Wynn Resorts, Limited and subsidiaries (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). The Company s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting, included in Item 9A. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2013 consolidated financial statements of Wynn Resorts, Limited and subsidiaries and our report dated February 28, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Las Vegas, Nevada

February 28, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Wynn Resorts, Limited and subsidiaries:

We have audited the accompanying consolidated balance sheets of Wynn Resorts, Limited and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedules listed in the Index at item 15(a)2. These financial statements and schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wynn Resorts, Limited and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 28, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Las Vegas, Nevada

February 28, 2014

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share data)

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,435,041	$ 1,725,219
Investment securities	174,399	138,887
Receivables, net	241,932	238,573
Inventories	74,739	63,799
Prepaid expenses and other	42,703	35,900
Total current assets	2,968,814	2,202,378
Property and equipment, net	4,934,449	4,727,899
Restricted cash and investment securities	279,925	140,334
Intangibles, net	30,767	31,297
Deferred financing costs, net	67,926	71,189
Deposits and other assets	91,001	99,227
Investment in unconsolidated affiliates	4,148	4,270
Total assets	$ 8,377,030	$ 7,276,594
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts and construction payables	$ 272,861	$ 164,858
Current portion of long-term debt	1,050	1,050
Current portion of land concession obligation	29,341	27,937
Customer deposits	704,401	544,649
Gaming taxes payable	205,260	163,092
Accrued compensation and benefits	83,769	75,962
Accrued interest	101,442	100,562
Other accrued liabilities	47,739	44,244
Construction retention	3,578	3,826
Deferred income taxes, net	4,035	3,178
Income taxes payable	2,058	2,019
Total current liabilities	1,455,534	1,131,377
Long-term debt	6,586,518	5,781,770
Land concession obligation	46,819	76,186
Other long-term liabilities	141,465	137,830
Deferred income taxes, net	14,343	45,499
Total liabilities	8,244,679	7,172,662
Commitments and contingencies (Note 16)		
Stockholders equity:		
Preferred stock, par value $0.01; 40,000,000 shares authorized; zero shares issued and outstanding		
Common stock, par value $0.01; 400,000,000 shares authorized; 114,170,493 and 113,730,442 shares issued; 101,192,408 and 100,866,712 shares outstanding	1,142	1,137
Treasury stock, at cost; 12,978,085 and 12,863,730 shares	(1,143,419)	(1,127,947)

Additional paid-in capital	888,727	818,821
Accumulated other comprehensive income	2,913	4,177
Retained earnings	66,130	44,775
Total Wynn Resorts, Limited stockholders deficit	(184,507)	(259,037)
Noncontrolling interest	316,858	362,969
Total equity	132,351	103,932
Total liabilities and stockholders equity	$ 8,377,030	$ 7,276,594

The accompanying notes are an integral part of these consolidated financial statements.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands, except share data)

	Years Ended December 31,		
	2013	**2012**	**2011**
Operating revenues:			
Casino	$ 4,490,637	$ 4,034,759	$ 4,190,507
Rooms	492,230	479,983	472,074
Food and beverage	586,672	588,437	547,735
Entertainment, retail and other	418,705	417,209	414,786
Gross revenues	5,988,244	5,520,388	5,625,102
Less: promotional allowances	(367,308)	(366,104)	(355,310)
Net revenues	5,620,936	5,154,284	5,269,792
Operating costs and expenses:			
Casino	2,846,489	2,626,822	2,686,372
Rooms	133,503	126,527	125,286
Food and beverage	323,573	308,394	283,940
Entertainment, retail and other	175,257	189,832	214,435
General and administrative	448,788	441,699	389,053
Provision for doubtful accounts	11,877	18,091	33,778
Pre-opening costs	3,169	466	
Depreciation and amortization	371,051	373,199	398,039
Property charges and other	17,138	39,978	130,649
Total operating costs and expenses	4,330,845	4,125,008	4,261,552
Operating income	1,290,091	1,029,276	1,008,240
Other income (expense):			
Interest income	15,713	12,543	7,654
Interest expense, net of amounts capitalized	(299,022)	(288,759)	(229,918)
Increase in swap fair value	14,235	991	14,151
Loss on extinguishment of debt	(40,435)	(25,151)	
Equity in income from unconsolidated affiliates	1,085	1,086	1,472
Other	4,856	3,012	3,968
Other income (expense), net	(303,568)	(296,278)	(202,673)
Income before income taxes	986,523	732,998	805,567
Benefit (provision) for income taxes	17,634	(4,299)	19,546
Net income	1,004,157	728,699	825,113
Less: Net income attributable to noncontrolling interest	(275,505)	(226,663)	(211,742)
Net income attributable to Wynn Resorts, Limited	$ 728,652	$ 502,036	$ 613,371

Basic and diluted income per common share:

Net income attributable to Wynn Resorts, Limited:			
Basic	$ 7.25	$ 4.87	$ 4.94
Diluted	$ 7.17	$ 4.82	$ 4.88
Weighted average common shares outstanding:			
Basic	100,540	103,092	124,039
Diluted	101,641	104,249	125,667

The accompanying notes are an integral part of these consolidated financial statements.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(amounts in thousands)

	Years Ended December 31,		
	2013	2012	2011
Net income	$ 1,004,157	$ 728,699	$ 825,113
Other comprehensive income:			
Foreign currency translation adjustments, net of tax	(2,106)	2,749	2,102
Unrealized gain (loss) on available-for-sale securities, net of tax	319	1,780	(2,070)
Total comprehensive income	1,002,370	733,228	825,145
Less: Comprehensive income attributable to noncontrolling interest	(274,982)	(227,855)	(211,823)
Comprehensive income attributable to Wynn Resorts, Limited	$ 727,388	$ 505,373	$ 613,322

The accompanying notes are an integral part of these consolidated financial statements.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(amounts in thousands, except share data)

	Common stock								
	Shares outstanding	**Par value**	**Treasury stock**	**Additional paid-in capital**	**Accumulated other comprehensive income**	**Retained earnings**	**Total Wynn Resorts, Ltd stockholders equity (deficit)**	**Noncontrolling interest**	**Total stockholders equity**
Balances, January 1, 2011	**124,599,508**	**$ 1,374**	**$ (1,119,407)**	**$ 3,346,050**	**$ 889**	**$ 9,042**	**$ 2,237,948**	**$ 142,637**	**$ 2,380,585**
Net income						613,371	613,371	211,742	825,113
Currency translation adjustment					1,520		1,520	582	2,102
Net unrealized loss on investments					(1,569)		(1,569)	(501)	(2,070)
Exercise of stock options	431,126	4		23,836			23,840	19	23,859
Shares repurchased by the company and held as treasury shares	(51,136)		(7,629)				(7,629)		(7,629)
Issuance of restricted stock	101,500	1		(1)					
Cash dividends declared				(226,755)		(586,045)	(812,800)	(221,649)	(1,034,449)
Excess tax benefits from stock-based compensation				11,176			11,176		11,176
Stock-based compensation				23,165			23,165	1,602	24,767
Balances, December 31, 2011	**125,080,998**	**1,379**	**(1,127,036)**	**3,177,471**	**840**	**36,368**	**2,089,022**	**134,432**	**2,223,454**
Stock redemption	(24,549,222)	(245)		(1,936,198)			(1,936,443)		(1,936,443)
Net income						502,036	502,036	226,663	728,699
Currency translation adjustment					1,987		1,987	762	2,749
Net unrealized gain on investments					1,350		1,350	430	1,780
Exercise of stock options	332,576	3		15,580			15,583		15,583
Cancellation of restricted stock	(31,500)								
Shares repurchased by the company and held as treasury shares	(7,640)		(911)				(911)		(911)
Issuance of restricted stock	41,500								
Cash dividends declared				(462,730)		(493,629)	(956,359)		(956,359)
Excess tax benefits from stock-based compensation				5,537			5,537		5,537
				19,161			19,161	682	19,843

Stock-based compensation									
Balances, December 31, 2012	**100,866,712**	**1,137**	**(1,127,947)**	**818,821**	**4,177**	**44,775**	**(259,037)**	**362,969**	**103,932**
Net income						728,652	728,652	275,505	1,004,157
Currency translation adjustment					(1,522)		(1,522)	(584)	(2,106)
Net unrealized gain on investments					258		258	61	319
Exercise of stock options	383,151	5		20,431			20,436		20,436
Cancellation of restricted stock	(78,500)	(1)		1					
Shares repurchased by the company and held as treasury shares	(114,355)		(15,472)				(15,472)		(15,472)
Issuance of restricted stock	135,400	1		(1)					
Cash dividends declared				480		(707,297)	(706,817)	(322,305)	(1,029,122)
Excess tax benefits from stock-based compensation				10,474			10,474		10,474
Stock-based compensation				38,521			38,521	1,212	39,733
Balances, December 31, 2013	**101,192,408**	**$ 1,142**	**$ (1,143,419)**	**$ 888,727**	**$ 2,913**	**$ 66,130**	**$ (184,507)**	**$ 316,858**	**$ 132,351**

The accompanying notes are an integral part of these consolidated financial statements.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	Years Ended December 31,		
	2013	**2012**	**2011**
Cash flows from operating activities:			
Net income	$ 1,004,157	$ 728,699	$ 825,113
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	371,051	373,199	398,039
Deferred income taxes	(19,826)	(3,655)	(10,822)
Stock-based compensation	39,537	19,648	23,881
Excess tax benefits from stock-based compensation	(12,332)	(5,253)	(11,052)
Amortization and write-offs of deferred financing costs and other	21,453	23,965	19,683
Loss on extinguishment of debt	40,435	25,151	
Provision for doubtful accounts	11,877	18,091	33,778
Property charges and other	6,950	36,714	104,223
Equity in income (loss) of unconsolidated affiliates, net of distributions	122	106	(144)
Increase in swap fair value	(14,235)	(991)	(14,151)
Increase (decrease) in cash from changes in:			
Receivables, net	(14,875)	(21,019)	(84,653)
Inventories and prepaid expenses and other	(17,749)	3,644	11,168
Accounts payable and accrued expenses	260,077	(12,581)	220,772
Net cash provided by operating activities	1,676,642	1,185,718	1,515,835
Cash flows used in investing activities:			
Capital expenditures, net of construction payables and retention	(506,786)	(240,985)	(184,146)
Purchase of corporate debt securities	(222,856)	(183,445)	(316,533)
Proceeds from sale or maturity of corporate debt securities	146,112	216,051	101,017
Restricted cash	(100,709)	(99,163)	
Deposits and purchase of other assets	(13,961)	(38,042)	(60,135)
Proceeds from sale of assets	20,620	730	697
Net cash used in investing activities	(677,580)	(344,854)	(459,100)
Cash flows from financing activities:			
Proceeds from exercise of stock options	20,436	15,583	23,859
Excess tax benefits from stock-based compensation	12,332	5,253	11,052
Dividends paid	(1,034,986)	(955,493)	(1,033,447)
Proceeds from issuance of long-term debt	1,297,870	1,648,643	150,483
Principal payments on long-term debt	(501,400)	(1,022,847)	(201,901)
Repurchase of common stock	(15,472)	(911)	(7,629)
Interest rate swap settlement		(2,368)	
Payments on long-term land concession obligation	(27,917)	(13,449)	
Payment of financing costs	(42,006)	(56,890)	(58)
Net cash used in financing activities	(291,143)	(382,479)	(1,057,641)
Effect of exchange rate on cash	1,903	4,247	4,994
Cash and cash equivalents:			

Increase in cash and cash equivalents	709,822	462,632	4,088
Balance, beginning of year	1,725,219	1,262,587	1,258,499
Balance, end of year	$ 2,435,041	$ 1,725,219	$ 1,262,587
Supplemental cash flow disclosures:			
Increase in debt related to the redemption of stock	$	$ 1,936,443	$
Cash paid for interest, net of amounts capitalized	284,849	225,499	221,123
Change in property and equipment included in accounts and construction payables	67,650	6,557	13,794
Cash paid for income taxes	2,518	4,547	2,088
Increase in liability for dividends declared on nonvested stock	2,708	866	1,003

The accompanying notes are an integral part of these consolidated financial statements.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Wynn Resorts, Limited, a Nevada corporation (together with its subsidiaries, Wynn Resorts or the Company) owns 72.3% of Wynn Macau, Limited which operates a casino hotel resort property in the Macau Special Administrative Region of the People s Republic of China. The Company also owns and operates a casino hotel resort property in Las Vegas, Nevada.

Our Macau resort is a resort destination casino with two luxury hotel towers (Wynn Macau and Encore) with a total of 1,008 spacious rooms and suites, approximately 280,000 square feet of casino space, casual and fine dining in eight restaurants, approximately 57,000 square feet of retail space, recreation and leisure facilities, including two health clubs and spas and a pool.

Our Las Vegas operations (Wynn Las Vegas and Encore) feature two luxury hotel towers with a total of 4,748 spacious hotel rooms, suites and villas, approximately 186,000 square feet of casino space, 34 food and beverage outlets featuring signature chefs, an on-site 18-hole golf course, meeting space, a Ferrari and Maserati dealership, approximately 96,000 square feet of retail space as well as two showrooms, three nightclubs and a beach club.

In October 2009, Wynn Macau, Limited, an indirect wholly owned subsidiary of the Company, listed its ordinary shares of common stock on The Stock Exchange of Hong Kong Limited. Through an initial public offering, including the over allotment, Wynn Macau, Limited sold 1,437,500,000 shares (27.7%) of this subsidiary s common stock.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Investments in the 50%-owned joint ventures operating the Ferrari and Maserati automobile dealership and the Brioni mens retail clothing store inside Wynn Las Vegas are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated. Certain amounts in the consolidated financial statements for the previous years have been reclassified to be consistent with the current year presentation. These reclassifications had no effect on the previously reported net income.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Redemption Price Promissory Note

The Company recorded the fair value of the Redemption Price Promissory Note (the Redemption Note) of approximately $1.94 billion in accordance with applicable accounting guidance. The Company utilized an independent third party valuation to assist in the determination of this fair value. In determining this fair value, the Company estimated the Redemption Note s present value using discounted cash flows with a probability weighted expected return for redemption assumptions and a discount rate which included time value and non-performance risk adjustments commensurate with risk of the Redemption Note.

Considerations for the redemption assumptions included the stated maturity of the Redemption Note, uncertainty of the related cash flows as well as potential effects of the following: uncertainties surrounding the

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

potential outcome and timing of pending litigation with Aruze USA, Inc., Universal Entertainment Corporation and Mr. Kazuo Okada (collectively, the Okada Parties) (see Note 16 Commitments and Contingencies); the outcome of on-going investigations of Aruze USA, Inc. by the United States Attorney s Office, the U.S. Department of Justice and the Nevada Gaming Control Board; and other potential legal and regulatory actions. In addition, in the furtherance of various future business objectives, the Company considered its ability, at its sole option, to prepay the Redemption Note at any time in accordance with its terms without penalty. Accordingly, the Company reasonably determined that the estimated life of the Redemption Note could be less than the contractual life of the Redemption Note.

In determination of the appropriate discount rate to be used in the estimated present value, the Redemption Note s subordinated position relative to all other debt in the Company s capital structure and credit ratings associated with the Company s traded debt were considered. Observable inputs for the risk free rate based on Federal Reserve rates for U.S. Treasury securities and credit risk spread based on a yield curve index of similarly rated debt were used. As a result of this analysis, the Company concluded the Redemption Notes stated rate of 2% approximated a market rate.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of highly liquid investments with original maturities of three months or less and include both U.S. dollar-denominated and foreign currency-denominated securities. Cash equivalents are carried at cost, which approximates fair value. Cash equivalents of $1,349.6 million and $969.2 million at December 31, 2013 and 2012, respectively, were invested in bank time deposits, money market accounts, U.S. treasuries and commercial paper. In addition, the Company held bank deposits and cash on hand of approximately $1,085.4 million and $756 million as of December 31, 2013 and 2012, respectively.

Restricted Cash and Investment Securities

Restricted cash consists primarily of certain proceeds of the Company s financing activities that are restricted by the agreements governing the Company s debt instruments for the payment of certain Wynn Palace related construction and development costs. The Company s long-term restricted cash balances consisted of approximately $199.9 million and $99.2 million at December 31, 2013 and 2012, respectively, substantially all of which were invested in time deposits. In November 2013, the Company used $243 million of current restricted cash for the purpose of redeeming the portion of the 7 7/8% First Mortgage Notes due 2017 of Wynn Las Vegas, LLC (Wynn Las Vegas) an indirect wholly owned subsidiary of Wynn Resorts, Limited, that were not tendered in May 2013 in the cash tender offer (the tender offer). For more information on the Wynn Las Vegas tender offer, see Note 8 Long-Term Debt.

Investment securities consist of short-term and long-term investments in domestic and foreign corporate debt securities and commercial paper. The Company s investment policy limits the amount of exposure to any one issuer with the objective of minimizing the potential risk of principal loss. Management determines the appropriate classification (held-to-maturity/available-for-sale) of its securities at the time of purchase and reevaluates such designation as of each balance sheet date. The Company s current investments are reported at fair value, with unrealized gains and losses, net of tax, reported in other comprehensive income. Adjustments are made for amortization of premiums and accretion of discounts to maturity computed under the effective interest method. Such amortization is included in interest income together with realized gains and losses and the stated interest on such securities.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Accounts Receivable and Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of casino accounts receivable. The Company issues credit in the form of markers to approved casino customers following investigations of creditworthiness. At December 31, 2013 and 2012, approximately 86% and 84% of the Company s markers were due from customers residing outside the United States, primarily in Asia. Business or economic conditions or other significant events in these countries could affect the collectability of such receivables.

Accounts receivable, including casino and hotel receivables, are typically non-interest bearing and are initially recorded at cost. Accounts are written off when management deems them to be uncollectible. Recoveries of accounts previously written off are recorded when received. An estimated allowance for doubtful accounts is maintained to reduce the Company s receivables to their carrying amount, which approximates fair value. The allowance is estimated based on specific review of customer accounts as well as management s experience with collection trends in the casino industry and current economic and business conditions. In June 2013, the Company recorded an adjustment to its reserve estimates for casino accounts receivable based on the results of historical collection patterns and current collection trends. This adjustment benefitted operating income by $14.9 million and net income attributable to Wynn Resorts, Limited by $12 million (or $0.12 per share on a fully diluted basis for the year ended December 31, 2013). In June 2012, the Company recorded a similar adjustment to its reserve estimates for casino accounts receivable based on the results of historical collection patterns and current collection trends. For the year ended December 31, 2012, this adjustment benefitted operating income by $30.9 million and net income attributable to Wynn Resorts, Limited by $23.3 million (or $0.22 per share on a fully diluted basis).

Inventories

Inventories consist of retail merchandise, food and beverage items which are stated at the lower of cost or market value and certain operating supplies. Cost is determined by the first-in, first-out, average and specific identification methods.

Property and Equipment

Purchases of property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method as follows:

Buildings and improvements	10 to 45 years
Land improvements	10 to 45 years
Leasehold interest in land	25 years
Airplanes	18 to 20 years
Furniture, fixtures and equipment	3 to 20 years

Costs related to improvements are capitalized, while costs of repairs and maintenance are charged to expense as incurred. The cost and accumulated depreciation of property and equipment retired or otherwise disposed of are eliminated from the respective accounts and any resulting gain or loss is included in operations.

Capitalized Interest

The interest cost associated with major development and construction projects is capitalized and included in the cost of the project. Interest capitalization ceases once a project is substantially complete or no longer

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

undergoing construction activities to prepare it for its intended use. When no debt is specifically identified as being incurred in connection with a construction project, the Company s weighted average cost of borrowed money. Interest of $10.5 million and $2 million was capitalized for the years ended December 31, 2013 and 2012, respectively. No interest was capitalized for the year ended December 31, 2011.

Intangibles

The Company s indefinite-lived intangible assets consist primarily of water rights acquired as part of the original purchase price of the property on which Wynn Las Vegas is located, and trademarks. Indefinite-lived intangible assets are not amortized, but are reviewed for impairment annually. The Company s finite-lived intangible assets consist primarily of a Macau gaming concession. Finite-lived intangible assets are amortized over the shorter of their contractual terms or estimated useful lives.

Long-Lived Assets

Long-lived assets, which are to be held and used, including intangibles and property and equipment, are periodically reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. If an indicator of impairment exists, the Company compares the estimated future cash flows of the asset, on an undiscounted basis, to the carrying value of the asset. If the undiscounted cash flows exceed the carrying value, no impairment is indicated. If the undiscounted cash flows do not exceed the carrying value, then impairment is measured as the difference between fair value and carrying value, with fair value typically based on a discounted cash flow model. If an asset is still under development, future cash flows include remaining construction costs.

Deferred Financing Costs

Direct and incremental costs incurred in obtaining loans or in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the terms of the related debt agreements. Approximately $11.2 million, $11 million and $11.6 million were amortized to interest expense during the years ended December 31, 2013, 2012 and 2011, respectively. Debt discounts incurred in connection with the issuance of debt have been capitalized and are being amortized to interest expense using the effective interest method.

Derivative Financial Instruments

The Company seeks to manage its market risk, including interest rate risk associated with variable rate borrowings, through balancing fixed-rate and variable-rate borrowings with the use of derivative financial instruments. The fair value of derivative financial instruments are recognized as assets or liabilities at each balance sheet date, with changes in fair value affecting net income as the Company s current interest rate swaps do not qualify for hedge accounting. Accordingly, changes in the fair value of the interest rate swaps are presented as an increase (decrease) in swap fair value in the accompanying Consolidated Statements of Income. The differentials paid or received on interest rate swap agreements are recognized as adjustments to interest expense.

Revenue Recognition and Promotional Allowances

The Company recognizes revenues at the time persuasive evidence of an arrangement exists, the service is provided or the retail goods are sold, prices are fixed or determinable and collection is reasonably assured.

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Casino revenues are measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in the customers possession. Cash discounts, other cash incentives related to casino play and commissions rebated through junkets to customers are recorded as a reduction to casino revenue. Hotel, food and beverage, entertainment and other operating revenues are recognized when services are performed. Entertainment, retail and other revenue includes rental income which is recognized on a time proportion basis over the lease term. Contingent rental income is recognized when the right to receive such rental income is established according to the lease agreements. Advance deposits on rooms and advance ticket sales are recorded as customer deposits until services are provided to the customer.

Revenues are recognized net of certain sales incentives which are required to be recorded as a reduction of revenue; consequently, the Company s casino revenues are reduced by discounts, commissions and points earned in the player s club loyalty program.

The retail value of accommodations, food and beverage, and other services furnished to guests without charge is included in gross revenues. Such amounts are then deducted as promotional allowances. The estimated cost of providing such promotional allowances is primarily included in casino expenses as follows (amounts in thousands):

	Years Ended December 31,		
	2013	2012	2011
Rooms	$ 52,585	$ 53,487	$ 52,019
Food and beverage	112,897	107,882	104,413
Entertainment, retail and other	14,659	17,522	17,017
	$ 180,141	$ 178,891	$ 173,449

Customer Loyalty Program

The Company offers a slot club program whereby customers may earn points based on their level of play that may be redeemed for free credit that must be replayed in the slot machine. The Company accrues a liability based on the points earned times the redemption value, less an estimate for breakage, and records a related reduction in casino revenue.

Slot Machine Jackpots

The Company does not accrue a liability for base jackpots because it has the ability to avoid such payment as slot machines can legally be removed from the gaming floor without payment of the base amount. When the Company is unable to avoid payment of the jackpot (i.e., the incremental amount on a progressive slot machine) due to legal requirements, the jackpot is accrued as the obligation becomes unavoidable. This liability is accrued over the time period in which the incremental progressive jackpot amount is generated with a related reduction in casino revenue.

Gaming Taxes

The Company is subject to taxes based on gross gaming revenue in the jurisdictions in which it operates, subject to applicable jurisdictional adjustments. These gaming taxes are an assessment on the Company s gaming revenue and are recorded as an expense within the Casino line item in the accompanying Consolidated Statements of Income. These taxes totaled $2 billion, $1.8 billion and $1.9 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Advertising Costs

The Company expenses advertising costs the first time the advertising takes place. Advertising costs incurred in development periods are included in pre-opening costs. Once a project is completed, advertising costs are primarily included in general and administrative expenses. Total advertising costs were $21.5 million, $23 million and $19.5 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Pre-Opening Costs

Pre-opening costs consist primarily of direct salaries and wages, legal and consulting fees, insurance, utilities and advertising, and are expensed as incurred. During the years ended December 31, 2013 and 2012, the Company incurred pre-opening costs in connection with the design and construction of Wynn Palace in the Cotai area of Macau. There were no pre-opening costs during the year ended December 31, 2011.

Income Taxes

The Company is subject to income taxes in the United States and other foreign jurisdictions where it operates. Accounting standards require the recognition of deferred tax assets, net of applicable reserves, and liabilities for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on the income tax provision and deferred tax assets and liabilities is recognized in the results of operations in the period that includes the enactment date. Accounting standards also require recognition of a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied.

The Company s income tax returns are subject to examination by the IRS and other tax authorities in the locations where it operates. The Company assesses potentially unfavorable outcomes of such examinations based on accounting standards for uncertain income taxes. The accounting standards prescribe a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

Uncertain tax position accounting standards apply to all tax positions related to income taxes. These accounting standards utilize a two-step approach for evaluating tax positions. Recognition (Step I) occurs when the Company concludes that a tax position, based on its technical merits, is more likely than not to be sustained upon examination. Measurement (Step II) is only addressed if the position is deemed to be more likely than not to be sustained. Under Step II, the tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon settlement. Use of the term more likely than not is consistent with how that term is used in accounting for income taxes (i.e., likelihood of occurrence is greater than 50%).

Tax positions failing to qualify for initial recognition are recognized in the first subsequent interim period that they meet the more likely than not standard. If it is subsequently determined that a previously recognized tax position no longer meets the more likely than not standard, it is required that the tax position is derecognized. Accounting standards for uncertain tax positions specifically prohibit the use of a valuation allowance as a substitute for derecognition of tax positions. As applicable, the Company will recognize accrued penalties and interest related to unrecognized tax benefits in the provision for income taxes.

Currency Translation

Gains or losses from foreign currency remeasurements are included in other income (expense) in the accompanying Consolidated Statements of Income. The results of operations and the balance sheet of

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Wynn Macau, Limited and its subsidiaries are translated from Macau patacas to U.S. dollars. Balance sheet accounts are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments resulting from this process are charged or credited to other comprehensive income.

Comprehensive Income

Comprehensive income includes net income and all other non-stockholder changes in equity, or other comprehensive income. Components of the Company s comprehensive income are reported in the accompanying Consolidated Statements of Stockholders Equity and Consolidated Statements of Comprehensive Income. The cumulative balance of other comprehensive income consists solely of currency translation adjustments and unrealized gain (loss) on available-for-sale securities.

Fair Value Measurements

The Company measures certain of its financial assets and liabilities, such as cash equivalents, available-for-sale securities and interest rate swaps, at fair value on a recurring basis pursuant to accounting standards for fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These accounting standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following table presents assets and (liabilities) carried at fair value (amounts in thousands):

		Fair Value Measurements Using:		
	Total Carrying Value	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
As of December 31, 2013				
Redemption Price Promissory Note	$ (1,936,443)	$	$ (1,936,443)	$
Cash equivalents	$ 1,349,647	$ 220,923	$ 1,128,724	$
Interest rate swaps	$ 10,308	$	$ 10,308	$
Restricted cash and available-for-sale securities	$ 454,324	$	$ 454,324	$
As of December 31, 2012				
Redemption Price Promissory Note	$ (1,936,443)	$	$ (1,936,443)	$
Cash equivalents	$ 969,166	$ 80,434	$ 888,732	$
Interest rate swaps	$ (3,938)	$	$ (3,938)	$
Restricted cash and available-for-sale securities	$ 279,221	$	$ 279,221	$

As of December 31, 2013 and 2012, approximately 91% and 77% of the Company s cash equivalents categorized as level 2 were deposits held in foreign currencies, respectively.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to Wynn Resorts, Ltd. by the weighted average number of shares outstanding during the year. Diluted EPS reflects the addition of potentially dilutive securities which for the Company include stock options and nonvested stock.

The weighted average number of common and common equivalent shares used in the calculation of basic and diluted EPS for the years ended December 31, 2013, 2012 and 2011, consisted of the following (amounts in thousands):

	2013	2012	2011
Weighted average common shares outstanding (used in calculation of basic earnings per share)	100,540	103,092	124,039
Potential dilution from the assumed exercise of stock options and nonvested stock	1,101	1,157	1,628
Weighted average common and common equivalent shares outstanding (used in calculation of diluted earnings per share)	101,641	104,249	125,667
Anti-dilutive stock options excluded from the calculation of diluted earnings per share	92	680	610
Net income attributable to Wynn Resorts, Ltd.	$ 728,652	$ 502,036	$ 613,371
Net income attributable to Wynn Resorts, Ltd. per common share, basic	$ 7.25	$ 4.87	$ 4.94
Net income attributable to Wynn Resorts, Ltd. per common share, diluted	$ 7.17	$ 4.82	$ 4.88

Stock-Based Compensation

Accounting standards require the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognize that cost over the service period. The Company uses the Black-Scholes valuation model to determine the estimated fair value for each option grant issued. The Black-Scholes determined fair value net of estimated forfeitures is amortized as compensation cost on a straight line basis over the service period.

Further information on the Company s stock-based compensation arrangements is included in Note 14 Benefit Plans .

Recently Issued Accounting Standards

In July 2013, the Financial Accounting Standards Board (FASB) issued an accounting standards update that amends the presentation requirements of an unrecognized tax benefit when a loss or other carryforward exists. The update would require the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. The effective date for this update is for the annual and interim periods beginning after December 15, 2013. The Company is currently evaluating the impact, if any, of adopting this statement on its consolidated financial statements.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In February 2013, the FASB issued an accounting standards update that amends the presentation requirements for reclassifications out of accumulated other comprehensive income. The amendment would require an entity to present amounts reclassified out of accumulated other comprehensive income by component either on the face of the statement where net income is presented or in the notes. This update is effective prospectively for reporting periods beginning after December 15, 2012. The Company has adopted this update; see Note 3 Accumulated Other Comprehensive Income.

In July 2012, the FASB issued an accounting standards update that is intended to simplify the guidance for testing the decline in the realizable value (impairment) of indefinite-lived intangible assets other than goodwill. The update allows for the consideration of qualitative factors in determining whether it is necessary to perform quantitative impairment tests. The effective date for this update is for the years and interim impairment tests performed for years beginning after September 15, 2012. The adoption of this guidance did not have a material effect on the Company s financial statements.

3. Accumulated Other Comprehensive Income

The following table presents the changes by component, net of tax and noncontrolling interest, in accumulated other comprehensive income of the Company (amounts in thousands):

	Foreign currency translation	Unrealized (loss) gain on securities	Accumulated other comprehensive income
December 31, 2012	$ 4,396	$ (219)	$ 4,177
Current period other comprehensive (loss) gain	(332)	266	(66)
Amounts reclassified from accumulated other comprehensive income	(1,190)	(8)	(1,198)
Net current-period other comprehensive (loss) gain .	(1,522)	258	(1,264)
December 31, 2013	$ 2,874	$ 39	$ 2,913

4. Investment Securities

Investment securities consisted of the following (amounts in thousands):

	Available-for-sale securities			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value (net carrying amount)
December 31, 2013				
Domestic and foreign corporate bonds	$ 221,418	$ 140	$ (124)	$ 221,434
Commercial paper	32,941	16	(3)	32,954
	$ 254,359	$ 156	$ (127)	$ 254,388

December 31, 2012				
Domestic and foreign corporate bonds	$ 161,631	$ 94	$ (369)	$ 161,356
Commercial paper	18,704	4	(5)	18,703
	$ 180,335	$ 98	$ (374)	$ 180,059

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For investments with unrealized losses as of December 31, 2013, the Company has determined that (i) it does not have the intent to sell any of these investments, and (ii) it is not likely that the Company will be required to sell these investments prior to the recovery of the amortized cost. Accordingly, the Company has determined that no other-than-temporary impairments exist at the reporting date.

The Company obtains pricing information in determining the fair value of its available-for-sale securities from independent pricing vendors. Based on management s inquiries, the pricing vendors use various pricing models consistent with what other market participants would use. The assumptions and inputs used by the pricing vendors are derived from market observable sources including: reported trades, broker/dealer quotes, issuer spreads, benchmark curves, bids, offers and other market-related data. The Company has not made adjustments to such prices. Each quarter, the Company validates the fair value pricing methodology to determine the fair value is consistent with applicable accounting guidance and to confirm that the securities are classified properly in the fair value hierarchy. The Company compares the pricing received from its vendors to independent sources for the same or similar securities.

The amortized cost and estimated fair value of these investment securities at December 31, 2013, by contractual maturity are shown below (amounts in thousands):

	Amortized Cost	Fair value
Available-for-sale securities		
Due in one year or less	$ 174,439	$ 174,399
Due after one year through two years	79,920	79,989
	$ 254,359	$ 254,388

5. Receivables, net

Receivables, net consisted of the following (amounts in thousands):

	As of December 31,	
	2013	2012
Casino	$ 252,998	$ 275,302
Hotel	15,386	18,227
Retail leases and other	47,539	47,257
	315,923	340,786
Less: allowance for doubtful accounts	(73,991)	(102,213)
	$ 241,932	$ 238,573

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Property and Equipment, net

Property and equipment, net consisted of the following (amounts in thousands):

	As of December 31,	
	2013	2012
Land and improvements	$ 733,233	$ 732,209
Buildings and improvements	3,883,442	3,837,215
Airplanes	135,040	135,392
Furniture, fixtures and equipment	1,686,522	1,646,506
Leasehold interest in land	316,550	316,658
Construction in progress	558,624	110,490
	7,313,411	6,778,470
Less: accumulated depreciation	(2,378,962)	(2,050,571)
	$ 4,934,449	$ 4,727,899

Depreciation expense for the years ended December 31, 2013, 2012 and 2011, was $367.4 million, $367.1 million and $389.8 million, respectively.

7. Intangibles, net

Intangibles, net consisted of the following (amounts in thousands):

	Macau Gaming Concession	Show Production Rights	Water Rights	Trademarks	Other	Total Intangibles, Net
January 1, 2012	$ 25,018	$ 2,934	$ 6,400	$ 1,399	$	$ 35,751
Amortization	(2,383)	(2,071)				(4,454)
December 31, 2012	22,635	863	6,400	1,399		31,297
Additions					2,716	2,716
Amortization	(2,383)	(863)				(3,246)
December 31, 2013	$ 20,252	$	$ 6,400	$ 1,399	$ 2,716	$ 30,767

The Macau gaming concession intangible is being amortized over the 20-year life of the concession. The Company expects that amortization of the Macau gaming concession will be $2.4 million each year from 2014 through 2021, and $1.2 million in 2022.

The water rights and trademarks are indefinite-lived assets and, accordingly, not amortized. Water rights reflect the fair value allocation determined in the purchase of the property on which Wynn Las Vegas is located in April 2000. The value of the trademarks primarily represents the costs to acquire the Le Rêve name.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Long-Term Debt

Long-term debt consisted of the following (amounts in thousands):

	As of December 31, 2013	2012
Wynn Macau Senior Term Loan Facilities (as amended July 2012), due July 31, 2017 and July 31, 2018; interest at LIBOR or HIBOR plus 1.75% 2.50%, net of original issue discount of $4,900 at December 31, 2013 and $3,737 at December 31, 2012	$ 948,028	$ 749,433
5 1/4% Wynn Macau, Limited Senior Notes, due October 15, 2021	600,000	
7 7/8% Wynn Las Vegas First Mortgage Notes, net of original issue discount of $7,384 at December 31, 2012		492,616
7 7/8% Wynn Las Vegas First Mortgage Notes, due May 1, 2020, net of original issue discount of $1,463 at December 31, 2013 and $1,632 at December 31, 2012	350,547	350,378
7 3/4% Wynn Las Vegas First Mortgage Notes, due August 15, 2020	1,320,000	1,320,000
5 3/8% Wynn Las Vegas First Mortgage Notes, due March 15, 2022	900,000	900,000
4 1/4% Wynn Las Vegas Senior Notes, due May 30, 2023	500,000	
Redemption Price Promissory Note with former stockholder and related party, due February 18, 2022; interest at 2%	1,936,443	1,936,443
$42 million Note Payable, due April 1, 2017; interest at LIBOR plus 1.25%	32,550	33,950
	6,587,568	5,782,820
Current portion of long-term debt	(1,050)	(1,050)
	$ 6,586,518	$ 5,781,770

Wynn Macau Credit Facilities

On July 31, 2012, Wynn Resorts (Macau) S.A. (Wynn Macau), amended and restated its credit facilities, dated September 14, 2004 (as so amended and restated, the Amended Wynn Macau Credit Facilities), and appointed Bank of China Limited, Macau Branch as intercreditor agent, facilities agent and security agent. The Amended Wynn Macau Credit Facilities and related agreements took effect on July 31, 2012 and expand availability under Wynn Macau s senior secured bank facility to $2.3 billion equivalent, consisting of a $750 million equivalent fully funded senior secured term loan facility and a $1.55 billion equivalent senior secured revolving credit facility. Borrowings under the Amended Wynn Macau Credit Facilities, which consist of both Hong Kong Dollar and United States Dollar tranches, were used to refinance Wynn Macau s existing indebtedness, and will be used to fund the design, development, construction and pre-opening expenses of Wynn Palace and for general corporate purposes.

The term loan facility matures in July 2018, and the revolving credit facility matures in July 2017. The principal amount of the term loan is required to be repaid in two equal installments in July 2017 and July 2018. The senior secured facilities bear interest for the first six months after closing at LIBOR or HIBOR plus a margin of 2.50% and thereafter will be subject to LIBOR or HIBOR plus a margin of between 1.75% to 2.50% based on Wynn Macau s leverage ratio.

Borrowings under the Amended Wynn Macau Credit Facilities are guaranteed by Palo Real Estate Company Limited (Palo), a subsidiary of Wynn Macau, and by certain subsidiaries of the Company that own equity interests in Wynn Macau, and are secured by substantially all of the assets of Wynn Macau, the equity interests in Wynn Macau and substantially all of the assets of Palo.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In connection with amending the Wynn Macau credit facilities, the Company expensed $17.7 million and capitalized $33.2 million of financing costs in the year ended December 31, 2012.

The Amended Wynn Macau Credit Facilities contain a requirement that Wynn Macau must make mandatory repayments of indebtedness from specified percentages of excess cash flow. If Wynn Macau meets a Consolidated Leverage Ratio, as defined in the Amended Wynn Macau Credit Facilities, of greater than 4.0 to 1, such repayment is defined as 50% of Excess Cash Flow, as defined in the Amended Wynn Macau Credit Facilities. If the Consolidated Leverage Ratio is equal or less than 4.0 to 1, then no repayment is required. Based on current estimates the Company does not believe that the Wynn Macau Consolidated Leverage Ratio during the year ending December 31, 2014 will exceed 4.0 to 1. Accordingly, Wynn Macau does not expect to make any mandatory repayments pursuant to this requirement during 2014.

The Amended Wynn Macau Credit Facilities contain customary covenants restricting certain activities including, but not limited to: the incurrence of additional indebtedness, the incurrence or creation of liens on any of its property, sale and leaseback transactions, the ability to dispose of assets, and making loans or other investments. In addition, Wynn Macau was required by the financial covenants to maintain a Leverage Ratio, as defined in the Amended Wynn Macau Credit Facilities, of not greater than 4.0 to 1 as of December 31, 2013, and an Interest Coverage Ratio, as defined in the Amended Wynn Macau Credit Facilities, of not less than 2.00 to 1. Management believes that Wynn Macau was in compliance with all covenants at December 31, 2013.

In connection with the initial financing of Wynn Macau, Wynn Macau entered into a Bank Guarantee Reimbursement Agreement with Banco Nacional Ultramarino, S.A. (BNU) for the benefit of the Macau government. This guarantee assures Wynn Macau s performance under the casino concession agreement, including the payment of premiums, fines and indemnity for any material failure to perform under the terms of the concession agreement. As of December 31, 2013, the guarantee was in the amount of 300 million Macau patacas (approximately $37 million) and will remain at such amount until 180 days after the end of the term of the concession agreement (2022). BNU, as issuer of the guarantee, is currently secured by a second priority security interest in the senior lender collateral package. From and after repayment of all indebtedness under the Amended Wynn Macau Credit Facilities, Wynn Macau is obligated to promptly, upon demand by BNU, repay any claim made on the guarantee by the Macau government. BNU is paid an annual fee for the guarantee of approximately 5.2 million Macau patacas (approximately $0.7 million).

On July 30, 2013, Wynn Macau exercised its option to increase the senior term loan facility by $200 million equivalent pursuant to the terms and provisions of the Amended Wynn Macau Credit Facilities. The $200 million equivalent was fully funded as of July 31, 2013 and is required to be used for the payment of certain Wynn Palace related construction and development costs. The additional $200 million equivalent will mature on July 31, 2018 and will bear interest at HIBOR plus a margin between 1.75% to 2.50% based on Wynn Macau s leverage ratio.

As of December 31, 2013, there were no amounts outstanding under the Wynn Macau senior secured revolving credit facility. Accordingly, the Company has availability of $1.55 billion under the Amended Wynn Macau Credit Facilities.

5 1/4% Wynn Macau, Limited Senior Notes due 2021

On October 16, 2013, Wynn Macau, Limited (WML), an indirect subsidiary of Wynn Resorts, Limited, entered into an Indenture, dated as of October 16, 2013 (the WML Indenture), between WML and Deutsche Bank Trust Company Americas, as trustee, pursuant to which WML issued $600 million aggregate principal

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

amount of 5 1/4% Senior Notes due 2021 (the 2021 Notes). WML received net proceeds of approximately $591.5 million from the offering of the 2021 Notes after deducting commissions and estimated expenses of the offering and will use the net proceeds for working capital requirements and general corporate purposes.

The 2021 Notes will bear interest at the rate of 5 1/4% per annum and will mature on October 15, 2021. Interest on the 2021 Notes is payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2014. At any time on or before October 14, 2016, WML may redeem the 2021 Notes, in whole or in part, at a redemption price equal to the greater of (a) 100% of the aggregate principal amount of the 2021 Notes or (b) a make-whole amount as determined by an independent investment banker in accordance with the terms of the WML Indenture, in either case, plus accrued and unpaid interest. In addition, on or after October 15, 2016, WML may redeem the 2021 Notes, in whole or in part, at a premium decreasing annually from 103.938% of the principal amount to zero, plus accrued and unpaid interest. If WML undergoes a Change of Control (as defined in the WML Indenture), it must offer to repurchase the 2021 Notes at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest. In addition, the Company may redeem the 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest, in response to any change in or amendment to certain tax laws or tax positions. Further, if a holder or beneficial owner of the 2021 Notes fails to meet certain requirements imposed by any Gaming Authority (as defined in the WML Indenture), WML may require the holder or beneficial owner to dispose of or redeem its 2021 Notes.

The 2021 Notes are WML s general unsecured obligations and rank pari passu in right of payment with all of WML s existing and future senior unsecured indebtedness; will rank senior to all of WML s future subordinated indebtedness, if any; will be effectively subordinated to all of WML s future secured indebtedness to the extent of the value of the assets securing such debt; and will be structurally subordinated to all existing and future obligations of WML s subsidiaries, including Wynn Macau s existing credit facilities. The 2021 Notes are not registered under the Securities Act of 1933, as amended (the Securities Act), and the 2021 Notes are subject to restrictions on transferability and resale.

The WML Indenture contains covenants limiting WML s (and certain of its subsidiaries) ability to, among other things: merge or consolidate with another company; transfer or sell all or substantially all of its properties or assets; and lease all or substantially all of its properties or assets. The terms of the WML Indenture contain customary events of default, including, but not limited to: default for 30 days in the payment when due of interest on the 2021 Notes; default in the payment when due of the principal of, or premium, if any, on the 2021 Notes; failure to comply with any payment obligations relating to the repurchase by WML of the 2021 Notes upon a change of control; failure to comply with certain covenants in the WML Indenture; certain defaults on certain other indebtedness; failure to pay judgments against WML or certain subsidiaries that, in the aggregate, exceed $50 million; and certain events of bankruptcy or insolvency. In the case of an event of default arising from certain events of bankruptcy or insolvency, all 2021 Notes then outstanding will become due and payable immediately without further action or notice.

7 7/8% Wynn Las Vegas First Mortgage Notes

In October 2009, Wynn Las Vegas, LLC (Wynn Las Vegas), an indirect wholly owned subsidiary of Wynn Resorts, Limited, and Wynn Las Vegas Capital Corp., an indirect wholly owned subsidiary of Wynn Resorts, Limited (together, the Issuers) issued, in a private offering, $500 million aggregate principal amount of 7 7/8% first mortgage notes due November 1, 2017 (the 2017 Notes) at a price of 97.823% of the principal amount. Interest is due on the 2017 Notes on May 1st and November 1st of each year. Commencing November 1, 2013, the 2017 Notes are redeemable at the Issuers option at a price equal to 103.938% of the principal amount

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

redeemed and the premium over the principal amount declines ratably on November 1st of each year thereafter to zero on or after November 1, 2015. The 2017 Notes are senior obligations of the Issuers and are unsecured (except by the first priority pledge by Wynn Resorts Holdings, LLC of its equity interests in Wynn Las Vegas, LLC (the Holdings pledge)). The Issuers obligations under the 2017 Notes rank pari passu in right of payment with the 7 7/8% 2020 Notes (as defined below), the 7 3/4% 2020 Notes (as defined below) and the 2022 Notes (as defined below). The 2017 Notes are not guaranteed by any of the Company s subsidiaries. If the Issuers undergo a change of control, they must offer to repurchase the 2017 Notes at 101% of the principal amount, plus accrued and unpaid interest. The indenture governing the 2017 Notes contains customary negative covenants and financial covenants, including, but not limited to, covenants that restrict Wynn Las Vegas, LLC s ability to: pay dividends or distributions or repurchase equity; incur additional debt; make investments; create liens on assets to secure debt; enter into transactions with affiliates; enter into sale-leaseback transactions; merge or consolidate with another company; transfer and sell assets or create dividend and other payment restrictions affecting subsidiaries.

On May 15, 2013, Wynn Las Vegas commenced a cash tender offer (the tender offer) for any and all of the outstanding $500 million aggregate principal amount of the 2017 Notes of the Issuers, and a solicitation of consents to certain proposed amendments to the indenture (the 2017 Indenture) governing the 2017 Notes.

The tender offer expired on May 21, 2013 and at the time of expiration, Wynn Las Vegas had received valid tenders with respect to approximately $274.7 million of the $500 million aggregate principal amount of the 2017 Notes outstanding. On May 22, 2013, note holders who validly tendered their 2017 Notes received the total consideration of $1,071.45 for each $1,000 principal amount of 2017 Notes, the premium portion of which totaled approximately $19.6 million. In accordance with accounting standards, the tender offer premium was expensed and is included in loss on extinguishment of debt in the accompanying Consolidated Statements of Income. In addition, upon the tender offer completion, the Issuers entered into a supplemental indenture, which eliminated substantially all of the restrictive covenants and certain events of default from the 2017 Indenture.

Also in connection with this transaction, the Company expensed $6.7 million of unamortized financing costs and original issue discount related to the 2017 Notes and incurred other fees of approximately $0.3 million that are included in loss on extinguishment of debt in the accompanying Consolidated Statements of Income.

On November 1, 2013, Wynn Las Vegas redeemed the untendered 2017 Notes principal amount of $225.3 million. The redemption price was equal to 103.938% of the aggregate principal amount of the 2017 Notes plus accrued and unpaid interest on November 1, 2013. The total redemption fees paid were $8.9 million and we expensed $4.9 million of unamortized financing costs and original issue discount.

7 7/8% Wynn Las Vegas First Mortgage Notes due 2020

In April 2010, the Issuers issued, in a private offering, $352 million aggregate principal amount of 7 7/8% first mortgage notes due May 1, 2020 (the 7 7/8% 2020 Notes). The 7 7/8% 2020 Notes were issued pursuant to an exchange offer for previously issued notes that were to mature in December 2014. Interest is due on the 7 7/8% 2020 Notes on May 1st and November 1st of each year. Commencing May 1, 2015, the 7 7/8% 2020 Notes are redeemable at the Issuers option at a price equal to 103.938% of the principal amount redeemed and the premium over the principal amount declines ratably on May 1st of each year thereafter to zero on or after May 1, 2018. The 7 7/8% 2020 Notes are senior obligations of the Issuers and are unsecured (except by the Holdings pledge). The Issuers obligations under the 7 7/8% 2020 Notes rank pari passu in right of payment with the 7 3/4% 2020 Notes (as defined below), the 2022 Notes (as defined below) and the 2023 Notes (as defined below). The 7 7/8% 2020 Notes are not guaranteed by any of the Company s subsidiaries. If the Issuers undergo a change of control, they must offer to repurchase the 7 7/8% 2020 Notes at 101% of the principal amount, plus

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

accrued and unpaid interest. The indenture governing the 7 7/8% 2020 Notes contains customary negative covenants and financial covenants, including, but not limited to, covenants that restrict Wynn Las Vegas, LLC s ability to: pay dividends or distributions or repurchase equity; incur additional debt; make investments; create liens on assets to secure debt; enter into transactions with affiliates; enter into sale-leaseback transactions; merge or consolidate with another company; transfer and sell assets or create dividend and other payment restrictions affecting subsidiaries.

7 3/4% Wynn Las Vegas First Mortgage Notes due 2020

In August 2010, the Issuers issued $1.32 billion aggregate principal amount of 7 3/4% first mortgage notes due August 15, 2020 (the 7 3/4% 2020 Notes). The 7 3/4% 2020 Notes were issued at par. The 7 3/4% 2020 Notes refinanced a previous notes issue that was to mature in December 2014. Interest is due on the 7 3/4% 2020 Notes on February 15th and August 15th of each year. Commencing August 15, 2015, the 7 3/4% 2020 Notes are redeemable at the Issuers option at a price equal to 103.875% of the principal amount redeemed and the premium over the principal amount declines ratably on August 15th of each year thereafter to zero on or after August 15, 2018. The 7 3/4% 2020 Notes are senior obligations of the Issuers and are unsecured (except by the Holdings pledge). The Issuers obligations under the 7 3/4% 2020 Notes rank pari passu in right of payment with the 7 7/8% 2020 Notes, the 2022 Notes (as defined below) and the 2023 Notes (as defined below). The 7 3/4% 2020 Notes are not guaranteed by any of the Company s subsidiaries. If the Issuers undergo a change of control, they must offer to repurchase the 7 3/4% 2020 Notes at 101% of the principal amount, plus accrued and unpaid interest. The indenture governing the 7 3/4% 2020 Notes contains customary negative covenants and financial covenants, including, but not limited to, covenants that restrict Wynn Las Vegas, LLC s ability to: pay dividends or distributions or repurchase equity; incur additional debt; make investments; create liens on assets to secure debt; enter into transactions with affiliates; enter into sale-leaseback transactions; merge or consolidate with another company; transfer and sell assets or create dividend and other payment restrictions affecting subsidiaries.

5 3/8% Wynn Las Vegas First Mortgage Notes due 2022

In March 2012, the Issuers issued, in a private offering, $900 million aggregate principal amount of 5 3/8% First Mortgage Notes due 2022 (the 2022 Notes). A portion of the proceeds were used to repay all amounts outstanding under the Wynn Las Vegas term loan facilities. In October 2012, the Issuers commenced an offer to exchange all of the 2022 Notes for notes registered under the Securities Act of 1933, as amended. The exchange offer closed on November 6, 2012. Interest is due on the 2022 Notes on March 15th and September 15th of each year. Commencing March 15, 2017, the 2022 Notes are redeemable at the Issuers option at a price equal to 102.688% of the principal amount redeemed and the premium over the principal amount declines ratably on March 15th of each year thereafter to zero on or after March 15, 2020. The 2022 Notes are senior obligations of the Issuers and are unsecured (except by the Holdings pledge). The Issuers obligations under the 2022 Notes rank pari passu in right of payment with the 7 7/8% 2020 Notes, the 7 3/4% 2020 Notes and the 2023 Notes (as defined below). The 2022 Notes are not guaranteed by any of the Company s subsidiaries. If the Issuers undergo a change of control, they must offer to repurchase the 2022 Notes at 101% of the principal amount, plus accrued and unpaid interest. The indenture governing the 2022 Notes contains customary negative covenants and financial covenants, including, but not limited to, covenants that restrict Wynn Las Vegas, LLC s ability to: pay dividends or distributions or repurchase equity; incur additional debt; make investments; create liens on assets to secure debt; enter into transactions with affiliates; enter into sale-leaseback transactions; merge or consolidate with another company; transfer and sell assets or create dividend and other payment restrictions affecting subsidiaries.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4 1/4% Wynn Las Vegas Senior Notes due 2023

In May 2013, the Issuers completed the issuance of $500 million aggregate principal amount of 4 1/4% Senior Notes due 2023 (the 2023 Notes) pursuant to an indenture, dated as of May 22, 2013 (the 2023 Indenture), among the Issuers, the Guarantors (as defined below) and U.S. Bank National Association, as trustee. The 2023 Notes were issued at par. The Issuers used the net proceeds from the 2023 Notes to cover the cost of purchasing the 2017 Notes tendered in the tender offer. In addition, the Issuers satisfied and discharged the 2017 Indenture and, in November 2013, used the remaining net proceeds to redeem all of the 2017 Notes not previously tendered. In connection with the issuance of the 2023 Notes, the Company capitalized approximately $4.1 million of financing costs.

The 2023 Notes will mature on May 30, 2023 and bear interest at the rate of 4 1/4% per annum. The Issuers may, at their option, redeem the 2023 Notes, in whole or in part, at any time or from time to time prior to their stated maturity. The redemption price for 2023 Notes that are redeemed before February 28, 2023 will be equal to the greater of (a) 100% of the principal amount of the 2023 Notes to be redeemed or (b) a make-whole amount described in the 2023 Indenture, plus in either case accrued and unpaid interest to, but not including, the redemption date. The redemption price for the 2023 Notes that are redeemed on or after February 28, 2023 will be equal to 100% of the principal amount of the 2023 Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date. In the event of a change of control triggering event, the Issuers will be required to offer to repurchase the 2023 Notes at 101% of the principal amount, plus accrued and unpaid interest to but not including the repurchase date. The 2023 Notes are also subject to mandatory redemption requirements imposed by gaming laws and regulations of gaming authorities in Nevada.

The 2023 Notes are the Issuers senior unsecured obligations and rank pari passu in right of payment with the Issuers outstanding 7 7/8% 2020 Notes, 7 3/4% 2020 Notes and the 2022 Notes and, together with the 7 7/8% 2020 Notes and 7 3/4% 2020 Notes, the (Existing Notes). The 2023 Notes are secured by a first priority pledge of the Company s equity interests, the effectiveness of which is subject to the prior approval of the Nevada gaming authorities. The equity interests of the Company also secure the Existing Notes. If Wynn Resorts, Limited receives an investment grade rating from one or more ratings agencies, the first priority pledge securing the 2023 Notes will be released.

The 2023 Notes are jointly and severally guaranteed by all of the Issuers subsidiaries, other than Wynn Las Vegas Capital Corp. which was a co-issuer (the Guarantors). The guarantees are senior unsecured obligations of the Guarantors and rank senior in right of payment to all of their existing and future subordinated debt. The guarantees rank equally in right of payment with all existing and future liabilities of the Guarantors that are not so subordinated and will be effectively subordinated in right of payment to all of such Guarantors existing and future secured debt (to the extent of the collateral securing such debt).

The 2023 Indenture contains covenants limiting the Issuers and the Guarantor s ability to create liens on assets to secure debt; enter into sale-leaseback transactions; and merge or consolidate with another company. These covenants are subject to a number of important and significant limitations, qualifications and exceptions.

Events of default under the 2023 Indenture include, among others, the following: default for 30 days in the payment when due of interest on the 2023 Notes; default in payment when due of the principal of, or premium, if any, on the 2023 Notes; failure to comply with certain covenants in the 2023 Indenture; and certain events of bankruptcy or insolvency. In the case of an event of default arising from certain events of bankruptcy or insolvency with respect to the Issuers or any Guarantor, all 2023 Notes then outstanding will become due and payable immediately without further action or notice.

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The 2023 Notes were offered pursuant to an exemption under the Securities Act of 1933, as amended (the Securities Act). The 2023 Notes were offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act or outside the United States to certain persons in reliance on Regulation S under the Securities Act. The 2023 Notes have not been and will not be registered under the Securities Act of 1933 or under any state securities laws. Therefore, the 2023 Notes may not be offered or sold within the United States to, or for the account or benefit of, any United States person unless the offer or sale would qualify for a registration exemption from the Securities Act and applicable state securities laws.

Wynn Las Vegas Credit Facilities

In March 2012, Wynn Las Vegas entered into an eighth amendment (Amendment No. 8) to its Amended and Restated Credit Agreement, dated as of August 15, 2006 (as amended, the Wynn Las Vegas Credit Agreement). Amendment No. 8 amended the Wynn Las Vegas Credit Agreement to, among other things, permit the issuance of the 2022 Notes. Concurrently with the issuance of the 2022 Notes, Wynn Las Vegas, LLC prepaid all term loans under the Wynn Las Vegas Credit Agreement, terminated all of its revolving credit commitments that were due to expire in 2013, and terminated all but $100 million of its revolving credit commitments expiring in 2015. In connection with this transaction, the Company expensed deferred financing fees of $4.8 million, all related to the Wynn Las Vegas term loan and revolving credit facilities.

In September 2012, Wynn Las Vegas terminated the Wynn Las Vegas Credit Agreement. No loans were outstanding under the Wynn Las Vegas Credit Agreement at the time of termination. Prior to such termination, certain letters of credit in which lenders had participated pursuant to the Wynn Las Vegas Credit Agreement were reallocated to a separate, unsecured letter of credit facility provided by Deutsche Bank, A.G. Wynn Las Vegas did not incur any early termination penalties related to the termination.

In connection with the termination, the Company expensed $2.6 million of previously deferred financing costs and third party fees related to the Wynn Las Vegas Credit Agreement.

Redemption Price Promissory Note

Based on the Board of Directors finding of unsuitability, on February 18, 2012, the Company redeemed and cancelled Aruze USA, Inc. s 24,549,222 shares of Wynn Resorts common stock. Following a finding of unsuitability, Wynn Resorts articles of incorporation authorize redemption of the shares held by unsuitable persons at a fair value redemption price. The Company engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then current trading price was appropriate because of, among other things, restrictions on most of the shares which were subject to the terms of an existing stockholder agreement. Pursuant to its articles of incorporation, the Company issued the Redemption Note to Aruze USA, Inc., a former stockholder and related party, in redemption of the shares. The Redemption Note has a principal amount of $1.94 billion, matures on February 18, 2022 and bears interest at the rate of 2% per annum payable annually in arrears on each anniversary of the date of the Redemption Note. The Company may, in its sole and absolute discretion, at any time and from time to time, and without penalty or premium, prepay the whole or any portion of the principal or interest due under the Redemption Note. In no instance shall any payment obligation under the Redemption Note be accelerated except in the sole and absolute discretion of the Company or as specifically mandated by law. The indebtedness evidenced by the Redemption Note is and shall be subordinated in right of payment, to the extent and in the manner provided in the Redemption Note, to the prior payment in full of all existing and future obligations of Wynn Resorts and any of its affiliates in respect of indebtedness for borrowed money of any kind or nature.

The Company recorded the fair value of the Redemption Note of approximately $1.94 billion in accordance with applicable accounting guidance. The Company utilized an independent third party valuation to assist in the

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

determination of this fair value. In determining this fair value, the Company estimated the Redemption Note s present value using discounted cash flows with a probability weighted expected return for redemption assumptions and a discount rate which included time value and non-performance risk adjustments commensurate with risk of the Redemption Note.

Considerations for the redemption assumptions included the stated maturity of the Redemption Note, uncertainty of the related cash flows as well as potential effects of the following: uncertainties surrounding the potential outcome and timing of pending litigation with the Okada Parties (see Note 16 Commitments and Contingencies); the outcome of on-going investigations of Aruze USA, Inc. by the United States Attorney s Office, the U.S. Department of Justice and the Nevada Gaming Control Board; and other potential legal and regulatory actions. In addition, in the furtherance of various future business objectives, the Company considered its ability, at its sole option, to prepay the Redemption Note at any time in accordance with its terms without penalty. Accordingly, the Company reasonably determined that the estimated life of the Redemption Note could be less than the contractual life of the Redemption Note.

In determination of the appropriate discount rate to be used in the estimated present value, the Redemption Note s subordinated position relative to all other debt in the Company s capital structure and credit ratings associated with the Company s traded debt were considered. Observable inputs for the risk free rate based on Federal Reserve rates for U.S. Treasury securities and credit risk spread based on a yield curve index of similarly rated debt was used. As a result of this analysis, the Company concluded the Redemption Notes s stated rate of 2% approximated a market rate.

The Okada Parties have challenged the redemption of Aruze USA, Inc. s shares and the Company is currently involved in litigation with those parties as well as related shareholder derivative litigation. On February 13, 2013, the Okada Parties filed a motion in the Nevada state court asking the court to establish an escrow account (specifically, they asked the court to establish a disputed ownership fund, as defined in a federal tax regulation (DOF)) to hold the Redemption Note as well as the redeemed shares themselves (although those shares were previously cancelled in February 2012), until the resolution of the redemption action and counterclaim. The Okada Parties subsequently filed reply papers in further support of their motion, in which they narrowed the relief they were seeking, specifically by withdrawing their request that the redeemed shares be placed into the escrow account. On April 17, 2013, the court entered an order granting the Okada Parties motion in part as to the narrowed relief outlined in their reply papers. Among other things, the court s order directed the Okada Parties to establish an escrow account with a third party (without making any ruling as to whether such an account would satisfy the requirements of a DOF) to hold interest payments tendered by the Company on the Redemption Note. The Company is to have no responsibility for fees or costs of the account, and will receive a full release and indemnity related to the account. On each of February 14, 2013 and February 13, 2014, the Company issued checks to Aruze USA, Inc. in the amount of $38.7 million, representing the interest payments due on the Redemption Note at those times. However, as of the date of this report, the checks remain uncashed. The parties engaged in discussions regarding the terms of the escrow agreement contemplated by the court s order. However, the Okada Parties recently advised of their intent to deposit any checks for interest and principal, past and future, due under the terms of the Redemption Note to the Clerk of the Court for deposit into the Clerk s Trust Account.

As further discussed in Note 16 Commitments and Contingencies , on June 19, 2012, Elaine Wynn responded to the counterclaim and asserted a cross claim against Steve Wynn and Kazuo Okada. The indentures for the Issuers 7 7/8% 2020 Notes, 7 3/4% 2020 Notes (the 2020 Indentures) and the indenture for the Issuers 2023 Notes (the 2023 Indenture, and, together with the 2020 Indentures, the Indentures) provide that if Stephen A. Wynn, together with certain related parties, in the aggregate beneficially owns a lesser percentage of the outstanding common stock of the Company than are beneficially owned by any other person, a change of

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

control will have occurred. If Elaine Wynn prevails in her cross claim, Stephen A. Wynn would not beneficially own or control Elaine Wynn s shares and a change in control may result under the Wynn Las Vegas debt documents. Under the 2020 Indentures, the occurrence of a change of control requires that the Company make an offer to each holder to repurchase all or any part of such holder s notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest on the notes purchased, if any, to the date of repurchase (unless the notes have been previously called for redemption). Under the 2023 Indenture, if a change of control occurs and within 60 days after that occurrence the 4 1/4% Senior Notes are rated below investment grade by both rating agencies that rate such notes, the Company is required to make an offer to each holder to repurchase all or any part of such holder s notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest on the notes purchased, if any, to the date of repurchase (unless the notes have been previously called for redemption). Mr. Wynn is opposing Ms. Wynn s cross claim.

The outcome of these various proceedings cannot be predicted. The Company s claims and the Okada Parties counterclaims are in a preliminary stage and management has determined that based on proceedings to date, it is currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any. An adverse judgment or settlement involving payment of a material amount could cause a material adverse effect on our financial condition.

$42 Million Note Payable for Aircraft

On March 30, 2007, World Travel, LLC, a subsidiary of Wynn Las Vegas, entered into a loan agreement with a principal balance of $42 million. The loan is guaranteed by Wynn Las Vegas, LLC and secured by a first priority security interest in one of the Company s aircraft. Principal payments of $350,000 plus interest are made quarterly with a balloon payment of $28 million due at maturity, April 1, 2017. Interest is calculated at 90-day LIBOR plus 125 basis points.

Fair Value of Long-Term Debt

The estimated fair value of the Company s long-term debt, excluding the Redemption Note, as of December 31, 2013 and 2012, was approximately $4.8 billion and $4.2 billion, respectively compared to its carrying value of $4.7 billion and $3.9 billion, respectively. The estimated fair value of the Company s long-term debt, excluding the Redemption Note, is based on recent trades, if available, and indicative pricing from market information (level 2 inputs). See Note 2 Summary of Significant Accounting Policies for discussion on the estimated fair value of the Redemption Note.

Scheduled Maturities of Long-Term Debt

Scheduled maturities of long-term debt, including the accretion of debt discounts of $6.4 million, are as follows (amounts in thousands):

Years Ending December 31,	
2014	$ 1,050
2015	1,400
2016	1,400
2017	405,196
2018	576,432
Thereafter	5,608,453
	$ 6,593,931

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Interest Rate Swaps

The Company has entered into floating-for-fixed interest rate swap arrangements in order to manage interest rate risk relating to certain of its debt facilities. These interest rate swap agreements modify the Company s exposure to interest rate risk by converting a portion of the Company s floating-rate debt to a fixed rate. These interest rate swaps essentially fix the interest rate at the percentages noted below; however, changes in the fair value of the interest rate swaps for each reporting period have been recorded as an increase/decrease in swap fair value in the accompanying Consolidated Statements of Income, as the interest rate swaps do not qualify for hedge accounting.

The Company utilized Level 2 inputs as described in Note 2 Summary of Significant Accounting Policies to determine fair value. The fair value approximates the amount the Company would pay if these contracts were settled at the respective valuation dates. Fair value is estimated based upon current, and predictions of future, interest rate levels along a yield curve, the remaining duration of the instruments and other market conditions, and therefore, is subject to significant estimation and a high degree of variability and fluctuation between periods. The fair value is adjusted, to reflect the impact of credit ratings of the counterparties or the Company, as applicable. These adjustments resulted in a reduction in the fair values as compared to their settlement values. As of December 31, 2013, the interest rate swaps were recorded as an asset of $10.3 million and included in deposits and other assets. As of December 31, 2012, the interest rate swaps were recorded as a liability of $3.9 million and included in other long-term liabilities.

The Company currently has three interest rate swap agreements intended to hedge a portion of the underlying interest rate risk on borrowings under the Amended Wynn Macau Credit Facilities. Under two of the swap agreements, the Company pays a fixed interest rate (excluding the applicable interest margin) of 0.73% on notional amounts corresponding to borrowings of HK$3.95 billion (approximately $509.4 million) incurred under the Amended Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable interest rate based on the applicable HIBOR at the time of payment. These interest rate swaps fix the all-in interest rate on such amounts at 2.48% to 3.23%. These interest rate swap agreements mature in July 2017.

Under the third swap agreement, the Company pays a fixed interest rate (excluding the applicable interest margin) of 0.6763% on notional amounts corresponding to borrowings of $243.8 million incurred under the Amended Wynn Macau Credit Facilities in exchange for receipts on the same amount at a variable rate based on the applicable LIBOR at the time of payment. This interest rate swap fixes the all-in interest rate on such amounts at 2.4263% to 3.1763%. This interest rate swap agreement matures in July 2017.

10. Related Party Transactions

Related Party Share Redemption

Based on the Board of Directors finding of unsuitability, on February 18, 2012, the Company redeemed and cancelled Aruze USA, Inc. s 24,549,222 shares of Wynn Resorts common stock. Following a finding of unsuitability, Wynn Resorts articles of incorporation authorize redemption of the shares held by unsuitable persons at a fair value redemption price. The Company engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then current trading price was appropriate because of, among other things, restrictions on most of the shares which were subject to the terms of an existing stockholder agreement. Pursuant to its articles of incorporation, the Company issued the Redemption Note to Aruze USA, Inc., a former stockholder and related party, in redemption of the shares. Aruze USA, Inc., Universal Entertainment Corporation and Kazuo Okada have challenged the redemption of Aruze USA, Inc. s shares and we are currently involved in litigation with those parties as well as related shareholder derivative litigation. The

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

outcome of these various proceedings cannot be predicted. The Company s claims and the Okada Parties counterclaims are in a preliminary stage and management has determined that based on proceedings to date, it is currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any. An adverse judgment or settlement involving payment of a material amount could cause a material adverse effect on our financial condition.

Amounts Due to Officers

The Company periodically provides services to Stephen A. Wynn, Chairman of the Board of Directors and Chief Executive Officer (Mr. Wynn), and certain other officers and directors of the Company, including the personal use of employees, construction work and other personal services. Mr. Wynn and other officers and directors have deposits with the Company to prepay any such items, which are replenished on an ongoing basis as needed. As of December 31, 2013 and 2012, Mr. Wynn and the other officers and directors had a net deposit balance with the Company of $0.8 million and $1 million, respectively.

Villa Lease

On March 18, 2010, Mr. Wynn and Wynn Las Vegas entered into an Amended and Restated Agreement of Lease (the Prior SW Lease) for a villa to serve as Mr. Wynn s personal residence. The Prior SW Lease amended and restated a previous lease. The Prior SW Lease was approved by the Audit Committee of the Board of Directors of the Company. The term of the Prior SW Lease commenced as of March 1, 2010 and ran concurrent with Mr. Wynn s employment agreement with the Company; provided that either party could terminate on 90 days notice. Pursuant to the Prior SW Lease, the rental value of the villa was treated as imputed income to Mr. Wynn, and was equal to the fair market value of the accommodations provided. Effective March 1, 2010, and for the first two years of the term of the Prior SW Lease, the rental value was $503,831 per year. Effective March 1, 2012, the rental value was $440,000 per year.

On May 7, 2013, Wynn Las Vegas entered into a 2013 Amended and Restated Agreement of Lease (the Existing SW Lease), effective December 29, 2012, to include an expansion of the villa and to adjust the rental value accordingly to $525,000 per year based on the current fair market value as established by the Audit Committee of the Company with the assistance of an independent third-party appraisal.

On November 7, 2013, Mr. Wynn and Wynn Las Vegas entered into a 2013 Second Amended and Restated Agreement of Lease (the New SW Lease) amending and restating the Existing SW Lease, effective as of November 5, 2013. The New SW Lease was approved by the Audit Committee of the Board of Directors of Wynn Resorts. Pursuant to the New SW Lease, effective as of November 5, 2013 and ending on February 28, 2015, Mr. Wynn will pay Wynn Las Vegas annual rent for the villa of $525,000, which amount was determined to be the fair market value of the accommodations based on a third-party appraisal and which is consistent with the rental value under the Existing SW Lease. In addition, pursuant to the New SW Lease, the Company pays for all capital improvements to the villa and will reimburse Mr. Wynn for all amounts he previously paid the Company for capital improvements to the villa in 2012 and 2013. The rental value for the villa will be re-determined every two years during the term of the New SW Lease by the Audit Committee. Certain services for, and maintenance of, the villa are included in the rental.

Home Purchase

In May 2010, the Company entered into an employment agreement with Linda Chen, who is the Chief Operating Officer of Wynn Macau. The term of the employment agreement is through February 24, 2020. Under

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

the terms of the employment agreement, the Company purchased a home in Macau for use by Ms. Chen and has made renovations to the home with total costs of $9.4 million through December 31, 2013. Upon the occurrence of certain events set forth below, Ms. Chen has the option to purchase the home at the then fair market value of the home (as determined by an independent appraiser) less a discount equal to ten percentage points multiplied by each anniversary of the term of the agreement that has occurred (the Discount Percentage). The option is exercisable for (a) no consideration at the end of the term, (b) $1.00 in the event of termination of Ms. Chen s employment without cause or termination of Ms. Chen s employment for good reason following a change of control and (c) at a price based on the applicable Discount Percentage in the event Ms. Chen terminates the agreement due to material breach by the Company. Upon Ms. Chen s termination for cause, Ms. Chen will be deemed to have elected to purchase the Macau home based on the applicable Discount Percentage unless the Company determines to not require Ms. Chen to purchase the home. If Ms. Chen s employment terminates for any other reason before the expiration of the term (e.g., because of her death or disability or due to revocation of gaming license), the option will terminate.

Plane Option Agreement

On January 3, 2013, the Company and Mr. Wynn entered into an agreement pursuant to which Mr. Wynn agreed to terminate a previously granted option to purchase an approximately two acre tract of land located on the Wynn Las Vegas golf course and, in return, the Company granted Mr. Wynn the right to purchase any or all of the aircraft owned by the Company or its direct wholly owned subsidiaries. The aircraft purchase option is exercisable upon 30 days written notice and at a price equal to the book value of such aircraft, and will terminate on the date of termination of the employment agreement between the Company and Mr. Wynn, which expires in October 2020.

The Wynn Surname Rights Agreement

On August 6, 2004, the Company entered into agreements with Mr. Wynn that confirm and clarify the Company s rights to use the Wynn name and Mr. Wynn s persona in connection with its casino resorts. Under the parties Surname Rights Agreement, Mr. Wynn granted the Company an exclusive, fully paid-up, perpetual, worldwide license to use, and to own and register trademarks and service marks incorporating the Wynn name for casino resorts and related businesses, together with the right to sublicense the name and marks to its affiliates. Under the parties Rights of Publicity License, Mr. Wynn granted the Company the exclusive, royalty-free, worldwide right to use his full name, persona and related rights of publicity for casino resorts and related businesses, together with the ability to sublicense the persona and publicity rights to its affiliates, until October 24, 2017.

11. Property Charges and Other

Property charges and other consisted of the following (amounts in thousands):

	Years Ended December 31,		
	2013	2012	2011
Net loss on assets abandoned/retired for remodel or sold	$ 7,358	$ 29,524	$ 19,708
Donation to University of Macau Foundation	3,780	4,083	109,563
Loss on contract termination	6,000	315	
Loss on show cancellation		6,056	1,378
	$ 17,138	$ 39,978	$ 130,649

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Property charges and other generally include costs related to the retirement of assets for remodels and asset abandonments. Property charges and other for the year ended December 31, 2013 include fees paid in connection with the termination of a contract, miscellaneous renovations and abandonments at our resorts and entertainment development costs.

Property charges and other for the year ended December 31, 2012 include the remodel of a Las Vegas restaurant, charges associated with the termination of a Las Vegas show that ended its run in November 2012, and miscellaneous renovations and abandonments at our resorts.

Property charges and other for the year ended December 31, 2011 include the present value of a charitable contribution made by Wynn Macau to the University of Macau Development Foundation. This contribution consists of a $25 million payment made in May 2011, and a commitment for additional donations of $10 million each year for the calendar years 2012 through 2022 inclusive, for a total of $135 million. The amount reflected in the accompanying Consolidated Statements of Income has been discounted using the Company s estimated borrowing rate over the time period of the remaining committed payments. In accordance with accounting standards for contributions, subsequent accretion of the discount is being recorded as additional donation expense and included in Property charges and other. Also included are the write off of certain off-site golf memberships by Wynn Las Vegas, miscellaneous renovations and abandonments at the Company s resorts, including modifications of the Encore at Wynn Las Vegas retail esplanade, closure of the Blush nightclub and the write off of certain costs related to a show that ended its run in Las Vegas in April 2011.

12. Stockholders Equity

Common Stock

The Company is authorized to issue up to 400,000,000 shares of its common stock, $0.01 par value per share (the Common Stock). As of December 31, 2013 and 2012, 101,192,408 shares and 100,866,712 shares, respectively, of the Company s Common Stock were outstanding. Except as otherwise provided by the Company s articles of incorporation or Nevada law, each holder of the Common Stock is entitled to one vote for each share held of record on each matter submitted to a vote of stockholders. Holders of the Common Stock have no cumulative voting, conversion, redemption or preemptive rights or other rights to subscribe for additional shares. Subject to any preferences that may be granted to the holders of the Company s preferred stock, each holder of Common Stock is entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefore, as well as any distributions to the stockholders and, in the event of liquidation, dissolution or winding up of the Company, is entitled to share ratably in all assets of the Company remaining after payment of liabilities.

The Board of Directors of Wynn Resorts has authorized an equity repurchase program of up to $1.7 billion. The repurchase program may include repurchases from time to time through open market purchases or negotiated transactions, depending upon market conditions. As of December 31, 2013, the Company had repurchased a cumulative total of 12,978,085 shares of the Company s Common Stock for a net cost of $1.1 billion under the program. Under the repurchase program, there were no repurchases made during the years ended December 31, 2013, 2012 and 2011.

During 2013 and 2012, the Company repurchased a total of 114,355 shares and 7,640 shares, respectively, in satisfaction of tax withholding obligations on vested restricted stock.

In February 2013, May 2013, August 2013 and November 2013 the Company paid a dividend of $1.00 per common share as part of a cash dividend program. In December 2013, the Company paid a dividend of $3.00 per common share.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Preferred Stock

The Company is authorized to issue up to 40,000,000 shares of undesignated preferred stock, $0.01 par value per share (the Preferred Stock). As of December 31, 2013, the Company had not issued any Preferred Stock. The Board of Directors, without further action by the holders of Common Stock, may designate and issue shares of Preferred Stock in one or more series and may fix or alter the rights, preferences, privileges and restrictions, including the voting rights, redemption provisions (including sinking fund provisions), dividend rights, dividend rates, liquidation rates, liquidation preferences, conversion rights and the description and number of shares constituting any wholly unissued series of Preferred Stock. The issuance of such shares of Preferred Stock could adversely affect the rights of the holders of Common Stock. The issuance of shares of Preferred Stock under certain circumstances could also have the effect of delaying or preventing a change of control of the Company or other corporate action.

Redemption of Securities

Wynn Resorts articles of incorporation provide that, to the extent a gaming authority makes a determination of unsuitability or to the extent the Board of Directors determines, in its sole discretion, that a person is likely to jeopardize the Company or any affiliates application for, receipt of, approval for, right to the use of, or entitlement to, any gaming license, Wynn Resorts may redeem shares of its capital stock that are owned or controlled by an unsuitable person or its affiliates. The redemption price will be the amount, if any, required by the gaming authority or, if the gaming authority does not determine the price, the sum deemed by the Board of Directors to be the fair value of the securities to be redeemed. If Wynn Resorts determines the redemption price, the redemption price will be capped at the closing price of the shares on the principal national securities exchange on which the shares are listed on the trading day before the redemption notice is given. If the shares are not listed on a national securities exchange, the redemption price will be capped at the closing sale price of the shares as quoted on The NASDAQ Global Select Market or if the closing price is not reported, the mean between the bid and ask prices, as quoted by any other generally recognized reporting system. Wynn Resorts right of redemption is not exclusive of any other rights that it may have or later acquire under any agreement, its bylaws or otherwise. The redemption price may be paid in cash, by promissory note, or both, as required, and pursuant to the terms established by, the applicable Gaming Authority and, if not, as the Board of Directors of Wynn Resorts elects.

Based on the Board of Directors finding of unsuitability, on February 18, 2012, Wynn Resorts redeemed and cancelled Aruze USA, Inc. s 24,549,222 shares of Wynn Resorts common stock. For more information, refer to Note 16 Commitments and Contingencies .

13. Noncontrolling Interest

In October 2009, Wynn Macau, Limited, an indirect wholly owned subsidiary of the Company and the developer, owner and operator of Wynn Macau, listed its ordinary shares of common stock on The Stock Exchange of Hong Kong Limited. Through an initial public offering, including the over allotment, Wynn Macau, Limited sold 1,437,500,000 shares (27.7%) of this subsidiary s common stock (the Wynn Macau Limited IPO). Proceeds to the Company as a result of this transaction were approximately $1.8 billion, net of transaction costs of approximately $84 million. The shares of Wynn Macau, Limited were not and will not be registered under the Securities Act and may not be offered or sold in the United States absent a registration under the Securities Act, or an applicable exception from such registration requirements. Net income attributable to noncontrolling interest was $275.5 million, $226.7 million and $211.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

On August 23, 2013, the Wynn Macau, Limited Board of Directors approved a HK$0.50 per share dividend. The total dividend amount was $334.5 million and the Company s share of this dividend was $241.8 million. A reduction of $92.7 million was made to noncontrolling interest in the accompanying Consolidated Balance Sheets to reflect the payment of this dividend.

On March 28, 2013, the Wynn Macau, Limited Board of Directors approved a HK$1.24 per share dividend. The total dividend amount was $828.6 million and the Company s share of this dividend was $599.1 million. A reduction of $229.6 million was made to noncontrolling interest in the accompanying Consolidated Balance Sheets to reflect the payment of this dividend.

On November 16, 2011, the Wynn Macau, Limited Board of Directors approved a HK$1.20 per share dividend. The total dividend amount was approximately $800 million and the Company s share of this dividend was $578.3 million. A reduction of $221.6 million was made to noncontrolling interest in the accompanying Consolidated Balance Sheets to reflect the payment of this dividend.

14. Benefit Plans

Employee Savings Plan

The Company established a retirement savings plan under Section 401(k) of the Internal Revenue Code covering its U.S. non-union employees in July 2000. The plan allows employees to defer, within prescribed limits, a percentage of their income on a pre-tax basis through contributions to this plan. On April 30, 2013, the Company announced a 401(k) plan match for the 2013 plan year. For the 2013 plan year, the Company matched 50% of employee contributions, up to 6% of employees paychecks, with a one-time annual matching cap of $500 per employee. The company expensed $1.2 million related to this match as of December 31, 2013. The Company suspended matching contributions to this plan effective March 2009 and did not record any expense for matching contributions for the years ended December 31, 2012 and 2011, respectively.

Wynn Macau also operates a defined contribution retirement benefits plan (the Wynn Macau Plan). Eligible employees are allowed to contribute 5% of their salary to the Wynn Macau Plan and the Company matches any contributions. The assets of the Wynn Macau Plan are held separately from those of the Company in an independently administered fund. The Company s matching contributions vest to the employee at 10% per year with full vesting in ten years. Forfeitures of unvested contributions are used to reduce the Company s liability for its contributions payable. During the years ended December 31, 2013, 2012 and 2011, the Company recorded an expense for matching contributions of $7.5 million, $7.1 million and $6.6 million, respectively.

Multi-employer pension plan

Wynn Las Vegas contributes to a multi-employer defined benefit pension plan for certain of its union employees under the terms of the Southern Nevada Culinary and Bartenders Union collective-bargaining agreement. The collective-bargaining agreement that covers these union-represented employees expires in 2016. The legal name of the multi-employer pension plan is the Southern Nevada Culinary and Bartenders Pension Plan (the Plan) (EIN: 88-6016617 Plan Number: 001). The Company recorded an expense of $9 million, $8.6 million and $7.6 million for contributions to the Plan for the years ended December 31, 2013, 2012 and 2011, respectively. For the 2012 plan year, the most recent for which plan data is available, the Company s contributions were identified by the Plan to exceed 5% of total contributions for that year. Based on information the Company received from the Plan, it was certified to be in neither endangered nor critical status for the 2012

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

plan year. Risks of participating in a multi-employer plan differs from single-employer plans for the following reasons: (1) assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (3) if a participating employer stops participating, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Stock-Based Compensation

The Company established the 2002 Stock Incentive Plan (the WRL Stock Plan) to provide for the grant of (i) incentive stock options, (ii) compensatory (i.e., nonqualified) stock options, and (iii) nonvested shares of Common Stock of Wynn Resorts, Limited. Employees, directors (whether employee or nonemployee) and independent contractors or consultants of the Company are eligible to participate in the WRL Stock Plan. However, only employees of the Company are eligible to receive incentive stock options.

A maximum of 12,750,000 shares of Common Stock are reserved for issuance under the WRL Stock Plan. As of December 31, 2013, 4,438,524 shares remain available for the grant of stock options or nonvested shares of Common Stock.

Options are granted at the current market price at the date of grant. The WRL Stock Plan provides for a variety of vesting schedules all determined at the time of grant. All options expire ten years from the date of grant.

A summary of option activity under the WRL Stock Plan as of December 31, 2013, and the changes during the year then ended is presented below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2013	2,397,820	$ 66.89		
Granted	77,800	$ 139.54		
Exercised	(383,151)	$ 53.34		
Forfeited or expired	(486,160)	$ 59.50		
Outstanding at December 31, 2013	1,606,309	$ 75.89	5.30	$ 190,064,746
Fully vested and expected to vest at December 31, 2013	1,546,461	$ 75.63	5.31	$ 183,393,072
Exercisable at December 31, 2013	181,761	$ 69.79	4.93	$ 22,614,588

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following information is provided for stock options of the WRL Stock Plan (amounts in thousands, except weighted average grant date fair value):

	Years Ended December 31,		
	2013	**2012**	**2011**
Weighted average grant date fair value	$ 39.93	$ 33.03	$ 48.31
Intrinsic value of stock options exercised	$ 33,830	$ 22,416	$ 36,776
Net cash proceeds from the exercise of stock options	$ 20,436	$ 15,583	$ 23,789
Tax benefits realized from the exercise of stock options and vesting of restricted stock	$ 10,474	$ 5,537	$ 11,176

As of December 31, 2013, there was a total of $33.4 million of unamortized compensation related to stock options, which is expected to be recognized over the vesting period of the related grants through May 2019.

A summary of the status of the WRL Stock Plan s nonvested shares as of December 31, 2013 and changes during the year then ended is presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2013	651,500	$ 103.27
Granted	135,400	125.56
Vested	(310,900)	116.85
Forfeited	(78,500)	131.79
Nonvested at December 31, 2013	397,500	$ 113.13

The following information is provided for nonvested stock of the WRL Stock Plan (amounts in thousands, except weighted average grant date fair value):

	Years Ended December 31,		
	2013	**2012**	**2011**
Weighted average grant date fair value	$ 125.56	$ 110.04	$ 129.55
Fair value of shares vested	$ 36,328	$ 15,653	$ 24,865

Approximately $26.3 million of unamortized compensation cost relating to nonvested shares of Common Stock at December 31, 2013 will be recognized as compensation over the vesting period of the related grants through October 2021.

Wynn Macau, Limited Stock Incentive Plan

The Company s majority-owned subsidiary Wynn Macau, Limited adopted a stock incentive plan effective September 16, 2009 (the WML Stock Plan). The purpose of the WML Stock Plan is to reward participants, which may include directors and employees of Wynn Macau, Limited who have contributed towards enhancing the value of Wynn Macau and its shares. A maximum of 518,750,000 shares have been reserved for issuance

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

under the WML Stock Plan. The Wynn Macau, Limited shares available for issuance under the WML Stock Plan are separate and distinct from the common stock of Wynn Resorts equity compensation plans and are not available for issuance for any awards under any of the Wynn Resorts equity compensation plans.

A summary of option activity under the WML Stock Plan as of December 31, 2013, and the changes during the year then ended is presented below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2013	2,110,000	$ 2.15		
Granted	800,000	$ 3.21		
Exercised				
Outstanding at December 31, 2013	2,910,000	$ 2.44	7.8	$ 6,082,136
Fully vested and expected to vest at December 31, 2013	2,910,000	$ 2.44	7.8	$ 6,082,136
Exercisable at December 31, 2013	862,000	$ 1.95	6.8	$ 2,224,036

The following information is provided for stock options of the WML Stock Plan (amounts in thousands, except weighted average grant date fair value):

	Years Ended December 31,		
	2013	2012	2011
Weighted average grant date fair value	$ 0.78	$ 0.78	$ 0.75
Intrinsic value of stock options exercised	$	$	$ 99.2
Net cash proceeds from exercise of stock options	$	$	$ 70.2

As of December 31, 2013, there was a total of $0.7 million of unamortized compensation related to stock options, which is expected to be recognized over the vesting period of the related grants through June 2017.

Compensation Cost

The Company uses the Black-Scholes valuation model to determine the estimated fair value for each option grant issued, with highly subjective assumptions, changes in which could materially affect the estimated fair value. Expected volatility is based on implied and historical factors related to the Company s Common Stock. Expected term represents the weighted average time between the option s grant date and its exercise date. The risk-free interest rate used for each period presented is based on the U.S. Treasury yield curve for WRL Stock Plan options or the Hong Kong Exchange Fund rates for the WML Stock Plan options at the time of grant for the period equal to the expected term.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The fair value of stock options granted under the WRL Stock Plan was estimated on the date of grant using the following weighted-average assumptions:

	Years Ended December 31,		
	2013	**2012**	**2011**
Expected dividend yield	3.0%	4.0%	4.0%
Expected stock price volatility	39.4%	48.8%	49.7%
Risk-free interest rate	1.1%	1.2%	2.4%
Expected average life of options (years)	6.7	7.0	6.5

The fair value of stock options granted under the WML Stock Plan was estimated on the date of grant using the following assumptions:

	Years Ended December 31,		
	2013	**2012**	**2011**
Expected dividend yield	5.0%	4.0%	4.0%
Expected stock price volatility	43.3%	49.0%	37.8%
Risk-free interest rate	0.6%	0.7%	2.1%
Expected average life of options (years)	6.5	6.5	6.5

The total compensation cost for both the WRL Stock Plan and the WML Stock Plan is allocated as follows (amounts in thousands):

	Years Ended December 31,		
	2013	**2012**	**2011**
Casino	$ 4,791	$ 4,794	$ 8,997
Rooms	853	313	383
Food and beverage	1,202	178	429
Entertainment, retail and other	477	43	24
General and administrative	32,214	14,320	14,048
Total stock-based compensation expense	39,537	19,648	23,881
Total stock-based compensation capitalized	196	195	886
Total stock-based compensation costs	$ 39,733	$ 19,843	$ 24,767

For the year ended December 31, 2013, the Company recorded a charge in accordance with applicable accounting standards, of approximately $23 million due to the retirement of the Company s former chief operating officer and the related accelerated vesting of shares previously granted to him.

For the year ended December 31, 2012, the Company reversed stock-based compensation expense allocated to casino operations related to stock options and restricted stock granted in 2008 with an approximate 8 year cliff vest provision that were forfeited during the first quarter of 2012.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Income Taxes

Consolidated income (loss) before taxes for domestic and foreign operations consisted of the following (amounts in thousands):

	Years Ended December 31,		
	2013	2012	2011
Domestic	$ (9,935)	$ (87,122)	$ 49,521
Foreign	996,458	820,120	756,046
Total	$ 986,523	$ 732,998	$ 805,567

The Company s provision (benefit) for income taxes consisted of the following (amounts in thousands):

	Years Ended December 31,		
	2013	2012	2011
Current			
Federal	$ 135	$ 5,912	$
Foreign	2,057	2,042	(3,386)
	$ 2,192	$ 7,954	$ (3,386)
Deferred			
Federal	$ (19,826)	$ (3,655)	$ (10,809)
Foreign			(5,351)
	(19,826)	(3,655)	(16,160)
Total	$ (17,634)	$ 4,299	$ (19,546)

The income tax provision (benefit) differs from that computed at the federal statutory corporate tax rate as follows:

	Years Ended December 31,		
	2013	2012	2011
Federal statutory rate	35.0%	35.0%	35.0%
Foreign tax rate differential	(23.1%)	(25.6%)	(21.3%)
Non-taxable foreign income	(13.4%)	(15.4%)	(13.0%)
Foreign tax credits, net of valuation allowance	(89.3%)	1.7%	(80.8%)
Repatriation of foreign earnings	87.2%	0.0%	76.3%
Other, net	1.9%	3.6%	0.4%
Valuation allowance, other	(0.1%)	1.3%	1.0%
Effective tax rate	(1.8%)	0.6%	(2.4%)

On November 30, 2010, Wynn Macau received a second 5-year exemption from Macau s 12% Complementary Tax on casino gaming profits, thereby exempting the casino gaming profits of Wynn Macau through December 31, 2015. Accordingly for the years ended December 31, 2013, 2012, and 2011, the Company was exempted from the payment of $107.3 million, $87.1 million and $82.7 million in such taxes or $1.06, $0.84 and $0.66 per share, respectively. The Company s non-gaming profits remain subject to the Macau Complementary Tax and its casino winnings remain subject to the Macau Special Gaming tax and other levies in accordance with its concession agreement.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In July of 2011, Wynn Macau received a 5-year extension of its agreement with the Macau Special Administrative Region that provides for an annual payment of MOP $15.5 million (approximately $1.9 million U.S. dollars) as complementary tax otherwise due by shareholders of Wynn Macau on dividend distributions through 2015. As a result of the shareholder dividend tax agreements, income tax expense includes $1.9 million, $1.9 million and $1.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The Macau special gaming tax is 35% of gross gaming revenue. U.S. tax laws only allow a foreign tax credit up to 35% of net foreign source income. In February 2010, the Company and the IRS entered into a Pre-Filing Agreement (PFA) providing that the Macau Special Gaming Tax qualifies as a tax paid in lieu of an income tax and could be claimed as a U.S. foreign tax credit.

During the years ended December 31, 2013 and December 31, 2011, the Company recognized tax benefits of $879.7 million and $647.6 million, respectively (net of valuation allowance and uncertain tax positions), for foreign tax credits generated applicable to the earnings of Wynn Macau. During December 31, 2012, the Company did not repatriate any earnings of Wynn Macau and consequently did not generate foreign tax credits in that year.

Accounting standards require recognition of a future tax benefit to the extent that realization of such benefit is more likely than not. Otherwise, a valuation allowance is applied. During 2013 and 2012, the aggregate valuation allowance for deferred tax assets increased by $755.5 million and $19.1 million, respectively. The 2013 and 2012 increases are primarily related to foreign tax credit carryforwards and other foreign deferred tax assets that are not considered more likely than not realizable.

The Company recorded tax benefits resulting from the exercise of nonqualified stock options and the value of vested restricted stock and accrued dividends of $10.5 million, $5.5 million, and $11.2 million as of December 31, 2013, 2012 and 2011, respectively, in excess of the amounts reported for such items as compensation costs under accounting standards related to stock-based compensation. The Company uses a with-and-without approach to determine if the excess tax deductions associated with compensation costs have reduced income taxes payable.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The tax effects of significant temporary differences representing net deferred tax assets and liabilities consisted of the following (amounts in thousands):

	As of December 31,	
	2013	2012
Deferred tax assets U.S.:		
Current:		
Receivables, inventories, accrued liabilities and other	$ 36,556	$ 38,488
Less: valuation allowance	(34,347)	(35,386)
	2,209	3,102
Long-term:		
Foreign tax credit carryforwards	2,614,665	1,843,757
Intangibles and related other	26,324	26,773
Stock based compensation	10,736	19,113
Pre-opening costs	12,884	14,584
Other	11,341	12,320
	2,675,950	1,916,547
Less: valuation allowance	(2,514,258)	(1,762,090)
	161,692	154,457
Deferred tax liabilities U.S.:		
Current:		
Prepaid insurance, maintenance and taxes	(6,243)	(6,280)
Long-term:		
Property and equipment	(176,036)	(199,956)
Deferred tax assets Foreign:		
Current:		
Accrued liabilities	164	156
Less: valuation allowance	(164)	(156)
Long-term:		
Net operating loss carryforwards	13,701	17,157
Property and equipment	17,441	11,973
Pre-opening costs	3,040	854
Other	4,074	3,929
Less: valuation allowance	(38,256)	(33,913)

Net deferred tax liability	$ (18,378)	$ (48,677)

As of December 31, 2013, the Company had foreign tax credit carryforwards (net of uncertain tax positions) of $2,615 million. Of this amount, $660.5 million will expire in 2018, $110.9 million will expire in 2019, $530.4 million in 2020, $540.3 million in 2021 and $772.6 million in 2023. The Company has no U.S. tax loss carryforwards. The Company incurred foreign tax losses of $42.4 million, $79.1 million and $70.9 million during the tax years ended December 31, 2013, 2012 and 2011, respectively. These foreign tax loss carryforwards expire

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

in 2016, 2015, and 2014, respectively. The Company incurred a U.S. capital loss of $3.6 million during the year ended December 31, 2011. The U.S. capital loss carryforward will expire in 2016.

In assessing the need for a valuation allowance, the Company does not currently consider forecasted future operating results when scheduling the realization of deferred tax assets and the required valuation allowance but instead relies solely on the reversal of net taxable temporary differences. The valuation allowance for foreign tax credits was determined by scheduling the existing U.S. taxable temporary differences that are expected to reverse and result in net foreign source income during the 10-year foreign tax credit carryover period.

As of December 31, 2013 and 2012, the Company had valuation allowances of $2,543 million and $1,786 million, respectively, provided on foreign tax credits expected to expire unutilized and valuation allowances of $5.8 million and $11.1 million provided on other U.S. deferred tax assets. The Company has recorded a valuation allowance against all of its foreign deferred tax assets.

Except for $434 million of accumulated earnings which the Company plans on repatriating, the Company has not provided deferred U.S. income taxes or foreign withholding taxes on temporary differences of $388.1 million and $333.6 million as of December 31, 2013 and 2012, respectively, which are indefinitely reinvested and will be used to fund future operations or expansion. The amount of the unrecognized deferred tax liability associated with these temporary differences is approximately $135.8 million and $116.8 million for the years ended December 31, 2013 and 2012. Deferred income taxes, net of foreign tax credits, are provided for foreign earnings planned for repatriation. For the years ended December 31, 2013 and 2012, the Company repatriated $840.9 million and $0 from Wynn Macau, Limited. The amounts repatriated were used to fund domestic operations, to provide additional U.S. liquidity, and to fund dividends to the Company s shareholders.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (amounts in thousands):

		As of December 31,	
	2013	**2012**	**2011**
Balance beginning of year	$ 84,289	$ 85,498	$ 83,834
Additions based on tax positions of the current year	8,360	8,140	12,427
Additions based on tax positions of prior years			
Reductions for tax positions of prior years			
Settlements			
Lapses in statutes of limitations	(3,105)	(9,349)	(10,763)
Balance end of year	$ 89,544	$ 84,289	$ 85,498

As of December 31, 2013, 2012, and 2011 unrecognized tax benefits of $60.3 million, $55.2 million, and $60.4 million, respectively, were recorded as reductions to the U.S. foreign tax credit deferred tax asset and the foreign net operating loss deferred tax asset. As of December 31, 2013, 2012, and 2011, unrecognized tax benefits of $29.2 million, $29.1 million and $25.1 million, respectively, were recorded in Other long-term liabilities.

As of December 31, 2013, 2012 and 2011, $20.7 million, $18.8 million and $24.2 million, respectively, of unrecognized tax benefits would, if recognized, impact the effective tax rate.

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company recognizes penalties and interest related to unrecognized tax benefits in the provision for income taxes. During the years ended December 31, 2013, 2012 and 2011, the Company recognized interest and penalties of $0, $0.3 million and $0.04 million, respectively.

The Company anticipates that the 2009 statute of limitations will expire in the next 12 months for certain foreign tax jurisdictions. Also, the Company s unrecognized tax benefits include certain income tax accounting methods. These accounting methods govern the timing and deductibility of income tax deductions. As a result, the Company s unrecognized tax benefits could increase by a range of $0 to $0.5 million over the next 12 months.

The Company files income tax returns in the U.S. federal jurisdiction, various states and foreign jurisdictions. The Company s income tax returns are subject to examination by the IRS and other tax authorities in the locations where it operates. The Company s 2002 to 2009 domestic income tax returns remain subject to examination by the IRS to the extent of tax attributes carryforwards to future years. The Company s 2010 to 2012 domestic income tax returns also remain subject to examination by the IRS. The Company s 2009 to 2012 Macau income tax returns remain subject to examination by the Macau Financial Services Bureau.

In April 2012, the Company reached an agreement with the Appellate division of the IRS regarding issues raised during the examination of the 2006 through 2009 U.S. income tax returns. The settlement with the Appellate division did not impact the Company s unrecognized tax benefits. The settlement of the 2006 through 2009 examination issues resulted in a cash tax payment of $1.3 million and the utilization of $3.1 million and $0.9 million in foreign tax credit and general business credit carryforwards, respectively.

During December 2012, the IRS completed an examination of the Company s 2010 U.S. income tax return and had no changes. In May 2013, the Company received notification that the IRS completed its examination of the Company s 2011 U.S. income tax return and had no changes.

For tax year 2012, the Company is participating in the IRS Compliance Assurance Program (CAP) which accelerates IRS examination of key transactions with the goal of resolving any issues before the taxpayer files its return. The Company believes the IRS will complete their examination of the 2012 tax year in the next 12 months. In March 2013, the Company received notification that it had been selected for the Compliance Maintenance phase of CAP for the 2013 tax year. In the Compliance Maintenance phase, the IRS, at its discretion, may reduce the level of review of the taxpayer s tax positions based on the complexity and number of issues, and the taxpayer s history of compliance, cooperation and transparency in the CAP. The Company does not expect a change in its unrecognized tax benefits as a result of the completion of these examinations.

During August 2011, Wynn Macau settled an appeal related to the Macau Financial Services Bureau s examination of its 2006 and 2007 Macau Complementary Tax returns. As part of the settlement, the Company paid $1.1 million in Macau Complementary tax. As the result of the exam settlement and the expiration of the statute of limitations for the 2006 Macau Complementary tax return, the total amount of unrecognized tax benefits decreased by $10.8 million.

In July 2012, the Macau Financial Services Bureau commenced an examination of the 2008 Macau income tax return of Wynn Macau. In November 2012, the Company received the results of the examination. While no additional tax was due, adjustments were made to the Company s foreign net operating loss carryforwards.

On December 31, 2013, the statute of limitations for the 2008 Macau Complementary tax return expired. As a result, the Company s unrecognized tax benefits decreased by $3.1 million.

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In January 2013, the Macau Financial Services Bureau examined the 2009 and 2010 Macau income tax returns of Palo, which is a co-holder of the land concession for Wynn Palace. The exam resulted in no change to the tax returns.

In March 2013, the Macau Financial Services Bureau commenced an examination of the 2009, 2010, and 2011 Macau income tax returns of Wynn Macau. Since the examination is in its initial stages, the Company is unable to determine if it will conclude within the next 12 months. The Company believes that its liability for uncertain tax positions is adequate with respect to these years.

16. Commitments and Contingencies

Cotai Development and Land Concession Contract

In September 2011, Palo Real Estate Company Limited (Palo) and Wynn Macau, each an indirect subsidiary of Wynn Macau Limited, formally accepted the terms and conditions of a draft land concession contract from the Macau government for approximately 51 acres of land in the Cotai area of Macau. On May 2, 2012, the land concession contract was gazetted by the government of Macau evidencing the final step in the granting of the land concession. The initial term of the land concession contract is 25 years from May 2, 2012, and it may be renewed with government approval for successive periods. The total land premium payable, including interest as required by the land concession contract, is $193.4 million. An initial payment of $62.5 million was paid in December 2011, with eight additional semi-annual payments of approximately $16.4 million each (which includes interest at 5%) due beginning November 2012. As of December 31, 2013 and 2012, the Company has recorded this obligation and related asset with $29.3 million and $27.9 million included as a current liability, respectively and $46.8 million and $76.2 million, respectively, included as a long-term liability. The Company is also required to make annual lease payments of $0.8 million during the resort construction period and annual payments of approximately $1.1 million once the development is completed.

The Company is currently constructing Wynn Palace, a full-scale integrated resort containing a 1,700-room hotel, performance lake, meeting space, casino, spa, retail offerings and food and beverage outlets. The total project budget, including construction costs, capitalized interest, pre-opening expenses, land costs and financing fees, is $4 billion. The Company continues to remain on schedule for an opening in the first half of 2016.

On July 29, 2013, Wynn Macau and Palo finalized and executed a guaranteed maximum price construction (GMP) contract with Leighton Contractors (Asia) Limited, acting as the general contractor. Under the GMP contract, the general contractor is responsible for both the construction and design of the Wynn Palace project. The general contractor is obligated to substantially complete the project in the first half of 2016 for a guaranteed maximum price of HK$20 billion (approximately $2.57 billion). An early completion bonus for achievement of substantial completion on or before January 25, 2016 will be paid to the general contractor if certain conditions are satisfied under the GMP contract. Both the contract time and guaranteed maximum price are subject to further adjustment under certain specified conditions. The performance of the general contractor is backed by a full completion guarantee given by Leighton Holdings Limited, the parent company of the general contractor, as well as a performance bond for 5% of the guaranteed maximum price.

Leases and other arrangements

The Company is the lessor under several retail leases and has entered into license and distribution agreements for several additional retail outlets. The Company also is a party to joint venture agreements for the operation of one retail outlet and the Ferrari and Maserati automobile dealership at Wynn Las Vegas. The lease agreements include minimum base rents with contingent rental clauses.

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table presents the future minimum rentals to be received under the operating leases (amounts in thousands):

Years Ending December 31,	
2014	$ 39,735
2015	40,805
2016	38,276
2017	28,713
2018	5,929
Thereafter	17,220
	$ 170,678

The total future minimum rentals do not include contingent rental. Contingent rentals were $101 million, $94 million and $73.2 million for the years ended December 31, 2013, 2012, and 2012, respectively.

In addition, the Company is the lessee under leases for office space in Las Vegas, Macau and certain other locations, warehouse facilities, the land underlying the Company s aircraft hangar and certain office equipment.

At December 31, 2013, the Company was obligated under non-cancelable operating leases to make future minimum lease payments as follows (amounts in thousands):

Years Ending December 31,	
2014	$ 8,835
2015	8,556
2016	6,091
2017	1,997
2018	1,393
Thereafter	4,799
	$ 31,671

Rent expense for the years ended December 31, 2013, 2012 and 2011, was $21.9 million, $21.5 million and $20.2 million, respectively.

Employment Agreements

The Company has entered into employment agreements with several executive officers, other members of management and certain key employees. These agreements generally have three- to five-year terms and typically indicate a base salary and often contain provisions for discretionary bonuses. Certain of the executives are also entitled to a separation payment if terminated without cause or upon voluntary termination of employment for good reason following a change of control (as these terms are defined in the employment contracts).

Letters of Credit

As of December 31, 2013, the Company had unsecured outstanding letters of credit of $16.7 million.

Litigation

In addition to the actions noted below, the Company s affiliates are involved in litigation arising in the normal course of business. In the opinion of management, such litigation will not have a material effect on the Company s financial condition, results of operations or cash flows.

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Atlantic-Pacific Capital

On May 3, 2010, Atlantic-Pacific Capital, Inc. (APC) filed an arbitration demand with JAMS, a private alternative dispute resolution provider, regarding an agreement with the Company. The action concerns a claim for compensation of approximately $32 million pursuant to an agreement entered into between APC and the Company on or about March 30, 2008, whereby APC was engaged to raise private equity capital for a specific investment vehicle sponsored by the Company. APC is seeking compensation unrelated to the investment vehicle. The Company has denied APC s claims for compensation. The Company filed a Complaint for Damages and Declaratory Relief against APC in the Eighth Judicial District Court, Clark County, Nevada, on May 10, 2010, which APC removed to the United States District Court, District of Nevada. In March 2011, the District Court denied APC s motion to compel arbitration, and dismissed the action. APC appealed, and on November 13, 2012, the United States Court of Appeals for the Ninth Circuit reversed the District Court and compelled .arbitration. The arbitration is set for April 2014. An arbitrator has been selected, and the parties have been engaging in discovery. Management believes that APC s claims against the Company are without merit, and the Company intends to continue to defend this matter vigorously.

Determination of Unsuitability and Redemption of Aruze USA, Inc. and Affiliates

On February 18, 2012, Wynn Resorts Gaming Compliance Committee concluded an investigation after receiving an independent report by Freeh, Sporkin & Sullivan, LLP (the Freeh Report) detailing a pattern of misconduct by Aruze USA, Inc. (at the time a stockholder of Wynn Resorts), Universal Entertainment Corporation, Aruze USA, Inc. s parent company, and Kazuo Okada, (the majority shareholder of Universal Entertainment Corporation and a former member of the Board of Directors of Wynn Resorts and Wynn Macau, Limited) (collectively, the Okada Parties). The factual record presented in the Freeh Report included evidence that the Okada Parties had provided valuable items to certain foreign gaming officials who were responsible for regulating gaming in a jurisdiction in which entities controlled by Mr. Okada were developing a gaming resort. Mr. Okada denied the impropriety of such conduct to members of the Board of Directors of Wynn Resorts and while serving as one of the Company s directors Mr. Okada refused to acknowledge or abide by Wynn Resorts anti-bribery policies and refused to participate in the training all other directors have received concerning these policies.

Based on the Freeh Report, the Board of Directors of Wynn Resorts determined that the Okada Parties are unsuitable persons under Article VII of the Company s articles of incorporation. The Board of Directors was unanimous (other than Mr. Okada) in its determination. After authorizing the redemption of the Aruze shares, as discussed below, the Board of Directors took certain actions to protect the Company and its operations from any influence of an unsuitable person, including placing limitations on the provision of certain operating information to unsuitable persons and formation of an Executive Committee of the Board to manage the business and affairs of the Company during the period between each annual meeting. The Charter of the Executive Committee provides that Unsuitable Persons are not permitted to serve on the Committee. All members of the Board, other than Mr. Okada, were appointed to the Executive Committee on February 18, 2012. The Board of Directors also requested that Mr. Okada resign as a director of Wynn Resorts (under Nevada corporation law, a board of directors does not have the power to remove a director) and recommended that Mr. Okada be removed as a member of the Board of Directors of Wynn Macau, Limited. In addition, on February 18, 2012, Mr. Okada was removed from the Board of Directors of Wynn Las Vegas Capital Corp., an indirect wholly owned subsidiary of Wynn Resorts. On February 24, 2012, Mr. Okada was removed from the Board of Directors of Wynn Macau, Limited and on February 22, 2013, he was removed from the Board of Directors of Wynn Resorts by a stockholder vote in which 99.6% of the over 86 million shares voted were cast in favor of removal. Additionally, Mr. Okada resigned from the Board of Directors of Wynn Resorts on February 21, 2013. Although the Company has retained the structure of the Executive Committee, the Board has resumed its past role in managing the business and affairs of the Company.

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Based on the Board of Directors finding of unsuitability, on February 18, 2012, Wynn Resorts redeemed and cancelled Aruze USA, Inc. s 24,549,222 shares of Wynn Resorts common stock. Following a finding of unsuitability, Article VII of Wynn Resorts articles of incorporation authorizes redemption at fair value of the shares held by unsuitable persons. The Company engaged an independent financial advisor to assist in the fair value calculation and concluded that a discount to the then current trading price was appropriate because of, among other things, restrictions on most of the shares held by Aruze USA, Inc. under the terms of the Stockholders Agreement (as defined below). Pursuant to its articles of incorporation, Wynn Resorts issued the Redemption Note to Aruze USA, Inc. in redemption of the shares. The Redemption Note has a principal amount of $1.94 billion, matures on February 18, 2022 and bears interest at the rate of 2% per annum, payable annually in arrears on each anniversary of the date of the Redemption Note. The Company may, in its sole and absolute discretion, at any time and from time to time, and without penalty or premium, prepay the whole or any portion of the principal or interest due under the Redemption Note. In no instance shall any payment obligation under the Redemption Note be accelerated except in the sole and absolute discretion of Wynn Resorts or as specifically mandated by law. The indebtedness evidenced by the Redemption Note is and shall be subordinated in right of payment, to the extent and in the manner provided in the Redemption Note, to the prior payment in full of all existing and future obligations of Wynn Resorts or any of its affiliates in respect of indebtedness for borrowed money of any kind or nature.

The Company provided the Freeh Report to appropriate regulators and law enforcement agencies and has been cooperating with related investigations that such regulators and agencies have undertaken. The conduct of the Okada Parties and any resulting regulatory investigations could have adverse consequences to the Company and its subsidiaries. A finding by regulatory authorities that Mr. Okada violated anti-corruption statutes and/or other laws or regulations applicable to persons affiliated with a gaming licensee on Company property and/or otherwise involved the Company in criminal or civil violations could result in actions by regulatory authorities against the Company and its subsidiaries.

Redemption Action and Counterclaim

On February 19, 2012, Wynn Resorts filed a complaint in the Eighth Judicial District Court, Clark County, Nevada against the Okada Parties (as amended, the Complaint), alleging breaches of fiduciary duty and related claims (the Redemption Action) arising from the activities addressed in the Freeh Report. The Company is seeking compensatory and special damages as well as a declaration that it acted lawfully and in full compliance with its articles of incorporation, bylaws and other governing documents in redeeming and cancelling the shares of Aruze, USA, Inc.

On March 12, 2012, the Okada Parties removed the action to the United States District Court for the District of Nevada (the action was subsequently remanded to Nevada state court). On that same date, the Okada Parties filed an answer denying the claims and a counterclaim (as amended, the Counterclaim) that purports to assert claims against the Company, each of the members of the Company s Board of Directors (other than Mr. Okada) and Wynn Resorts General Counsel (the Wynn Parties). The Counterclaim alleges, among other things: (1) that the shares of Wynn Resorts common stock owned by Aruze USA, Inc. were exempt from the redemption-for-unsuitability provisions in the Wynn Resorts articles of incorporation (the Articles) pursuant to certain agreements executed in 2002; (2) that the Wynn Resorts directors who authorized the redemption of Aruze USA, Inc. s shares acted at the direction of Stephen A. Wynn and did not independently and objectively evaluate the Okada Parties suitability, and by so doing, breached their fiduciary duties; (3) that the Wynn Resorts directors violated the terms of the Wynn Resorts Articles by failing to pay Aruze USA, Inc. fair value for the redeemed shares; and (4) that the terms of the Redemption Note that Aruze USA, Inc. received in exchange for the redeemed shares, including the Redemption Note s principal amount, duration, interest rate, and

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

subordinated status, were unconscionable. Among other relief, the Counterclaim seeks a declaration that the redemption of Aruze USA, Inc. s shares was void, an injunction restoring Aruze USA, Inc. s share ownership, damages in an unspecified amount and rescission of the Amended and Restated Stockholders Agreement, dated as of January 6, 2010, by and among Aruze USA, Inc., Stephen A. Wynn, and Elaine Wynn (the Stockholders Agreement).

On June 19, 2012, Elaine Wynn responded to the Counterclaim and asserted a cross claim against Steve Wynn and Kazuo Okada seeking a declaration that (1) any and all of Elaine Wynn s duties under the Stockholders Agreement be discharged; (2) the Stockholders Agreement is subject to rescission and is rescinded; (3) the Stockholders Agreement is an unreasonable restraint on alienation in violation of public policy; and/or (4) the restrictions on sale of shares shall be construed as inapplicable to Elaine Wynn. Mr. Wynn filed his answer to Elaine Wynn s cross claim on September 24, 2012. The Indentures for the Issuers provide that if Stephen A. Wynn, together with certain related parties, in the aggregate beneficially owns a lesser percentage of the outstanding common stock of the Company than are beneficially owned by any other person, a change of control will have occurred. If Elaine Wynn prevails in her cross claim, Stephen A. Wynn would not beneficially own or control Elaine Wynn s shares and a change in control may result under the Wynn Las Vegas debt documents. Under the 2020 Indentures, the occurrence of a change of control requires that the Company make an offer to each holder to repurchase all or any part of such holder s notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest on the notes purchased, if any, to the date of repurchase (unless the notes have been previously called for redemption). Under the 2023 Indenture, if a change of control occurs and within 60 days after that occurrence the 4 1/4% Senior Notes due 2023 are rated below investment grade by both rating agencies that rate such notes, the Company is required to make an offer to each holder to repurchase all or any part of such holder s notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest on the notes purchased, if any, to the date of repurchase (unless the notes have been previously called for redemption). Mr. Wynn is opposing Ms. Wynn s cross claim.

The Company s Complaint and the Okada Parties Counterclaim have been, and continue to be, challenged through motion practice. At a hearing held on November 13, 2012, the Nevada state court granted the Wynn Parties motion to dismiss the Counterclaim with respect to the Okada Parties claim under the Nevada Racketeer Influenced and Corrupt Organizations Act with respect to certain Company executives but otherwise denied the motion. At a hearing held on January 15, 2013, the court denied the Okada Parties motion to dismiss the Company s Complaint. On April 22, 2013, the Company filed a second amended complaint. On August 30, 2013, the Okada Parties filed their third amended Counterclaim. On September 18, 2013, the Company filed a Partial Motion to Dismiss related to a claim in the third amended Counterclaim alleging civil extortion by Mr. Wynn and the Company s General Counsel. On October 29, 2013, the court granted the motion and dismissed the claim. On November 26, 2013, the Okada Parties filed their fourth amended Counterclaim, and the Company filed an answer to that pleading on December 16, 2013. The parties had been engaged in discovery at the time the court entered the Stay (defined and discussed below). Therefore, although the court previously set a timetable for all discovery, pre-trial and trial deadlines, with a five-week jury trial scheduled to commence in April 2014, this schedule will necessarily change due to the Stay.

On February 13, 2013, the Okada Parties filed a motion in the Nevada state court asking the court to establish an escrow account (specifically, they asked the court to establish a disputed ownership fund, as defined in a federal tax regulation (DOF) to hold the Redemption Note as well as the redeemed shares themselves (although those shares were previously cancelled in February 2012), until the resolution of the Redemption Action and Counterclaim. The Okada Parties subsequently filed reply papers in further support of their motion, in which they narrowed the relief they were seeking, specifically by withdrawing their request that

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the redeemed shares be placed into the escrow account. On April 17, 2013, the court entered an order granting the Okada Parties motion in part as to the narrowed relief outlined in their reply papers. Among other things, the court s order directed the Okada Parties to establish an escrow account with a third party (without making any ruling as to whether such an account would satisfy the requirements of a DOF) to hold interest payments tendered by the Company on the Redemption Note. Per the court s order, the Company is to have no responsibility for fees or costs of the account, and will receive a full release and indemnity related to the account. On February 14, 2013 and February 13, 2014, the Company issued checks to Aruze USA, Inc. in the amounts of $38.7 million, representing the interest payments due on the Redemption Note at those times. However, as of the date of this report, the checks remain uncashed. The parties engaged in discussions regarding the terms of the escrow agreement contemplated by the court s order. However, the Okada Parties recently advised of their intent to deposit any checks for interest and principal, past and future, due under the terms of the Redemption Note to the Clerk of the Court for deposit into the Clerk s Trust Account.

On April 8, 2013, the United States Attorney s Office and the U.S. Department of Justice filed a Motion to Intervene and for Temporary and Partial Stay of Discovery in the Redemption Action. The motion stated that the federal government has been conducting a criminal investigation of the Okada Parties involving the same underlying allegations of misconduct that is, potential violations of the Foreign Corrupt Practice Act and related fraudulent conduct that form the basis of the Company s complaint, as amended, in the Redemption Action. The motion sought to stay all discovery in the Redemption Action related to the Okada Parties allegedly unlawful activities in connection with their casino project in the Philippines until the conclusion of the criminal investigation and any resulting criminal prosecution, with an interim status update to the court in six months. At a hearing on May 2, 2013, the court granted the motion and ordered that all discovery in the Redemption Action be stayed for a period of six months (the Stay). On May 30, 2013, Elaine Wynn filed a motion for partial relief from the Stay, to allow her to conduct limited discovery related to her cross and counterclaims. The Wynn Parties opposed the motion so as to not interfere with the United States government s investigation. At a hearing on August 1, 2013, the court denied the motion. On October 29, 2013, the United States Attorney s Office and the U.S. Department of Justice filed a Motion to Extend the Stay for a period of six months, expiring May 2, 2014. At a hearing on October 31, 2013, the court granted the requested extension based upon an affidavit provided under seal that outlined, among other things, concerns for witness safety. The court did, however, order the parties to exchange written discovery propounded prior to May 2, 2013, including discovery related to the Elaine Wynn cross and counterclaims referred to above.

Subject to the Stay, the Company will continue to vigorously pursue its claims against the Okada Parties, and the Company and the Wynn Parties will continue to vigorously defend against the counterclaims asserted against them. The Company s claims and the Okada Parties counterclaims remain in an early stage and management has determined that based on proceedings to date, it is currently unable to determine the probability of the outcome of this matter or the range of reasonably possible loss, if any. An adverse judgment or settlement involving payment of a material amount could cause a material adverse effect on our financial condition.

Litigation Commenced by Kazuo Okada

Japan Action:

On August 28, 2012, Mr. Okada, Universal Entertainment Corporation and Okada Holdings (Okada Japan Parties) filed a complaint in Tokyo District Court against the Company, all members of the Board of Directors (other than Mr. Okada) and the Company s General Counsel (the Wynn Parties), alleging that the press release issued by the Company with respect to the redemption has damaged plaintiffs social evaluation and credibility. The Okada Japan Parties seek damages and legal fees from the Wynn Parties. After asking the Okada Japan Parties to clarify the allegations in their complaint, the Wynn Parties objected to the jurisdiction of the Japanese

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

court. On April 30, 2013, the Wynn Parties filed a memorandum in support of their jurisdictional position. On October 21, 2013, the court dismissed the action on jurisdictional grounds. On November 1, 2013, the Okada Japan Parties filed an appeal moving the matter to the Tokyo High Court. An informal hearing on the matter has been scheduled for February 27, 2014.

Indemnification Action:

On March 20, 2013, Mr. Okada filed a complaint against the Company in Nevada state court for indemnification under the Company s Articles, bylaws and agreements with its directors. The complaint seeks advancement of Mr. Okada s costs and expenses (including attorney s fees) incurred pursuant to the various legal proceedings and related regulatory investigations described above. The Company believes there is no basis for the relief requested in the complaint and intends to vigorously defend against this matter. The Company s answer and counterclaim was filed on April 15, 2013. The counterclaim names each of the Okada Parties as defendants and seeks indemnification under the Company s Articles for costs and expenses (including attorney s fees) incurred pursuant to the various legal proceedings and related regulatory investigations described above. On April 30, 2013, Mr. Okada filed his reply to the counterclaim.

On June 14, 2013, Mr. Okada filed a motion for partial summary judgment that he was entitled to advancement of his expenses incurred in the various proceedings and investigations. Mr. Okada also filed a special motion to dismiss, arguing that the Company s counterclaims seek to infringe upon Mr. Okada s right to petition the court, and constitute a strategic lawsuit against public policy. The Company s counterclaims seek only to enforce Wynn Resorts contractual right to indemnity under Article VII, Section 4 of the Company s Articles. At a hearing on August 1, 2013, the court denied both motions and provided for limited discovery (i.e., discovery that does not implicate any of the issues subject to the Stay entered in the Redemption Action). On August 2, 2013, the court stayed discovery in the indemnification action related to the government investigations (consistent with the Stay in the Redemption Action), and ordered that all other discovery be conducted within ninety (90) days.

On August 22, 2013, the Company noticed Mr. Okada s deposition for September 16, 2013. Mr. Okada filed a motion for protective order seeking to vacate his deposition, arguing that he did not have any information relevant to his claims for advancement of fees and/or indemnity that he asserted against the Company. On October 18, 2013, after a full briefing by the parties, the court denied Mr. Okada s motion and entered an order stating that Mr. Okada s deposition testimony is relevant to the claims he asserted against the Company, that Mr. Okada may not designate someone else to testify on his behalf, and that the Company may sequence discovery in the action as it chooses. On February 4, 2014, the court entered an order on the parties stipulation that: (1) dismissed Okada s claims asserted against the Company in that action (i.e., all Okada s claims that relate to advancement); (2) reserved Okada s right to assert, in the future, any claims for indemnity following the resolution of the Redemption Action; and (3) stayed the claims asserted by the Company against Okada in that action pending the resolution of the Redemption Action.

Management has determined that based on proceedings to date, it is currently unable to determine the probability of the outcome of these actions or the range of reasonably possible loss, if any.

Related Investigations and Derivative Litigation

Investigations:

In the U.S. Department of Justice s Motion to Intervene and for Temporary and Partial Stay of Discovery in the Redemption Action, the Department of Justice states in a footnote that the government also has been

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

conducting a criminal investigation into the Company s donation to the University of Macau discussed above. The Company has not received any target letter or subpoena in connection with such an investigation. The Company intends to cooperate fully with the government in response to any inquiry related to the donation to the University of Macau.

Other regulators may pursue separate investigations into the Company s compliance with applicable laws arising from the allegations in the matters described above and in response to the Counterclaim and other litigation filed by Mr. Okada suggesting improprieties in connection with the Company s donation to the University of Macau. While the Company believes that it is in full compliance with all applicable laws, any such investigations could result in actions by regulators against the Company.

Derivative Claims:

Six derivative actions were commenced against the Company and all members of its Board of Directors: four in the United States District Court, District of Nevada, and two in the Eighth Judicial District Court of Clark County, Nevada.

The four federal actions brought by the following plaintiffs have been consolidated: (1) The Louisiana Municipal Police Employees Retirement System, (2) Maryanne Solak, (3) Excavators Union Local 731 Welfare Fund, and (4) Boilermakers Lodge No. 154 Retirement Fund (collectively, the Federal Plaintiffs).

The Federal Plaintiffs filed a consolidated complaint on August 6, 2012, asserting claims for: (1) breach of fiduciary duty; (2) waste of corporate assets; (3) injunctive relief; and (4) unjust enrichment. The claims are against the Company and all Company directors, including Mr. Okada, however, the plaintiffs voluntarily dismissed Mr. Okada as a defendant in this consolidated action on September 27, 2012. The Federal Plaintiffs claim that the individual defendants breached their fiduciary duties and wasted assets by: (a) failing to ensure the Company s officers and directors complied with federal and state laws and the Company s Code of Conduct; (b) voting to allow the Company s subsidiary to make the donation to the University of Macau; and (c) redeeming Aruze USA, Inc. s stock such that the Company incurs the debt associated with the redemption. The Federal Plaintiffs seek unspecified compensatory damages, restitution in the form of disgorgement, reformation of corporate governance procedures, an injunction against all future payments related to the donation/pledge, and all fees (attorneys, accountants, and experts) and costs. The directors responded to the consolidated complaint by filing a motion to dismiss on September 14, 2012. On February 1, 2013, the federal court dismissed the complaint for failure to plead adequately the futility of a pre-suit demand on the Board. The dismissal was without prejudice to the Federal Plaintiffs ability to file a motion within 30 days seeking leave to file an amended complaint. On April 9, 2013, the Federal Plaintiffs filed their amended complaint. The Company and the directors filed their motion to dismiss the amended complaint on May 23, 2013. The Federal Plaintiffs filed their opposition on July 8, 2013, and the Company and directors filed their reply on August 8, 2013. The court has not yet ruled on this motion.

The two state court actions brought by the following plaintiffs have also been consolidated: (1) IBEW Local 98 Pension Fund and (2) Danny Hinson (collectively, the State Plaintiffs). Through a coordination of efforts by all parties, the directors and the Company (a nominal defendant) have been served in all of the actions. The State Plaintiffs filed a consolidated complaint on July 20, 2012 asserting claims for (1) breach of fiduciary duty; (2) abuse of control; (3) gross mismanagement; and (4) unjust enrichment. The claims are against the Company and all Company directors, including Mr. Okada, as well as the Company s Chief Financial Officer, who signs financial disclosures filed with the SEC. The State Plaintiffs claim that the individual defendants failed to disclose to the Company s stockholders the investigation into, and the dispute with director Okada as well as the

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

alleged potential violations of the FCPA related to, the University of Macau Development Foundation donation. The State Plaintiffs seek unspecified monetary damages (compensatory and punitive), disgorgement, reformation of corporate governance procedures, an order directing the Company to internally investigate the donation, as well as attorneys fees and costs. On October 13, 2012, the court entered the parties stipulation providing for a stay of the state derivative action for 90 days, subject to the parties obligation to monitor the progress of the pending litigation, discussed above, between Wynn Resorts (among others) and Mr. Okada (among others). Per the stipulation, Wynn Resorts and the individual defendants were not required to respond to the consolidated complaint while the stay remained in effect. Following the expiration of the stay, the State Plaintiffs advised the Company and the individual defendants that they intended to resume the action by filing an amended complaint, which they did, on April 26, 2013. The Company and directors filed their motion to dismiss on June 10, 2013. However, on July 31, 2013, the parties agreed to a stipulation that was submitted to, and approved by the court. The stipulation contemplates a stay of the consolidated state court derivative action of equal duration as the Stay entered by the court in the Redemption Action. On February 5, 2014, the court entered a new stipulation between the parties that provides for a further stay of the state derivative action and directs the parties, within 30 days of the conclusion of the stay in the Redemption Action, to discuss how the state derivative action should proceed and to file a joint report with the court.

The individual defendants are vigorously defending against the claims pleaded against them in these derivative actions. We are unable to predict the outcome of these litigations at this time. Management has determined that based on proceedings to date, it is currently unable to determine the probability of the outcome of these actions or the range of reasonably possible loss, if any.

17. Segment Information

The Company monitors its operations and evaluates earnings by reviewing the assets and operations of its Las Vegas Operations and its Macau Operations. The Company s total assets and capital expenditures by segment consisted of the following (amounts in thousands):

	As of December 31,	
	2013	2012
Assets		
Macau Operations	$ 3,918,163	$ 3,004,658
Las Vegas Operations	3,576,649	3,669,881
Corporate and other	882,218	602,055
	$ 8,377,030	$ 7,276,594

	Years ended December 31,	
	2013	2012
Capital expenditures		
Macau Operations	$ 442,274	$ 189,384
Las Vegas Operations	63,872	41,552
Corporate and other	640	10,049
	$ 506,786	$ 240,985

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WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Company s results of operations by segment for the years ended December 31, 2013, 2012 and 2011 consisted of the following (amounts in thousands):

	Years Ended December 31,		
	2013	2012	2011
Net revenues			
Macau Operations	$ 4,040,526	$ 3,667,454	$ 3,789,073
Las Vegas Operations	1,580,410	1,486,830	1,480,719
Total	$ 5,620,936	$ 5,154,284	$ 5,269,792
Adjusted Property EBITDA(1)			
Macau Operations	$ 1,324,119	$ 1,167,340	$ 1,196,232
Las Vegas Operations	486,682	408,472	439,036
Total	1,810,801	1,575,812	1,635,268
Other operating costs and expenses			
Pre-opening costs	3,169	466	
Depreciation and amortization	371,051	373,199	398,039
Property charges and other	17,138	39,978	130,649
Corporate expenses and other	128,267	131,807	96,868
Equity in income from unconsolidated affiliates	1,085	1,086	1,472
Total other operating costs and expenses	520,710	546,536	627,028
Operating income	1,290,091	1,029,276	1,008,240
Other non-operating costs and expenses			
Interest income	15,713	12,543	7,654
Interest expense, net of amounts capitalized	(299,022)	(288,759)	(229,918)
Increase in swap fair value	14,235	991	14,151
Loss from extinguishment of debt	(40,435)	(25,151)	
Equity in income from unconsolidated affiliates	1,085	1,086	1,472
Other	4,856	3,012	3,968
Total other non-operating costs and expenses	(303,568)	(296,278)	(202,673)
Income before income taxes	986,523	732,998	805,567
Benefit (provision) for income taxes	17,634	(4,299)	19,546
Net income	$ 1,004,157	$ 728,699	$ 825,113

(1)

Adjusted Property EBITDA is earnings before interest, taxes, depreciation, amortization, pre-opening costs, property charges and other, corporate expenses, intercompany golf course and water rights leases, stock-based compensation, and other non-operating income and expenses and includes equity in income from unconsolidated affiliates. Adjusted Property EBITDA is presented exclusively as a supplemental disclosure because management believes that it is widely used to measure the performance, and as a basis for valuation, of gaming companies. Management uses Adjusted Property EBITDA as a measure of the operating performance of its segments and to compare the operating performance of its properties with those of its competitors. The Company also presents Adjusted Property EBITDA because it is used by some

WYNN RESORTS, LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

investors as a way to measure a company s ability to incur and service debt, make capital expenditures and meet working capital requirements. Gaming companies have historically reported EBITDA as a supplement to financial measures in accordance with U.S. generally accepted accounting principles (GAAP). In order to view the operations of their casinos on a more stand-alone basis, gaming companies, including Wynn Resorts, Limited, have historically excluded from their EBITDA calculations pre-opening expenses, property charges, corporate expenses and stock-based compensation, which do not relate to the management of specific casino properties. However, Adjusted Property EBITDA should not be considered as an alternative to operating income as an indicator of the Company s performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as an alternative to any other measure determined in accordance with GAAP. Unlike net income, Adjusted Property EBITDA does not include depreciation or interest expense and therefore does not reflect current or future capital expenditures or the cost of capital. The Company has significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in Adjusted Property EBITDA. Also, Wynn Resorts calculation of Adjusted Property EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

18. Quarterly Financial Information (Unaudited)

The following tables (amounts in thousands, except per share data) present selected quarterly financial information for 2013 and 2012, as previously reported. Because income per share amounts are calculated using the weighted average number of common and dilutive common equivalent shares outstanding during each quarter, the sum of the per share amounts for the four quarters may not equal the total income per share amounts for the year.

	Year Ended December 31, 2013				
	First	**Second**	**Third**	**Fourth**	**Year**
Net revenues	$ 1,378,654	$ 1,332,273	$ 1,390,112	$ 1,519,897	$ 5,620,936
Operating income	333,648	274,024	313,978	368,441	1,290,091
Net income	272,144	192,716	248,811	290,486	1,004,157
Net income attributable to Wynn Resorts, Limited	202,963	129,785	182,020	213,884	728,652
Basic income per share	$ 2.02	$ 1.29	$ 1.81	$ 2.12	$ 7.25
Diluted income per share	$ 2.00	$ 1.28	$ 1.79	$ 2.10	$ 7.17

	Year Ended December 31, 2012				
	First	**Second**	**Third**	**Fourth**	**Year**
Net revenues	$ 1,313,498	$ 1,253,207	$ 1,298,495	$ 1,289,084	$ 5,154,284
Operating income	260,099	264,123	247,092	257,962	1,029,276
Net income	198,409	199,293	165,171	165,826	728,699
Net income attributable to Wynn Resorts, Limited	140,564	138,064	112,035	111,373	502,036
Basic income per share	$ 1.25	$ 1.38	$ 1.12	$ 1.11	$ 4.87
Diluted income per share	$ 1.23	$ 1.37	$ 1.11	$ 1.10	$ 4.82

19. Subsequent Event

On January 30, 2014, the Company announced a cash dividend of $1.25 per share, payable on February 27, 2014 to stockholders of record as of February 13, 2014.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
None.

ITEM 9A. CONTROLS AND PROCEDURES
(a) *Disclosure Controls and Procedures.* The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, the Company s Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2013, the Company s disclosure controls and procedures are effective, at the reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company s management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely discussions regarding required disclosure.

(b) *Management Report on Internal Control Over Financial Reporting.* Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (COSO) in *Internal Control-Integrated Framework.*

Based on our assessment, management believes that, as of December 31, 2013, the Company s internal control over financial reporting was effective.

The Company s independent registered public accounting firm has issued an audit report on our internal control over financial reporting. This report appears under Report of Independent Registered Public Accounting Firm on Internal Controls Over Financial Reporting on page 74.

(c) *Changes in Internal Control Over Financial Reporting.* There have not been any changes in the Company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our fourth fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION
None

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will be contained in the Registrant s definitive Proxy Statement for its 2013 Annual Stockholder Meeting to be filed with the Securities and Exchange Commission within 120 days after December 31, 2013 (the 2014 Proxy Statement) under the captions Election of Directors , Named Executive Officers , Corporate Governance and Section 16(a) Beneficial Ownership Reporting Compliance, and is incorporated herein by reference.

As part of the Company s commitment to integrity, the Board of Directors has adopted a Code of Business Conduct and Ethics applicable to all directors, officers and employees of the Company and its subsidiaries. This Code is periodically reviewed by the Board of Directors. In the event we determine to amend or waive certain provisions of this code of ethics, we intend to disclose such amendments or waivers on our website at *http://www.wynnresorts.com* under the heading Corporate Governance within four business days following such amendment or waiver or as otherwise required by the NASDAQ listing standards.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be contained in the 2014 Proxy Statement under the captions Director Compensation , Compensation Discussion and Analysis and Executive Compensation Tables, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes compensation plans under which our equity securities are authorized for issuance, aggregated as to: (i) all compensation plans previously approved by stockholders, and (ii) all compensation plans not previously approved by stockholders. These plans are described in Item 8 Financial Statements and Supplementary Data of Part II (see Notes to Consolidated Financial Statements).

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,606,309	$ 75.89	4,438,524
Equity compensation plans not approved by security holders			
Total	1,606,309	$ 75.89	4,438,524

Certain information required by this item will be contained in the 2014 Proxy Statement under the caption Security Ownership of Certain Beneficial Owners and Management, and is incorporated herein by reference.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be contained in the 2014 Proxy Statement under the caption Certain Relationships and Related Transactions, and Corporate Governance, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be contained in the 2014 Proxy Statement under the caption Ratification of Appointment of Independent Public Accountants, and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)1. The following consolidated financial statements of the Company are filed as part of this report under Item 8 Financial Statements and Supplementary Data.

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2013 and 2012

Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012, and 2011

Consolidated Statements of Stockholders Equity for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011

Notes to Consolidated Financial Statements

(a)2. Financial Statement Schedules filed in Part IV of this report are listed below:

Schedule I Condensed financial information of the registrant

Schedule II Valuation and Qualifying Accounts

We have omitted all other financial statement schedules because they are not required or are not applicable, or the required information is shown in the financial statements or notes to the financial statements.

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SCHEDULE 1 CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

WYNN RESORTS, LIMITED

(Parent Company Only)

CONDENSED BALANCE SHEETS

(amounts in thousands, except share data)

	December 31,	
	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 299,716	$ 179,939
Investment securities	169,496	89,155
Receivables	1,804	1,328
Prepaid expenses	3,165	2,698
Total current assets	474,181	273,120
Property and equipment, net	11,314	11,737
Investment securities	79,989	36,484
Other assets	33,787	33,682
Due from subsidiaries	298,410	232,400
Investment in subsidiaries	1,269,696	1,586,186
Total assets	$ 2,167,377	$ 2,173,609
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 334	$ 171
Accrued compensation and benefits	1,326	1,796
Interest payable	33,636	33,650
Other accrued liabilities	4,865	3,750
Deferred income taxes, net	4,034	3,178
Total current liabilities	44,195	42,545
Long-term debt	1,936,443	1,936,443
Other long-term liabilities	10,770	16,051
Uncertain tax position liability	29,275	29,139
Deferred income taxes, net	14,343	45,499
Total liabilities	2,035,026	2,069,677
Commitments and contingencies (Note 2)		
Stockholders equity:		
Preferred stock, par value $0.01; 40,000,000 shares authorized; zero shares issued and outstanding		
Common stock, par value $0.01; 400,000,000 shares authorized; 114,170,493 and 113,730,442 shares issued; and, 101,192,408 and 100,866,712 shares outstanding	1,142	1,137
Treasury stock, at cost; 12,978,085 and 12,863,730 shares	(1,143,419)	(1,127,947)
Additional paid-in capital	888,727	818,821
Accumulated other comprehensive income	2,913	4,177

Retained earnings	66,130	44,775
Total Wynn Resorts, Limited stockholders deficit	(184,507)	(259,037)
Noncontrolling interest	316,858	362,969
Total equity	132,351	103,932
Total liabilities and stockholders equity	$ 2,167,377	$ 2,173,609

The accompanying notes are an integral part of these condensed financial statements.

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WYNN RESORTS, LIMITED

(Parent Company Only)

CONDENSED STATEMENTS OF INCOME

(amounts in thousands, except per share data)

	Years Ended December 31,		
	2013	**2012**	**2011**
Operating revenues:			
Wynn Las Vegas management fees	$ 23,721	$ 22,318	$ 22,229
Wynn Macau royalty fees	160,923	147,101	152,463
Net revenues	184,644	169,419	174,692
Operating costs and expenses:			
General and administrative	45,285	70,602	30,421
Depreciation and amortization	423	421	421
Property charges and other		33	
Total operating costs and expenses	45,708	71,056	30,842
Operating income	138,936	98,363	143,850
Other income (expense):			
Interest and other income	1,486	1,116	865
Interest expense	(38,715)	(33,650)	
Equity in income of subsidiaries	882,760	665,127	669,589
Other income (expense), net	845,531	632,593	670,454
Income before income taxes	984,467	730,956	814,304
Benefit (provision) for income taxes	19,690	(2,257)	10,809
Net income	1,004,157	728,699	825,113
Less: Net income attributable to noncontrolling interests.	(275,505)	(226,663)	(211,742)
Net income attributable to Wynn Resorts, Limited	$ 728,652	$ 502,036	$ 613,371
Basic and diluted earnings per common share:			
Net income:			
Basic	$ 7.25	$ 4.87	$ 4.94
Diluted	$ 7.17	$ 4.82	$ 4.88
Weighted average common shares outstanding:			
Basic	100,540	103,092	124,039
Diluted	101,641	104,249	125,667

The accompanying notes are an integral part of these condensed financial statements.

WYNN RESORTS, LIMITED

(Parent Company Only)

CONDENSED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	Years Ended December 31,		
	2013	**2012**	**2011**
Cash flows from operating activities:			
Net income	$ 1,004,157	$ 728,699	$ 825,113
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	423	421	421
Deferred income taxes	(19,826)	(3,655)	(10,809)
Stock-based compensation	26,964	11,894	10,663
Amortization of discount on investment securities and other	3,338	3,762	
Dividends received from subsidiary	840,914	700,025	578,240
Equity in income of subsidiaries	(882,760)	(665,127)	(669,589)
Increase (decrease) in cash from changes in:			
Receivables	(476)	823	(1,610)
Prepaid expenses	(467)	(1,695)	(9)
Accounts payable, accrued expenses and other	1,515	38,337	5,168
Due from affiliates	(23,721)	(22,318)	(22,065)
Net cash provided by operating activities	950,061	791,166	715,523
Cash flows from investing activities:			
Purchase of investment securities	(222,856)	(183,484)	(249,374)
Proceeds from sales or maturities of investment securities	95,771	202,406	101,017
Purchase of other assets	(105)	(33,682)	
Due to (from) subsidiaries	4,623	(34,132)	(55,673)
Net cash used in investing activities	(122,567)	(48,892)	(204,030)
Cash flows from financing activities:			
Cash distributions	(712,681)	(955,493)	(811,798)
Exercise of stock options	20,436	15,583	23,859
Repurchase of common stock	(15,472)	(911)	(7,629)
Net cash used in financing activities	(707,717)	(940,821)	(795,568)
Cash and cash equivalents:			
Increase (decrease) in cash and cash equivalents	119,777	(198,547)	(284,075)
Balance, beginning of year	179,939	378,486	662,561
Balance, end of year	$ 299,716	$ 179,939	$ 378,486

The accompanying notes are an integral part of these condensed financial statements.

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WYNN RESORTS, LIMITED

(Parent Company Only)

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying condensed financial statements include only the accounts of Wynn Resorts, Limited (the Company). Investments in the Company s subsidiaries are accounted for under the equity method.

In October 2009, Wynn Macau, Limited, an indirect wholly owned subsidiary of the Company and the developer, owner and operator of Wynn Macau, listed its ordinary shares of common stock on The Stock Exchange of Hong Kong Limited. Wynn Macau, Limited sold through an initial public offering, including the over allotment, 1,437,500,000 (27.7%) shares of this subsidiary s common stock.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted since this information is included in the Company s consolidated financial statements included elsewhere in this Form 10-K.

2. Commitments and Contingencies

The Company is a holding company and, as a result, its ability to pay dividends is dependent on its subsidiaries ability to provide funds to it. Restrictions imposed by Wynn Las Vegas, LLC (a wholly owned indirect subsidiary of the Company) and Wynn Macau debt instruments significantly restrict certain of the Company s key subsidiaries holding a majority of the consolidated group s total assets, including Wynn Las Vegas, LLC, from making dividends or distributions to the Company, subject to certain exceptions for affiliated overhead expenses as defined in the agreements governing Wynn Las Vegas, LLC s debt instruments, unless certain financial and non-financial criteria have been satisfied. In addition, the terms of the loan agreement of Wynn Resorts (Macau) S.A. contain similar restrictions. The Company received cash dividends of $840.9 million, $700 million and $578.3 million from its subsidiaries during the years ended December 31, 2013, 2012 and 2011, respectively.

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SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Description	Balance at Beginning of Year	Provisions for Doubtful Accounts	Write-offs, Net of Recoveries	Balance at End of Year
Allowance for doubtful accounts:				
2013	$ 102,213	11,877	(40,099)	$ 73,991
2012	$ 91,854	18,091	(7,732)	$ 102,213
2011	$ 77,452	33,778	(19,376)	$ 91,854

Description	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
Deferred income tax asset valuation allowance:				
2013	$ 1,831,545	773,509	(18,029)	$ 2,587,025
2012	$ 1,812,482	29,132	(10,069)	$ 1,831,545
2011	$ 1,285,916	533,474	(6,908)	$ 1,812,482

(a)3. Exhibits

Exhibits that are not filed herewith have been previously filed with the SEC and are incorporated herein by reference.

Exhibit No.	Description
3.1	Second Amended and Restated Articles of Incorporation of the Registrant.(1)
3.2	Sixth Amended and Restated Bylaws of the Registrant, as amended.(41)
4.1	Specimen certificate for shares of Common Stock, $0.01 par value per share of the Registrant.(1)
4.2	Indenture, dated as of October 19, 2009, among Wynn Las Vegas, LLC, Wynn Las Vegas Capital Corp., the Guarantors set forth therein and U.S. Bank National Association, as trustee.(20)
4.3	Indenture, dated as of April 28, 2010, by and among Wynn Las Vegas, LLC, Wynn Las Vegas Capital Corp., the Guarantors set forth therein and U.S. Bank National Association, as trustee.(24)
4.4	Indenture, dated as of August 4, 2010, among Wynn Las Vegas, LLC, Wynn Las Vegas Capital Corp., the Guarantors named therein and U.S. Bank National Association, as trustee.(26)
4.5	Indenture, dated as of March 12, 2012, by and among Wynn Las Vegas, LLC, Wynn Las Vegas Capital Corp., the Guarantors set forth therein and U.S. Bank National Association, as trustee.(35)
4.6	Third Supplemental Indenture, dated August 4, 2010, among Wynn Las Vegas, LLC, Wynn Las Vegas Capital Corp., the Guarantors name therein and U.S. Bank National Association, as trustee.(26)
4.7	Indenture, dated May 22, 2013, among Wynn Las Vegas, LLC, Wynn Las Vegas Capital Corp., the Guarantors named therein and the U.S. Bank National Association.(44)
4.8	Supplemental Indenture, dated May 22, 2013, among Wynn Las Vegas, LLC, Wynn Las Vegas Capital Corp., the Guarantors named therein and the U.S. Bank National Association.(44)
*10.1.1.0	Employment Agreement, dated as of October 4, 2002, by and between Wynn Resorts, Limited and Stephen A. Wynn.(1)
*10.1.1.1	First Amendment to Employment Agreement, dated as of August 6, 2004, by and between Stephen A. Wynn and Wynn Resorts, Limited.(4)
*10.1.1.2	Second Amendment to employment agreement between Wynn Resorts, Limited and Stephen A. Wynn dated January 31, 2007.(14)
*10.1.1.3	Third Amendment to Employment Agreement, dated as of September 11, 2008, between Wynn Resorts, Limited and Stephen A. Wynn.(15)
*10.1.1.4	Fourth Amendment to Employment Agreement dated as of December 31, 2008, between Wynn Resorts, Limited and Stephen A. Wynn.(17)
*10.1.1.5	Amendment to Employment Agreement, dated as of February 16, 2009, by and between Wynn Resorts, Limited and Stephen A. Wynn.(18)
*10.1.1.6	Sixth Amendment to Employment Agreement dated as of February 24, 2011, between Wynn Resorts, Limited and Stephen A. Wynn.(30)
*10.1.2.0	Employment Agreement, dated as of March 4, 2008, by and between Wynn Resorts, Limited and Marc D. Schorr.(9)
*10.1.2.1	First Amendment to Employment Agreement dated as of December 31, 2008, between Wynn Resorts, Limited and Marc D. Schorr.(17)

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*10.1.2.2	Amendment to Employment Agreement, dated as of February 12, 2009, by and between Wynn Resorts, Limited and Marc D. Schorr.(18)
*10.1.2.3	Second Amendment to Employment Agreement dated as of February 27, 2013, between Wynn Resorts, Limited and Marc D. Schorr.(42)
*10.1.2.4	Resignation and Release Agreement, dated March 27, 2013 between Wynn Resorts, Limited, as the Company and Marc D. Schorr, as Employee.(43)
*10.1.3.0	Employment Agreement, dated as of October 1, 2005, by and between Wynn Las Vegas, LLC and Matt Maddox.(17)
*10.1.3.1	First Amendment to Employment Agreement, dated as of May 5, 2008, by and between Wynn Resorts, Limited and Matt Maddox.(16)
*10.1.3.2	Second Amendment to Employment Agreement dated as of December 31, 2008, between Wynn Resorts, Limited and Matt Maddox.(17)
*10.1.3.3	Amendment to Employment Agreement, dated as of February 13, 2009, by and between Wynn Resorts, Limited and Matt Maddox.(18)
*10.1.3.4	Fourth Amendment to Employment Agreement, dated as of March 5, 2009, by and between Wynn Resorts, Limited and Matt Maddox.(19)
*10.1.3.5	Fifth Amendment to Employment Agreement, dated as of February 2, 2010, by and between Wynn Resorts, Limited and Matt Maddox.(22)
*10.1.3.6	Employment Agreement, dated November 18, 2013, by and between Wynn Resorts Limited and Matt Maddox.(46)
*10.1.4.0	Employment agreement, dated May 12, 2010, by and between Worldwide Wynn, LLC and Linda C. Chen.(25)
*10.1.4.1	Retention agreement, dated July 27, 2011, by and between Worldwide Wynn, LLC and Linda Chen.(31)
*10.1.4.2	First Amendment to Employment Agreement, dated as of November 2, 2012, by and between Worldwide Wynn, LLC and Linda Chen.(40)
*10.1.5.0	Employment Agreement, dated as of April 24, 2007, by and between Wynn Resorts, Limited and Kim Sinatra.(29)
*10.1.5.1	First Amendment to Employment Agreement, dated as of December 31, 2008 by and between Wynn Resorts, Limited and Kim Sinatra.(29)
*10.1.5.2	Amendment to Employment Agreement, dated as of February 12, 2009, by and between Wynn Resorts, Limited and Kim Sinatra.(29)
*10.1.5.3	Second Amendment to Employment Agreement, dated as of November 30, 2009, by and between Wynn Resorts, Limited and Kim Sinatra.(29)
*10.1.6.0	John Strzemp Employment Agreement, dated August 31, 2005 by and between Wynn Resorts, Limited and John Strzemp.(46)
*10.1.6.1	First Amendment to Employment Agreement, dated as of March 26, 2008 by and between Wynn Resorts, Limited and John Strzemp.(46)
*10.1.6.2	Second Amendment to Employment Agreement, dated as of December 31, 2008 by and between Wynn Resorts, Limited and John Strzemp.(46)
*10.1.6.3	Amendment to Employment Agreement, dated as of February 12, 2009 by and between Wynn Resorts, Limited and John Strzemp.(46)

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*10.1.6.4	Fourth Amendment to Employment Agreement, dated as of March 23, 2009 by and between Wynn Resorts, Limited and John Strzemp.(46)
*10.1.6.5	Fifth Amendment to Employment Agreement, dated as of February 25, 2013 by and between Wynn Resorts, Limited and John Strzemp.(46)
*10.1.6.6	Sixth Amendment to Employment Agreement, dated as of September 10, 2013 by and between Wynn Resorts, Limited and John Strzemp.(46)
*10.2.1	2002 Stock Incentive Plan as Amended and Restated effective May 12, 2010.(32)
*10.2.2	2002 Stock Incentive Plan as Amended and Restated effective May 17, 2011.(39)
*10.2.3	Form of Stock Option Agreement pursuant to 2002 Stock Incentive Plan.(39)
*10.2.4	Form of Stock Option Grant Notice.(39)
*10.2.5	Form of Restricted Stock Agreement pursuant to 2002 Stock Incentive Plan.(39)
10.3.1.0	Amended and Restated Stockholder Agreement, dated January 6, 2010, by and among Stephen A. Wynn, Elaine P. Wynn and Aruze USA, Inc.(21)
10.3.1.1	Waiver and Consent, dated November 24, 2010, by and among Aruze USA, Inc., Stephen A. Wynn and Elaine P. Wynn.(27)
10.3.1.2	Waiver and Consent, dated December 15, 2010, by and among Aruze USA, Inc., Stephen A. Wynn and Elaine P. Wynn.(28)
10.3.2	Amended and Restated Shareholders Agreement, dated as of September 16, 2004 by and among Wynn Resorts (Macau), Ltd., Wong Chi Seng and Wynn Resorts (Macau), S.A.(4)
10.4.1.1	Concession Contract for the Operation of Games of Chance or Other Games in Casinos in the Macau Special Administrative Region, dated June 24, 2002, between the Macau Special Administrative Region and Wynn Resorts (Macau), S.A. (English translation of Portuguese version of Concession Agreement).(2)
10.4.1.2	Concession Contract for Operating Casino Gaming or Other Forms of Gaming in the Macao Special Administrative Region, dated June 24, 2002, between the Macau Special Administrative Region and Wynn Resorts (Macau) S.A. (English translation of Chinese version of Concession Agreement).(5)
10.4.1.3	Unofficial English translation of Land Concession Contract between the Macau Special Administrative Region and Wynn Resorts (Macau) S.A.(3)
10.4.1.4	Land Concession Contract, published on May 2, 2012, by and among Palo Real Estate Company Limited, Wynn Resorts (Macau) S.A. and the Macau Special Administration of the People s Republic of China (translated to English from traditional Chinese and Portuguese).(37)
10.5.1.1	Surname Rights Agreement, dated as of August 6, 2004, by and between Stephen A. Wynn and Wynn Resorts Holdings, LLC.(4)
10.5.1.2	Rights of Publicity License, dated as of August 6, 2004, by and between Stephen A. Wynn and Wynn Resorts Holdings, LLC.(4)
10.5.1.3	Termination Agreement, dated as of August 6, 2004, by and between Stephen A. Wynn and Valvino Lamore, LLC.(4)
10.5.1.4	Trademark Assignment, dated as of August 6, 2004, by and between Stephen A. Wynn and Wynn Resorts Holdings, LLC.(4)
10.5.2	Intellectual Property License Agreement dated as of December 14, 2004, by and among Wynn Resorts Holdings, Wynn Resorts, Limited and Wynn Las Vegas, LLC.(7)

10.6.1.0	Common Terms Agreement, dated as of September 14, 2004, among Wynn Resorts (Macau), S.A., certain financial institutions as Hotel Facility Lenders, Project Facility Lenders and Revolving Credit Facility Lenders, Deutsche Bank AG, Hong Kong Branch and Societe Generale Asia Limited as Global Coordinating Lead Arrangers and Societe Generale Asia Limited as Hotel Facility Agent, Project Facility Agent, Intercreditor Agent and Security Agent.(4)
10.6.1.1	Common Terms Agreement Amendment Agreement, dated as of September 14, 2005, between Wynn Resorts (Macau), S.A. as the Company, Certain Financial Institutions as Hotel Facility Lenders, Project Facility Lenders, Revolving Credit Facility Lenders and Hedging Counterparties, Bank of America Securities Asia Limited, Deutsche Bank AG, Hong Kong Branch and Societe Generale Asia Limited as Global Coordinating Lead Arrangers, Societe Generale Asia Limited as Hotel Facility Agent and Project Facility Agent, Societe Generale Asia Limited as Intercreditor Agent, and Societe Generale, Hong Kong Branch as Security Agent.(8)
10.6.1.2	Second Amendment Agreement to the Common Terms Agreement dated June 27, 2007 among Wynn Resorts (Macau), S.A., certain financial institutions as Hotel Facility Lenders, Project Facility Lenders, and Revolving Credit Facility Lenders, Banc of America Securities Asia Limited, Deutsche Bank A.G. Hong Kong Branch, and Societe Generale Asia Limited as Global Lead Arrangers and Societe Generale Asia Limited as Hotel Facility Agent and Project Facility Agent and Societe Generale Hong Kong Branch as Intercreditor Agent.(10)
10.6.1.3	Common Terms Agreement Third Amendment Agreement dated September 8, 2009 between, among others, Wynn Resorts (Macau), S.A. as the company and Société Générale, Hong King Branch as security agent.(29)
10.6.1.4	Common Terms Agreement Fourth Amendment Agreement, dated as of July 31, 2012 between, among others, Wynn Resorts (Macau), S.A. as the company and Bank of China Limited Macau Branch as security agent.(38)
10.6.2.0	Hotel Facility Agreement, dated as of September 14, 2004, among Wynn Resorts (Macau), S.A., Societe Generale Asia Limited as Hotel Facility Agent and the several Hotel Facility Lenders named therein.(4)
10.6.2.1	Hotel Facility Agreement Amendment Agreement, dated as of September 14, 2005, between Wynn Resorts (Macau), S.A. as Company, Societe Generale Asia Limited, as Hotel Facility Agent and Certain Financial Institutions as Hotel Facility Lenders.(8)
10.6.2.2	Second Amendment Agreement to the Hotel Facility Agreement dated June 27, 2007 among Wynn Resorts (Macau), S.A., Societe Generale Asia Limited as Hotel Facility Agent, and certain financial institutions as Hotel Facility Lenders.(10)
10.6.2.3	Third Amendment Agreement to the Hotel Facility Agreement dated July 31, 2012 among Wynn Resorts, (Macau), S.A., Bank of China Limited Macau Branch, and certain financial institutions as Hotel Facility Lenders.(38)
10.6.3.0	Project Facility Agreement, dated as of September 14, 2004, among Wynn Resorts (Macau), S.A., Societe Generale Asia Limited as Project Facility Agent and the several Project Facility Lenders named therein.(4)
10.6.3.1	Project Facility Agreement Amendment Agreement, dated as of September 14, 2005, between Wynn Resorts (Macau), S.A. as Company, Societe Generale Asia Limited, as Project Facility Agent and Certain Financial Institutions as Project Facility Lenders.(8)
10.6.3.2	Second Amendment Agreement to the Project Facility Agreement dated June 27, 2007 among Wynn Resorts (Macau), S.A., Societe Generale Asia Limited as Project Facility Agent, and certain financial institutions as Project Facility Lenders.(10)

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10.6.4.0	Revolving Credit Facility Agreement, dated as of September 14, 2004, among Wynn Resorts (Macau), S.A. and the several Revolving Credit Facility Lenders named therein.(4)
10.6.4.1	Revolving Credit Facility Agreement Amendment Agreement, dated as of September 14, 2005, between Wynn Resorts (Macau), S.A. as Company and Certain Financial Institutions as Revolving Credit Facility Lenders.(8)
10.6.4.2	Revolving Credit Facility Second Amendment Agreement dated June 27, 2007 among Wynn Resorts (Macau), S.A. and Societe Generale, Hong Kong Branch as Revolving Credit Facility Agent and certain financial institutions as revolving credit facility lenders.(10)
10.6.4.3	Revolving Credit Facility Agreement dated July 31, 2012 among Wynn Resorts (Macau), S.A., Bank of China, Limited Macau Branch, and certain financial

	institutions as Project Facility Lenders.(38)
10.6.5.0	Deed of Appointment and Priority, dated as of September 14, 2004, among Wynn Resorts (Macau), S.A., certain financial institutions as Original First Ranking Lenders, Banco Nacional Ultramarino, S.A. as Second Ranking Finance Party, Wynn Group Asia, Inc. as Third Ranking Finance Party, Societe Generale -Hong Kong Branch as Security Agent, Societe Generale Asia Limited as Intercreditor Agent and Hotel Facility Agent and Project Facility Agent and others.(4)
10.6.5.1	Deed of Appointment and Priority Deed of Amendment, dated as of September 14, 2005, between Wynn Resorts (Macau), S.A. as Company, Certain Financial Institutions as Original First Ranking Lenders, Certain Financial Institutions as Original Hedging Counterparties, Banco Nacional Ultramarino, S.A. as Second Ranking Finance Party, Wynn Group Asia, Inc. as Third Ranking Finance Party, Societe Generale

	Asia Limited as Security Agent, Societe Generale Asia Limited as Intercreditor Agent , Societe Generale Asia Limited as Hotel Facility Agent and Project Facility Agent, and Others.(8)
10.6.6	Floating Charge (unofficial English Translation), dated September 14, 2004 between Wynn Resorts (Macau), S.A. and Societe Generale, Hong Kong Branch as the Security Agent.(4)
10.6.7	Debenture, dated September 14, 2004 between Wynn Resorts (Macau), S.A. and Societe Generale, Hong Kong Branch as the Security Agent.(4)
10.6.8.0	Wynn Resorts Support Agreement, dated September 14, 2004 between Wynn Resorts, Limited, Wynn Resorts (Macau), S.A. and Societe Generale, Hong Kong Branch as the Security Agent.(4)
10.6.8.1	Wynn Resorts Support Agreement Deed of Amendment, dated as of September 14, 2005, between Wynn Resorts (Macau), S.A. and Societe Generale, Hong Kong Branch as

	Security Agent.(8)				
10.6.9	Wynn Pledgors Guarantee, dated September 14, 2004 between Wynn Group Asia, Inc., Wynn Resorts International, Ltd., Wynn Resorts (Macau) Holdings, Ltd. and Wynn Resorts (Macau), Ltd. as Guarantors; and Societe Generale, Hong Kong Branch as the Security Agent.(4)				
10.6.10		(5,128,319)			

Payments for redemption of Series I Secured Notes	-	(6,815,406)	-	(16,613,667)
Proceeds from issuance of L Bonds	68,884,369	30,271,873	166,081,914	87,016,343
Payments for issuance and redemption of L Bonds	(20,195,657)	(19,752,717)	(46,151,926)	(58,949,880)
Issuance (repurchase) of common stock	682,954	30	682,954	(1,603,526)
Common stock dividends	(25,709,412)	-	(25,709,412)	-
Proceeds from issuance of convertible preferred stock	50,000,000	-	50,000,000	-
Proceeds from issuance of redeemable preferred stock	-	25,211,870	56,238,128	86,692,811
Payments for issuance of redeemable preferred stock	-	(1,243,920)	(4,142,294)	(5,207,025)
Payments for redemption of redeemable	(821,778)	(47,500)	(2,361,692)	(1,806,832)

preferred stock				
Preferred stock dividends	(4,313,542)	(3,548,165)	(12,356,513)	(7,447,022)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	50,101,798	77,025,649	131,720,873	126,740,837
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,152,686)	22,711,608	(21,827,749)	4,851,133
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH				
BEGINNING OF PERIOD	131,096,113	98,453,103	142,771,176	116,313,578
END OF PERIOD	$ 120,943,427	$ 121,164,711	$ 120,943,427	$ 121,164,711

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, 2018	September 30, 2017	September 30, 2018	September 30, 2017
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Interest paid	$ 15,576,000	$ 17,478,000	$ 42,827,000	$ 45,101,000
Premiums paid, including prepaid	$ 14,672,000	$ 12,927,000	$ 38,898,000	$ 35,533,000
Stock-based compensation	$ 278,000	$ 270,000	$ 538,000	$ 350,000
Payments for exercised stock options	$ -	$ 164,000	$ -	$ 264,000
NON-CASH INVESTING AND FINANCING ACTIVITIES				
L Bonds:				
Conversion of accrued interest and commissions payable to principal	$ 410,000	$ 477,000	$ 972,000	$ 1,382,000
Conversion of L Bonds to redeemable preferred stock	$ -	$ 545,000	$ 4,546,000	$ 2,334,000
Preferred Stock:				
Issuance of Series A Preferred Stock in lieu of cash dividends	$ -	$ 161,000	$ -	$ 499,000
Conversion of L Bonds to redeemable preferred stock	$ -	$ 545,000	$ 4,546,000	$ 2,334,000
Options and stock appreciation rights issued:	$ 290,000	$ 76,000	$ 458,000	$ 309,000
Investment in life insurance policies included in accounts payable	$ 508,000	$ 966,000	$ 508,000	$ 966,000

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 CHANGES IN STOCKHOLDERS' EQUITY

(unaudited)

	Preferred Stock Shares	Preferred Stock	Common Shares	Common Stock (par)	Additional Paid-in Capital	Accumulated Deficit	Total Equity
Balance, December 31, 2016	2,699,704	$ 78,726,297	5,980,190	$ 5,980	$ 7,383,515	$ (18,817,294)	$ 67,29
Net income (loss)	-	-	-	-	-	(20,632,223)	(20,6
Issuance of common stock	-	-	33,810	33	320,970	-	321,0
Redemption of common stock	-	-	(200,445)	(200)	(1,603,360)	-	(1,60
Issuance of Series A preferred stock	71,237	498,659	-	-	-	-	498,6
Redemption of Series A preferred stock	(2,711,916)	(20,199,792)	-	-	-	-	(20,1
Issuance of redeemable preferred stock	129,622	122,933,106	-	-	(2,338,457)	-	120,5
Redemption of redeemable preferred stock	(1,328)	(1,327,776)	-	-	-	-	(1,32
Preferred stock dividends	-	(8,925,807)	-	-	(3,776,534)	-	(12,7
Stock-based compensation	-	1,410,760	-	-	13,866	-	1,424
	187,319	$ 173,115,447	5,813,555	$ 5,813	$ -	$ (39,449,517)	$ 133,6

Balance, December 31, 2017							
Net income (loss)	-	-	-	-	-	(19,757,655)	(19,7
Issuance of common stock	-	-	166,569	167	1,181,435	-	1,181
Issuance of redeemable preferred stock	61,021	56,878,238	-	-	-	-	56,87
Redemption of redeemable preferred stock	(2,362)	(2,362,914)	-	-	-	-	(2,36
Issuance of Series B convertible preferred stock	5,000,000	50,000,000	-	-	-	-	50,00
Common stock dividends	-	-	-	-	-	(25,709,412)	(25,7
Preferred stock dividends	-	(11,562,732)	-	-	(793,781)	-	(12,3
Stock-based compensation	-	-	-	-	(387,654)	-	(387,
Balance, September 30, 2018	5,245,978	$ 266,068,039	5,980,124	$ 5,980	$ -	$ (84,916,584)	$ 181,1

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

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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 — We are a leading provider of liquidity to consumers owning life insurance policies, an owner of a portfolio of alternative assets, and a developer of epigenetic technology for the life insurance industry and beyond. We built our business providing value to consumers owning illiquid life insurance products across America, delivering more than $564 million in value for their policies since 2006. As of September 30, 2018, we own an alternative asset portfolio of $1.96 billion in face value of life insurance policy benefits.

In addition, we continue to innovate in the life insurance industry through our insurance technology initiative which is based upon the use of step-change epigenetic technology. Our wholly owned insurtech subsidiary, Life Epigenetics is focused on creating intellectual property and commercialized testing from supervised machine learning and advanced epigenetic technology. We believe our technology offers the life insurance industry a step-change opportunity for enhanced life insurance underwriting and risk assessment. Our wholly owned insurtech subsidiary, YouSurance is a digital life insurance agency that is working to offer life insurance directly to consumers in conjunction with our epigenetic testing. We believe that consumers who are interested in their health and wellness and in reducing the cost of their insurance will benefit from working with YouSurance.

The Beneficient Transaction

On August 10, 2018, we completed the first of two anticipated closings (the “Initial Transfer”) contemplated by a Master Exchange Agreement with The Beneficient Company Group, L.P. (“Beneficient”) and certain other parties (the “Seller Trusts”), which governs the strategic exchange of assets among the parties (the “Beneficient Transaction”). At the Initial Transfer:

GWG issued L Bonds to the Seller Trusts in an aggregate principal amount of $403,234,866 that mature on August 9, 2023, and bear interest at 7.5% per annum (the “Seller Trust L Bonds”),

GWG issued to Beneficient 5,000,000 shares of GWG's Series B Convertible Preferred Stock, par value $0.001 per share and having a stated value of $10 per share ("Series B"), for cash consideration of $50,000,000,

Beneficient, as borrower, entered into a commercial loan agreement with GWG Life, as lender, in a principal amount of $200,000,000 (the "Commercial Loan"),

Beneficient delivered to GWG a promissory note in the principal amount of $162,911,379 (the "Exchangeable Note"), and

the Seller Trusts delivered to GWG 4,032,349 common units of Beneficient at $10 per common unit.

Upon the final closing of the Beneficient Transaction, which is expected at or near year-end 2018, subject to the satisfaction of certain closing conditions (the "Final Closing" and the date upon which the Final Closing occurs, the "Final Closing Date"):

the Seller Trusts will transfer to GWG an aggregate of 40,485,230 common units of Beneficient, inclusive of 16.3 million units in full satisfaction of the Exchangeable Note,

Beneficient will issue to GWG an amount of securities or other instruments, containing the same rights, preferences and privileges of certain limited partnership interests of Beneficient Company Holdings, L.P., a subsidiary of Beneficient ("Beneficient Holdings"), equivalent to seven percent (7.0%) of such limited partnership interests attributable to certain of Beneficient Holdings' founders, and

GWG will deliver to the Seller Trusts up to 29.1 million shares of GWG common stock at $10 per share.

A summary of the Beneficient Transaction is set forth in our Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 14, 2018 and amended in our Current Report on Form 8-K/A filed with the Securities and Exchange Commission on November 9, 2018.

Application of FASB Accounting Standards Codification Topic 845, Nonmonetary Transactions (ASC 845)

Although the Initial Transfer occurred on August 10, 2018, the Commercial Loan, the Exchangeable Note, the common units of Beneficient issued at the Initial Transfer and the Seller Trust L Bonds are not recorded on our condensed consolidated balance sheet at September 30, 2018 or statements of operations for the three and nine months ended September 30, 2018. These amounts were not recorded because, under ASC 845, the commercial substance of the transaction was not fully known and probable and will not be fully known and probable until the satisfaction of certain conditions to the Final Closing and the occurrence thereof.

It is important to note that, as further described below, the rights and obligations of the assets exchanged, as governed by the transaction documents, are unaffected by our current accounting application. This means that we will benefit from the assets that we received in the exchange and we will be required to meet the obligations of the Seller Trust L Bonds that we issued in the exchange. **The result is that our financial condition, including our ability to service our debt and meet our obligations as they become due, may be materially different from that which an investor can discern from a review of our condensed consolidated balance sheets and statements of operations in isolation. Likewise, financial ratios and other metrics based on our publicly filed financial statements and publicly disseminated by financial analysts, news outlets and financial websites do not reflect the assets and liabilities exchanged in the Initial Transfer and the economic consequences thereof.**

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Description of the Assets Exchanged at the Initial Transfer

Seller Trust L Bonds

On August 10, 2018, in connection with the Initial Transfer, GWG Holdings, GWG Life and Bank of Utah, as trustee (the “Trustee”), entered into a Supplemental Indenture (the “Supplemental Indenture”) to the Amended and Restated Indenture dated as of October 23, 2017 (the “Amended and Restated Indenture”). GWG Holdings entered into the Supplemental Indenture to add and modify certain provisions of the Amended and Restated Indenture necessary to provide for the issuance of the Seller Trust L Bonds. The maturity date of the Seller Trust L Bonds is August 9, 2023. The Seller Trust L Bonds bear interest at 7.5% per year. Interest is payable monthly in cash.

So long as the Final Closing has not occurred, the redemption price payable in respect of a redemption effected by GWG after January 31, 2019 may be paid, at GWG’s option, in the form of cash, a pro rata portion of (i) the outstanding principal amount and accrued and unpaid interest under the Commercial Loan, (ii) the outstanding principal amount and accrued and unpaid interest under the Exchangeable Note and (iii) Beneficient common units, or a combination of cash and such property. After the second anniversary of the Final Closing Date, the holders of the Seller Trust L Bonds will have the right to cause GWG to repurchase, in whole but not in part, the Seller Trust L Bonds held by such holder. The repurchase may be paid, at GWG’s option, in the form of cash, a pro rata portion of (i) the outstanding principal amount and accrued and unpaid interest under the Commercial Loan, (ii) the outstanding principal amount and accrued and unpaid interest under the Exchangeable Note and (iii) Beneficient common units, or a combination of cash and such property.

The Seller Trust L Bonds are senior secured obligations of GWG, ranking junior only to all senior debt of GWG (see Note 6), pari passu in right of payment and in respect of collateral with all “L Bonds” of GWG (see Note 8), and senior in right of payment to all subordinated indebtedness of GWG. Payments under the Seller Trust L Bonds are guaranteed by GWG Life (see Note 20).

Series B Convertible Preferred Stock

The Series B ranks, as to the payment of dividends and the distribution of our assets upon liquidation, junior to our Redeemable Preferred Stock (“RPS”) and Series 2 Redeemable Preferred Stock (“RPS 2”) and pari passu with our common stock. The Series B has no dividend rights. The Series B has no voting rights, except as required by law.

The Series B will convert into 5,000,000 shares of our common stock at a conversion price of $10 per share upon the Final Closing.

Commercial Loan

The $200,000,000 principal amount under the Commercial Loan is due on August 9, 2023; however, is extendable for two five-year terms. The extensions are available to the borrower provided that (a) in the event Beneficient completes at least one public offering of its common units raising at least $50,000,000 which on its own or together with any other public offering of Beneficient’s common units results in Beneficient raising at least $100,000,000, then the maturity date will be extended to August 9, 2028; and (b) in the event that Beneficient (i) completes at least one public offering of its common units raising at least $50,000,000 which on its own or together with any other public offering of Beneficient’s common units results in Beneficient raising at least $100,000,000 and (ii) at least 75% of Beneficient Holding’s total outstanding NPC-B limited partnership interests, if any, have been converted to shares of Beneficient’s common units, then the maturity date will be extended to August 9, 2033.

Repayment of the Commercial Loan is subordinated in right of payment to any of Beneficient’s commercial bank debt and to Beneficient’s obligations which may arise in connection with its NPC-B limited partnership interests. Beneficient’s obligations under the Commercial Loan are unsecured.

The Commercial Loan contains negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens and indebtedness by Beneficient, fundamental changes to its business and transactions with affiliates. The Commercial Loan also contains customary affirmative covenants, including, but not limited to, preservation of corporate existence, compliance with applicable law, payment of taxes, notice of material events, financial reporting and keeping of proper books of record and account.

The Commercial Loan includes customary events of default, including, but not limited to, nonpayment of principal or interest, failure to comply with covenants, failure to pay other indebtedness when due, cross-acceleration to other debt, material adverse effects, events of bankruptcy and insolvency, and unsatisfied judgments. The borrower was in compliance with the covenants as of the most recent balance sheet date.

The principal amount of the Commercial Loan bears interest at 5.0% per year; provided that the accrued interest from the date of the Initial Transfer to the Final Closing Date of the Beneficient Transaction will be added to the principal balance of the Commercial Loan. From and after the Final Closing Date, one-half of the interest, or 2.5% per year, will be due and payable monthly in cash, and (ii) one-half of the interest, or 2.5% per year, will accrue and compound annually on each anniversary date of the Final Closing Date and become due and payable in full in cash on the maturity date.

In accordance with the Supplemental Indenture issuing the Seller Trust L Bonds, upon a redemption event or at the maturity date of the Seller Trust L Bonds, the Company, at its option, may use the outstanding principal amount of the Commercial Loan, and accrued and unpaid interest thereon, as repayment consideration of the Seller Trust L Bonds.

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Exchangeable Note

The Exchangeable Note accrues interest at a rate of 12.4% per year, compounded annually. Interest is payable in cash on the earlier to occur of the maturity date or the Final Closing Date; provided that Beneficient may, at its option, add to the outstanding principal balance under the Commercial Loan the accrued interest in lieu of payment in cash of such accrued interest thereon at the Final Closing Date (or, if earlier, the maturity date of the Exchangeable Note). The principal amount of the Exchangeable Note is payable in cash on August 9, 2023. In the event the Final Closing Date occurs on or prior to the maturity date, the principal amount of the Exchangeable Note is payable in Beneficient common units at a price equal to $10 per common unit. In the event the Final Closing Date occurs prior to the maturity date, Beneficient may, at its option, pay the accrued interest on the Exchangeable Note in the form of Beneficient common units, at $10 per common unit, or in the form of a promissory note providing for a term of up to two years and cash interest payable semi-annually at the rate of 5.0% per year.

In accordance with the Supplemental Indenture issuing the Seller Trust L Bonds, upon a redemption event or at the maturity date of the Seller Trust L Bonds, the Company, at its option, may use the outstanding principal amount of the Exchangeable Note, and accrued and unpaid interest thereon, as repayment consideration of the Seller Trust L Bonds.

Common Units in Beneficient

In connection with the Initial Transfer, the Seller Trusts delivered to us 4,032,349 common units of Beneficient. This represents a 17.6% interest in the common units of Beneficient.

Beneficient operates in a sector of the alternative asset market that is complementary to ours by providing a suite of innovative liquidity and trust products to mid-to-high net worth individual investors and small-to-medium institutional owners of professionally managed illiquid alternative investment assets. We believe the Beneficient Transaction provides us with the opportunity to significantly increase and diversify our alternative asset portfolio that is intended to provide us with a new source of earnings and cash flow while at the same time significantly increasing our common shareholder equity.

We plan to continue to create and extend transformative products and services in the life insurance industry, while at the same time increasing and diversifying our alternative asset portfolio with Beneficient that creates opportunities for investors to receive income and capital appreciation from our investment and commercial activities.

GWG Holdings, Inc. and all of its subsidiaries are incorporated and organized in Delaware. Unless the context otherwise requires or we specifically so indicate, all references in these footnotes to “we,” “us,” “our,” “our Company,” “GWG or the “Company” refer to GWG Holdings, Inc. and its subsidiaries collectively and on a consolidated basis. References to the full names of particular entities, such as “GWG Holdings, Inc.” or “GWG Holdings,” are meant to refer only to the particular entity referenced.

On August 25, 2016, GWG Holdings formed a wholly owned subsidiary, currently named Life Epigenetics Inc. (“Life Epigenetics”), to commercialize advanced epigenetic technology for the life insurance industry related to its exclusive license for “DNA Methylation Based Predictor of Mortality” technology, as well as through the development of its own proprietary intellectual property.

Through its wholly owned subsidiary, youSurance General Agency, LLC (“YouSurance”), GWG Holdings offers life insurance directly to customers from a variety of life insurance carriers.

Use of Estimates — The preparation of our condensed consolidated financial statements in conformity with the Generally Accepted Accounting Principles in the United States of America (GAAP) requires management to make significant estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements, as well as the reported amounts of revenue during the reporting period. We regularly evaluate estimates and assumptions, which are based on current facts, historical experience, management’s judgment, and various other factors that we believe to be reasonable under the circumstances. Our actual results may differ materially and adversely from our estimates. The most significant estimates with regard to these condensed consolidated financial statements relate to (1) the determination of the assumptions used in estimating the fair value of our investments in life insurance policies and (2) the value of our deferred tax assets and liabilities.

Cash and Cash Equivalents — We consider cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. We maintain our cash and cash equivalents with highly rated financial institutions. The balances in our bank accounts may exceed Federal Deposit Insurance Corporation limits. We periodically evaluate the risk of exceeding insured levels and may transfer funds as we deem appropriate.

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Life Insurance Policies — Accounting Standards Codification 325-30, *Investments in Insurance Contracts* permits a reporting entity to account for its investments in life insurance policies using either the investment method or the fair value method. We elected to use the fair value method to account for our life insurance policies. 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. At each subsequent reporting period, we re-measure the investment at fair value in its entirety and recognize the change in fair value as unrealized gain or loss in the current period, net of premiums paid, within gain on life insurance policies, net in our condensed consolidated statements of operations.

In a case where our acquisition of a policy is not complete as of a reporting date, but we have nonetheless advanced direct costs and deposits for the acquisition, those costs and deposits are recorded as other assets on our condensed consolidated balance sheets until the acquisition is complete and we have secured title to the policy. On both September 30, 2018 and December 31, 2017, a total of $0 of our other assets comprised direct costs and deposits that we had advanced for life insurance policy acquisitions.

We also recognize realized gain (or loss) from a life insurance policy upon one of the two following events: (1) our receipt of notice or verified mortality of the insured; or (2) our sale of the policy (upon filing of change-of-ownership forms and receipt of payment). In the case of mortality, the gain (or loss) we recognize is the difference between the policy benefits and the carrying value of the policy once we determine that collection of the policy benefits is realizable and reasonably assured. In the case of a policy sale, the gain (or loss) we recognize is the difference between the sale price and the carrying value of the policy on the date we receive sale proceeds.

Other Assets — Included in other assets at the current balance sheet date are $5.3 million of prepaid expenses, $1.6 million of net fixed assets, $1.0 cost method investment, $0.6 million of security deposits with states for life settlement provider licenses, $0.6 million net secured merchant cash advances and $3.9 million of other miscellaneous assets – including Life Epigenetics Inc.'s exclusive license for the "DNA Methylation Based Predictor of Mortality" technology for the life insurance industry. At December 31, 2017, other assets included $4.5 million of prepaid expenses, $1.9 million of net fixed assets, $0.6 million of security deposits with states for life settlement provider licenses, $1.7 million net secured merchant cash advances and $0.3 million of other miscellaneous assets.

Stock-Based Compensation — We measure and recognize compensation expense for all stock-based payments at fair value on the grant date over the requisite service period. We use the Black-Scholes option pricing model to determine the weighted-average fair value of stock options. For restricted stock grants (including restricted stock units), fair value is determined as of the closing price of our common stock on the date of grant. Stock-based compensation expense is recorded in general and administrative expenses based on the classification of the employee or vendor. The determination of fair value of stock-based payment awards on the date of grant is affected by our stock price and a number of subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards and the expected duration of the awards.

The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at grant date. Volatility is based on the standard deviation of the average continuously compounded rate of return of five selected companies.

Deferred Financing and Issuance Costs — Loans advanced to us under our amended and restated senior credit facility with LNV Corporation, as described in Note 6, are reported net of financing costs, including issuance costs, sales commissions and other direct expenses, which are amortized using the straight-line method over the term of the facility. We had no loans advanced to us under our senior credit facility with Autobahn Funding Company during the year ended December 31, 2017 and this credit facility has since been terminated, as described in Note 5. The L Bonds, as described in Note 8, are reported net of financing costs, which are amortized using the interest method over the term of those borrowings. The Series I Secured Notes, as described in Note 7 have been redeemed, was reported net of financing costs, all of which were fully amortized using the interest method as of December 31, 2017. The Series A Convertible Preferred Stock (“Series A”), as described in Note 9, was reported net of financing costs (including the fair value of warrants issued), all of which were fully amortized using the interest method as of December 31, 2017. All shares of Series A have been redeemed and the obligations thereunder satisfied. Selling and issuance costs of RPS and RPS 2, described in Notes 10 and 11, are netted against additional paid-in-capital, until depleted, and then against the outstanding balance of the preferred stock. The offerings of our RPS and RPS 2 closed in March 2017 and April 2018, respectively. There were no issuance costs associated with issuance of the Series B, described in Note 12, in August 2018.

Earnings (Loss) per Share — Basic earnings (loss) per share attributable to common shareholders are calculated using the weighted-average number of shares outstanding during the reported period. Diluted earnings (loss) per share are calculated based on the potential dilutive impact of our Series A, RPS, RPS 2, Series B, warrants and stock options. Due to our net loss attributable to common shareholders for the three and nine months ended September 30, 2018, there are no dilutive securities.

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Reclassification — Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Recently Issued Accounting Pronouncements — On February 25, 2016, the FASB issued Accounting Standards Update 2016-02 *Leases* (“ASU 2016-02”). The new guidance is effective for fiscal years beginning after December 15, 2018. ASU 2016-02 provides more transparency and comparability in the financial statements of lessees by recognizing all leases with a term greater than twelve months on the balance sheet. Lessees will also be required to disclose key information about their leases. Early adoption is permitted. We are currently evaluating the impact of the adoption of this pronouncement and have not yet adopted ASU 2016-02 as of September 30, 2018. The impact of the adoption is not expected to be material to the financial statements.

In March 2016, the FASB issued Accounting Standards Update 2016-09 (“ASU 2016-09”) to simplify the accounting for stock compensation related to the following items: income tax accounting, award classification, estimation of forfeitures, and cash flow presentation. The new guidance is effective for fiscal years beginning after December 15, 2016. We adopted ASU 2016-09 effective January 1, 2017. The impact of the adoption was not material to the financial statements.

In November 2016, the FASB issued Accounting Standards Update 2016-18 (“ASU 2016-18”), which amends ASC 230 *Statement of Cash Flows* to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. The guidance, to be applied retrospectively when adopted, requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those years. We adopted ASU 2016-18 as of March 31, 2018. The impact of the adoption was not material to the financial statements.

(2) Restrictions on Cash

Under the terms of our amended and restated senior credit facility with LNV Corporation (discussed in Note 6), we are required to maintain collection and payment accounts that are used to collect policy benefits from pledged

policies, pay annual policy premiums, interest and other charges under the facility, and distribute funds to pay down the facility. The agents for the lender authorize the disbursements from these accounts. At September 30, 2018 and December 31, 2017, there was a balance of $2,370,000 and $19,967,000, respectively, in these collection and payment accounts.

To fund the Company's acquisition of life insurance policies, we are required to maintain escrow accounts. Distributions from these accounts are made according to life insurance policy purchase contracts. At September 30, 2018 and December 31, 2017, there was a balance of $700,000 and $8,383,000, respectively, in the Company's escrow accounts.

(3) Investment in Life Insurance Policies

Our investments in life insurance policies are valued based on unobservable inputs that are significant to their overall fair value. Changes in the fair value of these policies, net of premiums paid, are recorded in gain on life insurance policies, net in our condensed consolidated statements of operations. Fair value is determined on a discounted cash flow basis that incorporates life expectancy assumptions generally derived from reports obtained from widely accepted life expectancy providers (other than insured lives covered under small face amount policies – those with $1 million in face value benefits or less), assumptions relating to cost-of-insurance (premium) rates and other assumptions. The discount rate we apply incorporates current information about discount rates applied by other public reporting companies owning portfolios of life insurance policies, the discount rates observed in the life insurance secondary market, market interest rates, the estimated credit exposure to the insurance companies that issued the life insurance policies and management's estimate of the operational risk premium a purchaser would require to receive the future cash flows derived from our portfolio as a whole. Management has discretion regarding the combination of these and other factors when determining the discount rate. As a result of management's analysis, a discount rate of 10.45% was applied to our portfolio as of both September 30, 2018 and December 31, 2017.

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Portfolio Information

Our portfolio of life insurance policies, owned by our subsidiaries as of September 30, 2018, is summarized below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$ 1,961,598,000	
Average face value per policy	$ 1,805,000	
Average face value per insured life	$ 2,018,000	
Average age of insured (years)*	82.1	
Average life expectancy estimate (years)*	6.7	
Total number of policies	1,087	
Number of unique lives	972	
Demographics	76% Males; 24% Females	
Number of smokers	43	
Largest policy as % of total portfolio face value	0.68	%
Average policy as % of total portfolio	0.09	%
Average annual premium as % of face value	2.90	%

* Averages presented in the table are weighted averages.

A summary of our policies, organized according to their estimated life expectancy dates as of the reporting date, is as follows:

Years Ending December 31,	As of September 30, 2018 Number of Policies	Estimated Fair Value	Face Value	As of December 31, 2017 Number of Policies	Estimated Fair Value	Face Value
2018	2	$ 2,102,000	$ 2,125,000	8	$ 4,398,000	$ 4,689,000

2019	28	35,046,000	42,302,000	48	63,356,000	83,720,000
2020	74	79,263,000	111,584,000	87	79,342,000	127,373,000
2021	111	117,490,000	189,768,000	98	96,154,000	170,695,000
2022	128	124,662,000	227,146,000	90	85,877,000	181,120,000
2023	112	91,782,000	215,084,000	93	69,467,000	175,458,000
2024	114	91,738,000	242,455,000	100	77,638,000	228,188,000
Thereafter	518	249,386,000	931,134,000	374	174,295,000	704,905,000
Totals	1,087	$ 791,469,000	$ 1,961,598,000	898	$ 650,527,000	$ 1,676,148,000

We recognized life insurance benefits of $7,973,000 and $9,747,000 during the three months ended September 30, 2018 and 2017, respectively. The forgoing amounts pertained to policies with carrying values of $2,326,000 and $2,333,000, respectively, for which we recorded realized gains of $5,647,000 and $7,414,000, respectively. We recognized life insurance benefits of $50,100,000 and $39,657,000 during the nine months ended September 30, 2018 and 2017, respectively. The forgoing amounts pertained to policies with carrying values of $13,558,000 and $7,716,000, for which we recorded realized gains of $36,542,000 and $31,941,000, respectively.

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Reconciliation of gain on life insurance policies:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Change in estimated probabilistic cash flows [1]	$ 19,069,000	$ 12,568,000	$ 55,483,000	$ 40,033,000
Unrealized gain on acquisitions [2]	9,021,000	7,217,000	21,790,000	25,863,000
Premiums and other annual fees	(14,765,000)	(13,174,000)	(39,670,000)	(36,124,000)
Change in discount rates [3]	-	7,987,000	-	12,130,000
Change in life expectancy evaluation [4]	73,000	(5,370,000)	(4,890,000)	(13,974,000)
Face value of matured policies	7,973,000	9,747,000	50,100,000	39,657,000
Fair value of matured policies	(5,650,000)	(4,554,000)	(29,883,000)	(22,468,000)
Gain on life insurance policies, net	$ 15,721,000	$ 14,421,000	$ 52,930,000	$ 45,117,000

(1) Change in fair value of expected future cash flows relating to our investment in life insurance policies that are not specifically attributable to changes in life expectancy, discount rate or policy maturity events.
(2) Gain resulting from fair value in excess of transaction price for policies acquired during the reporting period.
(3) The discount rate of 10.45% as of September 30, 2018 remained unchanged from both the prior quarter and year end dates. The discount rate of 10.54% as of September 30, 2017 reflected a decrease from the 10.81% rate used at June 30, 2017 and 10.96% used at December 31, 2016.
(4) The change in fair value due to updating life expectancy estimates on certain life insurance policies in our portfolio.

We currently estimate that premium payments and servicing fees required to maintain our current portfolio of life insurance policies in force for the next five years, assuming no mortalities, are as follows:

Years Ending December 31,	Premiums	Servicing	Premiums and Servicing Fees
Three months ending December 31, 2018	$ 14,034,000	$ 345,000	$ 14,379,000
2019	64,852,000	1,381,000	66,233,000
2020	76,664,000	1,381,000	78,045,000
2021	88,681,000	1,381,000	90,062,000

2022	101,411,000	1,381,000	102,792,000
2023	113,676,000	1,381,000	115,057,000
	$ 459,318,000	$ 7,250,000	$ 466,568,000

Management anticipates funding the majority of the premium payments and servicing fees estimated above from cash flows realized from life insurance policy benefits, and to the extent necessary, with additional borrowing capacity created as the premiums and servicing costs of pledged life insurance policies become due, under the amended and restated senior credit facility with LNV Corporation as described in Note 6, and the net proceeds from our offering of L Bonds as described in Note 8. Management anticipates funding premiums and servicing costs of non-pledged life insurance policies with cash flows realized from life insurance policy benefits from our portfolio of life insurance policies and net proceeds from our offering of L Bonds. The proceeds of these capital sources may also be used for the purchase, policy premiums and servicing costs of additional life insurance policies, working capital and financing expenditures including paying principal, interest and dividends.

(4) Fair Value Definition and Hierarchy

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (“ASC 820”) establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment and the state of the marketplace, including the existence and transparency of transactions between market participants. Assets and liabilities with readily available and actively quoted prices, or for which fair value can be measured from actively quoted prices in an orderly market, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

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ASC 820 maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the use of observable inputs whenever available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect assumptions about how market participants price an asset or liability based on the best available information. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

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

Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Because valuations are based on quoted prices that are readily and regularly available in an active market.

Level 2 — Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

Level 3 Valuation Process

The estimated fair value of our portfolio of life insurance policies is determined on a quarterly basis by management taking into consideration a number of factors, including changes in discount rate assumptions, estimated premium payments and life expectancy estimate assumptions, as well as any changes in economic and other relevant conditions. The discount rate incorporates current information about discount rates applied by other reporting companies owning portfolios of life insurance policies, the discount rates observed in the life insurance secondary market, market interest rates, the estimated credit exposure to the insurance company that issued the life insurance policy and management's estimate of the operational risk premium a purchaser would require to receive the future cash flows derived from our portfolio as a whole. Management has discretion regarding the combination of these and other factors when determining the discount rate.

These inputs are then used to estimate the discounted cash flows from the portfolio using the Model Actuarial Pricing System ("MAPS") probabilistic and stochastic portfolio pricing model, which estimates the expected cash flows using various mortality probabilities and scenarios. The valuation process includes a review by senior management as of each quarterly valuation date. We also engage MAPS to independently verify the accuracy of the valuations using the inputs we provide on a quarterly basis. A copy of a letter documenting the MAPS calculation is filed as Exhibit 99.1 to this report.

The following table reconciles the beginning and ending fair value of our Level 3 investments in our portfolio of life insurance policies for the periods ended September 30, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Beginning balance	$ 726,063,000	$ 577,050,000	$ 650,527,000	$ 511,192,000
Purchases	42,892,000	25,199,000	98,442,000	67,321,000
Maturities (initial cost basis)	(2,326,000)	(2,333,000)	(13,558,000)	(7,716,000)
Net change in fair value	24,840,000	20,182,000	56,058,000	49,301,000
Ending balance	$ 791,469,000	$ 620,098,000	$ 791,469,000	$ 620,098,000

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For life insurance policies with face amounts greater than $1 million and that are not pledged under our amended and restated senior credit facility with LNV Corporation (approximately 21.5% of our portfolio by face amount of policy benefits) we attempt to update the life expectancy estimates on a continuous rotating three year cycle. For life insurance policies that are pledged under our amended and restated senior credit facility with LNV Corporation (approximately 68.7% of our portfolio by face amount of policy benefits) we are presently required to update the life expectancy estimates every two years beginning from the date of the amended and restated senior credit facility. For the remaining small face insurance policies (i.e., a policy with $1 million in face value benefits or less) we may employ a range of methods and timeframes to update life expectancy estimates (see Note 22).

The following table summarizes the inputs utilized in estimating the fair value of our portfolio of life insurance policies:

	As of September 30, 2018	As of December 31, 2017
Weighted-average age of insured, years *	82.1	81.7
Weighted-average life expectancy, months *	79.9	82.4
Average face amount per policy	$ 1,805,000	$ 1,867,000
Discount rate	10.45 %	10.45 %

(*) Weighted-average by face amount of policy benefits

Life expectancy estimates and market discount rates for a portfolio of life insurance policies are inherently uncertain and the effect of changes in estimates may be significant. For example, if the life expectancy estimates were increased or decreased by four and eight months on each outstanding policy, and the discount rates were increased or decreased by 1% and 2%, with all other variables held constant, the fair value of our investment in life insurance policies would increase or decrease as summarized below:

Change in Fair Value of the Investment in Life Insurance Policies

	Change in Life Expectancy Estimates			
	minus 8 months	minus 4 months	plus 4 months	plus 8 months
September 30, 2018	$ 103,902,000	$ 51,782,000	$ (51,418,000)	$ (102,195,000)
December 31, 2017	$ 86,391,000	$ 42,886,000	$ (42,481,000)	$ (84,238,000)

	Change in Discount Rate			
	minus 2%	minus 1%	plus 1%	plus 2%
September 30, 2018	$ 78,624,000	$ 37,643,000	$ (34,665,000)	$ (66,663,000)
December 31, 2017	$ 68,117,000	$ 32,587,000	$ (29,964,000)	$ (57,583,000)

Other Fair Value Considerations

The carrying value of policy benefit receivables, prepaid expenses, accounts payable and accrued expenses approximate fair value due to their short-term maturities and low credit risk. Using the income-based valuation approach, the estimated fair value of our L Bonds, having an aggregate face value of $586,063,000 as of September 30, 2018, is approximately $592,527,000 based on a weighted-average market interest rate of 6.84%.

The carrying value of the amended and restated senior credit facility with LNV Corporation reflects interest charged at 12-month LIBOR plus an applicable margin. The margin represents our credit risk, and the strength of the portfolio of life insurance policies collateralizing the debt. The overall rate reflects market, and the carrying value of the facility approximates fair value.

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GWG MCA Capital, Inc. ("GWG MCA") participates in the merchant cash advance industry by directly advancing sums to merchants and lending money, on a secured basis, to companies that advance sums to merchants. Each quarter, we review the carrying value of these cash advances, determine if an impairment exists and establish or adjust an allowance for loan loss as necessary. At September 30, 2018 one of our secured cash advances was impaired. Specifically, the secured loan to Nulook Capital LLC had an outstanding balance of $1,908,000 and an allowance for loan loss of $1,908,000 at September 30, 2018. We deem fair value to be the estimated collectible value on each loan or advance made from GWG MCA. Secured merchant cash advances, net of allowance for loan loss, of $635,000 and $1,662,000 are included within other assets on our condensed consolidated balance sheets as of September 30, 2018 and December 31, 2017, respectively. Where we estimate the collectible amount to be less than the outstanding balance, we record an allowance for the difference. Provision for merchant cash advances are recorded within other expenses on the statement of operations (see Note 16).

The following table summarizes outstanding common stock warrants (discussed in Note 14) as of September 30, 2018:

Month issued	Warrants issued	Fair value per share	Risk free rate	Volatility	Term
September 2014	16,000	$ 1.26	1.85 %	17.03 %	5 years
	16,000				

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(5) Credit Facility — Autobahn Funding Company LLC

On September 12, 2017, we terminated our $105 million senior credit facility with Autobahn Funding Company LLC, the Credit and Security Agreement governing the facility as well as the related pledge agreement, pursuant to which our obligations under the facility were secured. We paid off in full all obligations under the facility on September 14, 2016, and since that date, we have had no amounts outstanding under the facility.

The Credit and Security Agreement contained certain financial and non-financial covenants, and we were in compliance with these covenants during the year ended December 31, 2017 until the date of termination.

(6) Credit Facility — LNV Corporation

On September 27, 2017, we entered into an amended and restated senior credit facility with LNV Corporation as lender through our subsidiary GWG DLP Funding IV, LLC (“DLP IV”). The amended and restated senior credit facility makes available a total of up to $300,000,000 in credit with a maturity date of September 27, 2029. Additional advances are available under the amended and restated senior credit facility at the LIBOR rate as herein defined. Advances are available as the result of additional borrowing base capacity, created as the premiums and servicing costs of pledged life insurance policies become due. Interest will accrue on amounts borrowed under the amended and restated senior credit facility at an annual interest rate, determined as of each date of borrowing or quarterly if there is no borrowing, equal to (A) the greater of 12-month LIBOR or the federal funds rate (as defined in the agreement) plus one-half of one percent per annum, plus (B) 7.50% per annum. The effective rate at September 30, 2018 was 10.30%. Interest payments are made on a quarterly basis.

As of September 30, 2018, approximately 68.7% of the total face value of our portfolio is pledged to LNV Corporation. The amount outstanding under this facility was $171,964,000 and $222,525,000 at September 30, 2018 and December 31, 2017, respectively. Obligations under the amended and restated senior credit facility are secured by a security interest in DLP IV’s assets, for the benefit of the lenders, through an arrangement under which Wells Fargo serves as securities intermediary. The life insurance policies owned by DLP IV do not serve as direct collateral for the obligations of GWG Holdings under the L Bonds. The difference between the amount outstanding and the carrying

amount on our condensed consolidated balance sheets is due to netting of unamortized debt issuance costs.

The amended and restated senior credit facility has certain financial and nonfinancial covenants, and we were in compliance with these covenants at September 30, 2018 and December 31, 2017.

(7) Series I Secured Notes

Series I Secured Notes were legal obligations of GWG Life and were privately offered and sold from August 2009 through June 2011. On September 8, 2017, we redeemed all outstanding Series I Secured Notes for an aggregate of $6,815,000.

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(8) L Bonds

We began publicly offering and selling L Bonds in January 2012 under the name “Renewable Secured Debentures”. These debt securities were re-named “L Bonds” in January 2015. L Bonds are publicly offered and sold on a continuous basis under a registration statement permitting us to sell up to $1.0 billion in principal amount of L Bonds through January 2018. On December 1, 2017, an additional public offering was declared effective permitting us to sell up to $1.0 billion in principal amount of L Bonds on a continuous basis. The new offering is a follow-on to the previous L Bond offering and contains the same terms and features. We are party to an indenture governing the L Bonds dated October 19, 2011, as amended (“Indenture”), under which GWG Holdings is obligor, GWG Life is guarantor, and Bank of Utah serves as indenture trustee. On October 23, 2017, the parties entered into the Amended and Restated Indenture in connection with the new offering. On March 27, 2018, GWG L Bond holders approved Amendment No.1 to the Amended and Restated Indenture. This amendment expands the definition of Total Coverage to include, without duplication, the value of all of our other assets as reflected on our most recently available balance sheet prepared in accordance with GAAP. The Amended and Restated Indenture contains certain financial and non-financial covenants, and we were in compliance with these covenants at September 30, 2018 and December 31, 2017.

The L Bonds are senior secured obligations of GWG, ranking junior only to all senior debt of GWG (see Note 6), pari passu in right of payment and in respect of collateral with all L Bonds of GWG, and senior in right of payment to all subordinated indebtedness of GWG. Payments under the L Bonds are guaranteed by GWG Life (see Note 20).

The L Bonds are secured by the assets of GWG, primarily consisting of its investment in its subsidiaries, cash proceeds it receives from life insurance assets of its subsidiaries, and all other cash and investments it holds in various accounts. Substantially all of GWG’s life insurance assets are held in its subsidiary DLP IV. The L Bonds’ security interest is structurally subordinate to the security interest in favor of GWG’s senior secured lender, together with any future senior secured lenders of GWG. The assets of GWG Life, including proceeds it receives as distributions from DLP IV and derived from the insurance policies owned by DLP IV, are collateral for GWG Life’s guarantee of the repayment of principal and interest on the L Bonds. The L Bonds are also secured by a pledge of a majority of GWG’s outstanding common stock beneficially held by its largest stockholders.

The bonds have renewal features under which we may elect to permit their renewal, subject to the right of bondholders to elect to receive payment at maturity. Interest is payable monthly or annually depending on the election of the

investor.

At September 30, 2018 and December 31, 2017, the weighted-average interest rate of our L Bonds was 7.12% and 7.29%, respectively. The principal amount of L Bonds outstanding was $586,063,000 and $461,427,000 at September 30, 2018 and December 31, 2017, respectively. The difference between the amount of outstanding L Bonds and the carrying amount on our condensed consolidated balance sheets is due to netting of unamortized deferred issuance costs, cash receipts for new issuances and payments of redemptions in process. Amortization of deferred issuance costs was $2,312,000 and $2,076,000 for the three months ended September 30, 2018 and 2017, respectively, and $6,450,000 and $4,931,000 for the nine months ended September 30, 2018 and 2017, respectively. Future expected amortization of deferred financing costs as of September 30, 2018 is $20,581,000 in total over the next seven years.

Future contractual maturities of L Bonds, and future amortization of their deferred financing costs, at September 30, 2018 are as follows[(1)]:

Years Ending December 31,	Contractual Maturities	Unamortized Deferred Financing Costs
Three months ending December 31, 2018	$ 26,778,000	$ 79,000
2019	150,056,000	2,291,000
2020	137,067,000	4,435,000
2021	87,360,000	3,727,000
2022	39,713,000	1,777,000
2023	53,616,000	2,924,000
Thereafter	91,473,000	5,348,000
	$ 586,063,000	$ 20,581,000

(1) The Seller Trust L Bonds are excluded from this table (see Note 1).

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(9) Series A Convertible Preferred Stock

From July 2011 through September 2012, we privately offered shares of Series A Convertible Preferred Stock of GWG Holdings at $7.50 per share (the “Series A”). In the offering, we sold an aggregate of 3,278,000 shares for gross consideration of $24,582,000. Holders of Series A were entitled to cumulative dividends at the rate of 10% per annum, paid quarterly. The Series A were only redeemable at our option.

Purchasers of the Series A in our offering received warrants to purchase an aggregate of 416,000 shares of our common stock at an exercise price of $12.50 per share. As of September 30, 2018 and December 31, 2017, all of these warrants have expired and none of them had been exercised.

On October 9, 2017 all shares of Series A were redeemed with a redemption payment equal to the sum of: (i) $8.25 per Series A share and (ii) all accrued but unpaid dividends.

(10) Redeemable Preferred Stock

On November 30, 2015, our public offering of up to 100,000 shares of RPS at $1,000 per share was declared effective. Holders of RPS are entitled to cumulative dividends at the rate of 7% per annum, paid monthly. Dividends on the RPS are recorded as a reduction to additional paid-in capital, if any, then to the outstanding balance of the preferred stock if additional paid-in-capital has been exhausted. Under certain circumstances described in the Certificate of Designation for the RPS, additional shares of RPS may be issued in lieu of cash dividends.

The RPS ranks senior to our common stock and pari passu with our RPS 2 and entitles its holders to a liquidation preference equal to the stated value per share (i.e., $1,000) plus accrued but unpaid dividends. Holders of RPS may presently convert their RPS into our common stock at a conversion price equal to the volume-weighted average price of our common stock for the 20 trading days immediately prior to the date of conversion, subject to a minimum conversion price of $15.00 and in an aggregate amount limited to 15% of the stated value of RPS originally purchased

from us and still held by such purchaser.

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Holders of RPS may request that we redeem their RPS at a price equal to their stated value plus accrued but unpaid dividends, less an applicable redemption fee, if any, as specified in the Certificate of Designation. Nevertheless, the Certificate of Designation for RPS permits us in our sole discretion to grant or decline redemption requests. Subject to certain restrictions and conditions, we may also redeem shares of RPS without a redemption fee upon a holder's death, total disability or bankruptcy. In addition, after one year from the date of original issuance, we may, at our option, call and redeem shares of RPS at a price equal to their liquidation preference.

In March 2017, we closed the RPS offering to additional investors having sold 99,127 shares of RPS for an aggregate gross consideration of $99,127,000 and incurred approximately $7,019,000 of related selling costs.

At the time of its issuance, we determined that the RPS contained two embedded features: (1) optional redemption by the holder and (2) optional conversion by the holder. We determined that each of the embedded features met the definition of a derivative and that the RPS should be considered an equity host for the purposes of assessing the embedded derivatives for potential bifurcation. Based on our assessment under Accounting Standards Codification 470 "*Debt*" ("ASC 470") we do not believe bifurcation of either the holder's redemption or conversion feature is appropriate.

(11) Series 2 Redeemable Preferred Stock

On February 14, 2017, our public offering of up to 150,000 shares of RPS 2 at $1,000 per share was declared effective. Holders of RPS 2 are entitled to cumulative dividends at the rate of 7% per annum, paid monthly. Dividends on the RPS 2 are recorded as a reduction to additional paid-in capital, if any, then to the outstanding balance of the preferred stock if additional paid-in capital has been exhausted. Under certain circumstances described in the Certificate of Designation for the RPS 2, additional shares of RPS 2 may be issued in lieu of cash dividends.

The RPS 2 ranks senior to our common stock and pari passu with our RPS and entitles its holders to a liquidation preference equal to the stated value per share (i.e., $1,000) plus accrued but unpaid dividends. Holders of RPS 2 may, less an applicable conversion discount, if any, convert their RPS 2 into our common stock at a conversion price equal to the volume-weighted average price of our common stock for the 20 trading days immediately prior to the date of

conversion, subject to a minimum conversion price of $12.75 and in an aggregate amount limited to 10% of the stated value of RPS 2 originally purchased from us and still held by such purchaser.

Holders of RPS 2 may request that we redeem their RPS 2 shares at a price equal to their liquidation preference, less an applicable redemption fee, if any, as specified in the Certificate of Designation. Nevertheless, the Certificate of Designation for RPS 2 permits us in our sole discretion to grant or decline requests for redemption. Subject to certain restrictions and conditions, we may also redeem shares of RPS 2 without a redemption fee upon a holder's death, total disability or bankruptcy. In addition, we may, at our option, call and redeem shares of RPS 2 at a price equal to their liquidation preference (subject to a minimum redemption price, in the event of redemptions occurring less than one year after issuance, of 107% of the stated value of the shares being redeemed).

In April 2018, we closed the RPS 2 offering to additional investors having sold 149,979 shares of RPS 2 for an aggregate gross consideration of $149,979,000 and incurred approximately $10,284,000 of related selling costs.

At the time of its issuance, we determined that the RPS 2 contained two embedded features: (1) optional redemption by the holder; and (2) optional conversion by the holder. We determined that each of the embedded features met the definition of a derivative and that the RPS 2 should be considered an equity host for the purposes of assessing the embedded derivatives for potential bifurcation. Based on our assessment under ASC 470 we do not believe bifurcation of either the holder's redemption or conversion feature is appropriate.

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(12) Series B Convertible Preferred Stock

On August 10, 2018, GWG Holdings issued 5,000,000 shares of Series B, par value $0.001 per share and having a stated value of $10 per share, to Beneficient for cash consideration of $50,000,000 as part of the Initial Transfer.

The Series B ranks, as to the payment of dividends and the distribution of our assets upon liquidation, dissolution or winding up junior to our RPS and RPS 2 and *pari passu* with our common stock. The Series B has no dividend rights. The Series B has no voting rights, except as required by law.

The Series B will convert into 5,000,000 shares of our common stock at a conversion price of $10.00 per share immediately following the Final Closing of the Beneficient Transaction. The holder has no additional rights or remedies if the Final Closing is not completed.

(13) Income Taxes

We had a current income tax liability of $0 as of both September 30, 2018 and December 31, 2017. The components of our income tax expense (benefit) and the reconciliation at the statutory federal tax rate to our actual income tax expense (benefit) for the three and nine months ended September 30, 2018 and 2017 consisted of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Statutory federal income tax (benefit)	$ (2,234,000)	$ (2,321,000)	$ (4,173,000)	$ (5,536,000)
State income taxes (benefit), net of federal benefit	(866,000)	(440,000)	(1,558,000)	(1,049,000)
Change in valuation allowance	3,215,000	-	5,783,000	-

Other permanent differences	(115,000)	(3,000)	(52,000)	103,000
Total income tax expense (benefit)	$ -	$ (2,764,000)	$ -	$ (6,482,000)

The tax effects of temporary differences that give rise to deferred income taxes were as follows:

	As of September 30, 2018	As of December 31, 2017
Deferred tax assets:		
Note receivable from related party	$ -	$ 1,437,000
Net operating loss carryforwards	12,096,000	9,995,000
Other assets	2,930,000	1,724,000
Subtotal	15,026,000	13,156,000
Valuation allowance	(11,962,000)	(6,386,000)
Deferred tax assets	3,064,000	6,770,000
Deferred tax liabilities:		
Investment in life insurance policies	(2,952,000)	(6,630,000)
Other liabilities	(112,000)	(140,000)
Net deferred tax asset (liability)	$ -	$ -

At September 30, 2018 and December 31, 2017, we had federal net operating loss (“NOL”) carryforwards of $42,085,000 and $34,775,000, respectively. The NOL carryforwards will begin to expire in 2031. Future utilization of NOL carryforwards is subject to limitations under Section 382 of the Internal Revenue Code. This section generally relates to a more than 50 percent change in ownership over a three-year period. We currently do not believe that any prior issuance of common stock has resulted in an ownership change under Section 382 through September 30, 2018.

We provide for a valuation allowance when it is not considered “more likely than not” that our deferred tax assets will be realized. As of September 30, 2018, based on all available evidence, we have provided a valuation allowance against our total net deferred tax asset of $11,962,000 due to uncertainty as to the realization of our deferred tax assets during the carryforward periods.

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On December 22, 2017, the U.S. federal government enacted the Tax Cuts and Jobs Act (“Tax Reform Bill”). The Tax Reform Bill changed existing United States tax law, including a reduction of the U.S. corporate income tax rate. The Company re-measured deferred taxes as of the date of enactment, reflecting those changes within deferred tax assets as of December 31, 2017.

ASC 740 requires the reporting of certain tax positions that do not meet a threshold of “more-likely-than-not” to be recorded as uncertain tax benefits. It is management’s responsibility to determine whether it is “more-likely-than-not” that a tax position will be sustained upon examination, including resolution of any related appeals or litigation, based upon the technical merits of the position. Management has reviewed all income tax positions taken or expected to be taken for all open years and has determined that the income tax positions are appropriately stated and supported. We do not anticipate that the total unrecognized tax benefits will significantly change prior to December 31, 2018.

Under our accounting policies, interest and penalties on unrecognized tax benefits, as well as interest received from favorable tax settlements are recognized as components of income tax expense. At September 30, 2018 and December 31, 2017, we recorded no accrued interest or penalties related to uncertain tax positions.

Our income tax returns for tax years ended December 31, 2014, 2015, 2016 and 2017, when filed, remain open to examination by the Internal Revenue Service and various state taxing jurisdictions. Our income tax return for tax year ended December 31, 2013 also remains open to examination by various state taxing jurisdictions.

(14) Common Stock

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 payment of underwriting commissions, discounts and expense reimbursements. In connection with this offering, we listed our common stock on the Nasdaq Capital Market under the ticker symbol “GWGH.”

In conjunction with the initial public offering our Company issued warrants to purchase 16,000 shares of common stock at an exercise price of $15.63 per share. As of September 30, 2018, none of these warrants had been exercised. The remaining life of these warrants at September 30, 2018 was 1.0 year.

On August 10, 2018, the Company declared a special dividend of $4.30 per share of common stock payable to shareholders of record on August 27, 2018.

(15) Stock Incentive Plan

We adopted our 2013 Stock Incentive Plan in March 2013, as amended on June 1, 2015, May 5, 2017 and May 8, 2018. The Compensation Committee of our Board of Directors is responsible for the administration of the plan. Participants under the plan may be granted incentive stock options and non-statutory stock options; stock appreciation rights; stock awards; restricted stock; restricted stock units; and performance shares. Eligible participants include officers and employees of GWG Holdings and its subsidiaries, members of our Board of Directors, and consultants. Awards generally expire 10 years from the date of grant. As of September 30, 2018, 6,000,000 of our common stock options are authorized under the plan, of which 2,667,832 shares were reserved for issuance under outstanding incentive awards and 3,332,168 shares remain available for future grants.

Stock Options

As of September 30, 2018, we had outstanding stock options for 1,364,000 shares of common stock to employees, officers, and directors under the plan. Options for 583,000 shares have vested and the remaining options are scheduled to vest over three years. The options were issued with an exercise price between $6.35 and $10.38 for those beneficially owning more than 10% of our common stock, and between $4.83 and $11.56 for all others, which is equal to the market price of the shares on the date of grant. The expected annualized volatility used in the Black-Scholes model valuation of options issued during the three months ended September 30, 2018 was 25.83%. The annual volatility rate is based on the standard deviation of the average continuously compounded daily changes of stock price of five selected companies. As of September 30, 2018, stock options for 732,000 shares had been forfeited and stock options for 724,000 shares had been exercised.

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Outstanding stock options:

	Vested	Un-vested	Total
Balance as of December 31, 2016	738,065	844,334	1,582,399
Granted during the year	61,099	367,500	428,599
Vested during the year	327,061	(327,061)	-
Exercised during the year	(126,498)	-	(126,498)
Forfeited during the year	(142,535)	(105,017)	(247,552)
Balance as of December 31, 2017	857,192	779,756	1,636,948
Granted year-to-date	37,950	306,500	344,450
Vested year-to-date	279,788	(279,788)	-
Exercised year-to-date	(569,864)	-	(569,864)
Forfeited year-to-date	(21,582)	(25,501)	(47,083)
Balance as of September 30, 2018	583,484	780,967	1,364,451

As of September 30, 2018, unrecognized compensation expense related to un-vested options is $1,282,000. We expect to recognize this compensation expense over the remaining vesting period ($182,000 in 2018, $614,000 in 2019, $354,000 in 2020, and $132,000 in 2021).

Stock Appreciation Rights (SARs)

As of September 30, 2018, we had outstanding SARs for 311,000 shares of the common stock to employees. The strike price of the SARs was between $6.75 and $10.38, which was equal to the market price of the common stock at the date of issuance. As of September 30, 2018, 83,000 of the SARs were vested and 146,000 have been exercised. On September 30, 2018, the market price of GWG's common stock was $7.75.

Outstanding SARs:

	Vested	Un-vested	Total
Balance as of December 31, 2016	106,608	133,127	239,735
Granted during the year	13,001	91,986	104,987
Vested during the year	69,444	(69,444)	-
Forfeited during the year	-	(1,750)	(1,750)
Balance as of December 31, 2017	189,053	153,919	342,972
Granted year-to-date	-	113,650	113,650
Vested year-to-date	39,552	(39,552)	-
Exercised year-to-date	(145,622)	-	(145,622)
Balance as of September 30, 2018	82,983	228,017	311,000

The liability for the SARs as of September 30, 2018 and December 31, 2017 was $43,000 and $551,000, respectively, and was recorded within other accrued expenses on the condensed consolidated balance sheets. Employee compensation and benefits expense for SARs of $25,000 and ($9,000) was recorded for the three months ended September 30, 2018 and 2017, respectively, and $15,000 and $303,000 was recorded for the nine months ended September 30, 2018 and 2017, respectively.

Upon the exercise of SARs, the Company is obligated to make cash payment equal to the positive difference between the fair market value of the Company’s common stock on the date of exercise less the fair market value of the common stock on the date of grant.

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The following summarizes information concerning outstanding options and SARs issued under the 2013 Stock Incentive Plan:

	September 30, 2018			
	Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Life (years)	Fair Value at Grant Date
Vested				
Stock Options	583,484	$ 8.71	4.10	$ 1.97
SARs	82,983	$ 8.92	5.06	$ 1.96
Total Vested	666,467	$ 8.74	4.22	$ 1.97
Unvested				
Stock Options	780,967	$ 9.26	4.98	$ 2.31
SARs	228,017	$ 8.47	6.16	$ 2.04
Total Unvested	1,008,984	$ 9.08	5.25	$ 2.25

	December 31, 2017			
	Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Life (years)	Fair Value at Grant Date
Vested				
Stock Options	857,192	$ 8.05	6.17	$ 1.76
SARs	189,053	$ 8.54	5.86	$ 1.90
Total Vested	1,046,245	$ 8.14	6.11	$ 1.78
Unvested				
Stock Options	779,756	$ 9.21	7.50	$ 2.17
SARs	153,919	$ 9.16	6.24	$ 2.02
Total Unvested	933,675	$ 9.21	7.30	$ 2.15

Restricted Stock Units

A restricted stock unit ("RSU") entitles the holder thereof to receive one share of our common stock upon vesting. As of September 30, 2018, we had outstanding RSUs for 122,396 shares of common stock held by employees under the plan, of which 51,193 RSUs were vested but for which shares had not yet been issued and 71,203 RSUs were scheduled to vest over the next twelve months.

(16) Other Expenses

The components of other expenses in our condensed consolidated statements of operations for the three and nine months ended September 30, 2018 and 2017 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Contract Labor	$ 359,000	$ 130,000	$ 964,000	$ 311,000
Marketing	413,000	485,000	1,343,000	1,687,000
Information Technology	432,000	411,000	1,208,000	1,093,000
Servicing and Facility Fees	382,000	277,000	1,244,000	856,000
Travel and Entertainment	204,000	250,000	650,000	768,000
Insurance and Regulatory	401,000	416,000	1,120,000	1,240,000
Charitable Contributions	-	42,000	-	462,000
General and Administrative	498,000	788,000	1,733,000	2,924,000
Total Other Expenses	$ 2,689,000	$ 2,799,000	$ 8,262,000	$ 9,341,000

GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(17) Net Loss Attributable to Common Shareholders

We have outstanding RPS, RPS 2 and Series B as described in Notes 10, 11 and 12. RPS, RPS 2 and Series B are anti-dilutive to our net loss attributable to common shareholders calculation for both the three and nine months ended September 30, 2018 and 2017. Our vested and un-vested stock options and warrants are anti-dilutive for both the three and nine months ended September 30, 2018 and 2017.

(18) Commitments

We are party to an office lease with U.S. Bank National Association as the landlord. On September 1, 2015, we entered into an amendment to our original lease that expanded the leased space to 17,687 square feet and extended the term through October 2025. Under the amended lease we are obligated to pay base rent plus common area maintenance and a share of building operating costs. Rent expenses under this agreement were $119,000 and $121,000 during the three months ended September 30, 2018 and 2017, respectively, and $334,000 and $344,000 during the nine months ended September 30, 2018 and 2017, respectively.

Minimum lease payments under the amended lease are as follows:

Three months ending December 31, 2018	$	68,000
2019		275,000
2020		284,000
2021		293,000
2022		302,000
2023		311,000
Thereafter		593,000
	$	2,126,000

(19) Contingencies

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

(20) Guarantee of L Bonds

We are publicly offering and selling L Bonds under a registration statement declared effective by the SEC, as described in Note 8. Our obligations under the L Bonds are secured by substantially all the assets of GWG Holdings, a pledge of all our common stock held individually by our largest stockholders, and by a guarantee and corresponding grant of a security interest in substantially all the assets of GWG Life[(1)]. As a guarantor, GWG Life has fully and unconditionally guaranteed the payment of principal and interest on the L Bonds. GWG Life's equity in DLP IV[(2)] serves as collateral for our L Bonds. Substantially all of our life insurance policies are held by DLP IV or GWG Life Trust ("the Trust"). The policies held by DLP IV are not direct collateral for the L Bonds as such policies are pledged to the senior credit facility with LNV Corporation.

(1) The Seller Trust L Bonds are senior secured obligations of GWG, ranking junior only to all senior debt of GWG (see Note 6), pari passu in right of payment and in respect of collateral with all L Bonds of GWG (see Note 8), and senior in right of payment to all subordinated indebtedness of GWG. Payments under the Seller Trust L Bonds are guaranteed by GWG Life. The assets exchanged in the Initial Transfer are available as collateral for all holders of the L Bonds and Seller Trust L Bonds. Specifically, the Exchangeable Note and common units of Beneficient are held by GWG Holdings and the Commercial Loan is held by GWG Life.

(2) The terms of our amended and restated senior credit facility with LNV Corporation require that we maintain a significant excess of pledged collateral value over the amount outstanding on the amended and restated senior credit facility at any given time. Any excess after satisfying all amounts owing under our amended and restated senior credit facility with LNV Corporation is available as collateral for the L Bonds (including the Seller Trust L Bonds).

GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

The following represents condensed consolidating financial information as of September 30, 2018 and December 31, 2017, with respect to the financial position, and as of September 30, 2018 and 2017, with respect to results of operations and cash flows of GWG Holdings and its subsidiaries. The parent column presents the financial information of GWG Holdings, the primary obligor for the L Bonds. The guarantor subsidiary column presents the financial information of GWG Life, the guarantor subsidiary of the L Bonds, presenting its investment in DLP IV and the Trust under the equity method. The non-guarantor subsidiaries column presents the financial information of all non-guarantor subsidiaries, including DLP IV and the Trust.

Condensed Consolidating Balance Sheets

September 30, 2018	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
A S S E T S					
Cash and cash equivalents	$ 115,884,625	$ 631,228	$ 1,357,815	$ -	$ 117,873,668
Restricted cash	-	699,477	2,370,282	-	3,069,759
Investment in life insurance policies, at fair value	-	85,077,334	706,391,253	-	791,468,587
Life insurance policy benefits receivable	-	2,800,000	7,672,696	-	10,472,696
Other assets	6,892,415	1,822,284	4,307,324	-	13,022,023
Investment in subsidiaries	642,140,104	551,836,655	-	(1,193,976,759)	-
TOTAL ASSETS	$ 764,917,144	$ 642,866,978	$ 722,099,370	$ (1,193,976,759)	$ 935,906,733
L I A B I L I T I E S & S T O C K H O L D E R S' E Q U I T Y					
LIABILITIES					
Senior credit facility with LNV	$ -	$ -	$ 162,469,172	$ -	$ 162,469,172

Corporation					
L Bonds	570,199,704	-	-	-	570,199,704
Accounts payable	1,101,453	641,741	836,129	-	2,579,323
Interest and dividends payable	11,431,884	-	4,796,457	-	16,228,341
Other accrued expenses	1,026,668	1,448,807	797,283	-	3,272,758
TOTAL LIABILITIES	583,759,709	2,090,548	168,899,041	-	754,749,298
STOCKHOLDERS' EQUITY					
Member capital	-	640,776,430	553,200,329	(1,193,976,759)	-
Redeemable preferred stock and Series 2 redeemable preferred stock	216,068,039	-	-	-	216,068,039
Series B convertible preferred stock	50,000,000	-	-	-	50,000,000
Common stock	5,980	-	-	-	5,980
Accumulated deficit	(84,916,584)	-	-	-	(84,916,584)
TOTAL STOCKHOLDERS' EQUITY	181,157,435	640,776,430	553,200,329	(1,193,976,759)	181,157,435
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 764,917,144	$ 642,866,978	$ 722,099,370	$ (1,193,976,759)	$ 935,906,733

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GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidating Balance Sheets (continued)

December 31, 2017	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
A S S E T S					
Cash and cash equivalents	$ 111,952,829	$ 1,486,623	$ 982,039	$ -	$ 114,421,491
Restricted cash	-	9,367,410	18,982,275	-	28,349,685
Investment in life insurance policies, at fair value	-	51,093,362	599,433,991	-	650,527,353
Life insurance policy benefits receivable	-	1,500,000	15,158,761	-	16,658,761
Other assets	1,912,203	1,986,312	5,000,369	-	8,898,884
Investment in subsidiaries	480,659,789	415,235,212	-	(895,895,001)	-
TOTAL ASSETS	$ 594,524,821	$ 480,668,919	$ 639,557,435	$ (895,895,001)	$ 818,856,174
L I A B I L I T I E S & S T O C K H O L D E R S' E Q U I T Y					
LIABILITIES					
Senior credit facility with LNV Corporation	$ -	$ -	$ 212,238,192	$ -	$ 212,238,192
L Bonds	447,393,568	-	-	-	447,393,568
Accounts payable	1,434,623	844,899	4,114,917	-	6,394,439
Interest and dividends payable	10,296,584	-	5,130,925	-	15,427,509
Other accrued expenses	1,728,303	1,610,773	391,647	-	3,730,723
TOTAL LIABILITIES	460,853,078	2,455,672	221,875,681	-	685,184,431

STOCKHOLDERS' EQUITY					
Member capital	-	478,213,247	417,681,754	(895,895,001)	-
Redeemable preferred stock and Series 2 redeemable preferred stock	173,115,447	-	-	-	173,115,447
Common stock	5,813	-	-	-	5,813
Accumulated deficit	(39,449,517)	-	-	-	(39,449,517)
TOTAL STOCKHOLDERS' EQUITY	133,671,743	478,213,247	417,681,754	(895,895,001)	133,671,743
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 594,524,821	$ 480,668,919	$ 639,557,435	$ (895,895,001)	$ 818,856,174

GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidating Statements of Operations

For the three months ended September 30, 2018	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Gain on life insurance policies, net	$ -	$ 4,122,153	$ 11,599,360	$ -	$ 15,721,513
Interest and other income	745,170	4,298	181,677	-	931,145
TOTAL REVENUE	745,170	4,126,451	11,781,037	-	16,652,658
EXPENSES					
Interest expense	12,454,750	-	5,060,212	-	17,514,962
Employee compensation and benefits	2,292,251	3,086,682	169,838	-	5,548,771
Legal and professional fees	483,512	221,613	716,839	-	1,421,964
Other expenses	1,590,823	455,800	642,347	-	2,688,970
TOTAL EXPENSES	16,821,336	3,764,095	6,589,236	-	27,174,667
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(16,076,166)	362,356	5,191,801	-	(10,522,009)
EQUITY IN INCOME OF SUBSIDIARIES	5,554,157	6,266,480	-	(11,820,637)	-
NET INCOME (LOSS) BEFORE INCOME TAXES	(10,522,009)	6,628,836	5,191,801	(11,820,637)	(10,522,009)
INCOME TAX BENEFIT	-	-	-	-	-
NET INCOME (LOSS)	(10,522,009)	6,628,836	5,191,801	(11,820,637)	(10,522,009)
Preferred stock dividends	4,313,542	-	-	-	4,313,542

NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (14,835,551)	$ 6,628,836	$ 5,191,801	$ (11,820,637)	$ (14,835,551)

For the three months ended September 30, 2017	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Gain on life insurance policies, net	$ -	$ 2,780,544	$ 11,640,809	$ -	$ 14,421,353
Interest and other income	40,044	113,410	239,865	(117,629)	275,690
TOTAL REVENUE	40,044	2,893,954	11,880,674	(117,629)	14,697,043
EXPENSES					
Interest expense	9,907,959	253,422	3,126,130	(12,104)	13,275,407
Employee compensation and benefits	2,140,675	1,413,103	238,318	-	3,792,096
Legal and professional fees	746,939	246,691	663,460	-	1,657,090
Other expenses	1,743,730	711,528	449,463	(105,525)	2,799,196
TOTAL EXPENSES	14,539,303	2,624,744	4,477,371	(117,629)	21,523,789
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(14,499,259)	269,210	7,403,303	-	(6,826,746)
EQUITY IN INCOME OF SUBSIDIARIES	7,672,513	8,263,120	-	(15,935,633)	-
NET INCOME (LOSS) BEFORE INCOME TAXES	(6,826,746)	8,532,330	7,403,303	(15,935,633)	(6,826,746)
INCOME TAX BENEFIT	(2,764,243)	-	-	-	(2,764,243)
NET INCOME (LOSS)	(4,062,503)	8,532,330	7,403,303	(15,935,633)	(4,062,503)
Preferred stock dividends	3,548,165	-	-	-	3,548,165
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (7,610,668)	$ 8,532,330	$ 7,403,303	$ (15,935,633)	$ (7,610,668)

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GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidating Statements of Operations (continued)

For the nine months ended September 30, 2018	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Gain on life insurance policies, net	$ -	$ 12,135,832	$ 40,794,176	$ -	$ 52,930,008
Interest and other income	1,859,068	30,822	689,380	-	2,579,270
TOTAL REVENUE	1,859,068	12,166,654	41,483,556	-	55,509,278
EXPENSES					
Interest expense	34,473,956	-	16,252,193	-	50,726,149
Employee compensation and benefits	5,629,344	5,881,219	1,016,576	-	12,527,139
Legal and professional fees	1,290,614	688,003	1,772,704	-	3,751,321
Other expenses	5,082,525	1,397,314	1,782,485	-	8,262,324
TOTAL EXPENSES	46,476,439	7,966,536	20,823,958	-	75,266,933
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(44,617,371)	4,200,118	20,659,598	-	(19,757,655)
EQUITY IN INCOME OF SUBSIDIARIES	24,859,716	23,824,330	-	(48,684,046)	-
NET INCOME (LOSS) BEFORE INCOME TAXES	(19,757,655)	28,024,448	20,659,598	(48,684,046)	(19,757,655)
INCOME TAX BENEFIT	-	-	-	-	-
NET INCOME (LOSS)	(19,757,655)	28,024,448	20,659,598	(48,684,046)	(19,757,655)

Preferred stock dividends	12,356,513	-	-	-	12,356,513
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (32,114,168)	$ 28,024,448	$ 20,659,598	$ (48,684,046)	$ (32,114,168)

For the nine months ended September 30, 2017	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Gain on life insurance policies, net	$ -	$ 4,481,555	$ 40,635,883	$ -	$ 45,117,438
Interest and other income	194,273	348,695	1,163,667	(371,100)	1,335,535
TOTAL REVENUE	194,273	4,830,250	41,799,550	(371,100)	46,452,973
EXPENSES					
Interest expense	27,495,867	930,837	10,418,243	(79,300)	38,765,647
Employee compensation and benefits	6,179,032	4,163,873	353,550	-	10,696,455
Legal and professional fees	1,524,510	687,240	1,722,277	-	3,934,027
Other expenses	5,291,881	2,244,577	2,095,959	(291,800)	9,340,617
TOTAL EXPENSES	40,491,290	8,026,527	14,590,029	(371,100)	62,736,746
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(40,297,017)	(3,196,277)	27,209,521	-	(16,283,773)
EQUITY IN INCOME OF SUBSIDIARIES	24,013,244	29,569,105	-	(53,582,349)	-
NET INCOME (LOSS) BEFORE INCOME TAXES	(16,283,773)	26,372,828	27,209,521	(53,582,349)	(16,283,773)
INCOME TAX BENEFIT	(6,481,917)	-	-	-	(6,481,917)
NET INCOME (LOSS)	(9,801,856)	26,372,828	27,209,521	(53,582,349)	(9,801,856)
Preferred stock dividends	7,447,022	-	-	-	7,447,022
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (17,248,878)	$ 26,372,828	$ 27,209,521	$ (53,582,349)	$ (17,248,878)

GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Condensed Consolidating Statements of Cash Flows

For the three months ended September 30, 2018	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiary	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (10,522,009)	$ 6,628,836	$ 5,191,801	$ (11,820,637)	$ (10,522,009)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:					
Equity of subsidiaries	(5,554,157)	(6,266,480)	-	11,820,637	-
Changes in fair value of life insurance policies	-	(3,485,452)	(21,354,115)	-	(24,839,567)
Amortization of deferred financing and issuance costs	2,311,567	-	263,755	-	2,575,322
(Increase) decrease in operating assets:					
Life insurance policy benefits receivable	-	(2,000,000)	18,562,304	-	16,562,304
Other assets	(62,835,255)	(47,247,165)	305,226	106,913,951	(2,863,243)
Increase (decrease) in operating liabilities:					
Accounts payable and other accrued expenses	940,137	(384,380)	(1,157,273)	-	(601,516)
	(75,659,717)	(52,754,641)	1,811,698	106,913,951	(19,688,709)

NET CASH FLOWS USED IN OPERATING ACTIVITIES					
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life insurance policies	-	(11,368,457)	(31,523,307)	-	(42,891,764)
Carrying value of matured life insurance policies	-	669,349	1,656,640	-	2,325,989
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	(10,699,108)	(29,866,667)	-	(40,565,775)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings on (repayments of) senior debt	-	-	(18,425,136)	-	(18,425,136)
Proceeds from issuance of L Bonds	68,884,369	-	-	-	68,884,369
Payments for redemption and issuance of L Bonds	(20,195,657)	-	-	-	(20,195,657)
Issuance of common stock	682,954	-	-	-	682,954
Common stock dividends	(25,709,412)	-	-	-	(25,709,412)
Proceeds from issuance of convertible preferred stock	50,000,000	-	-	-	50,000,000
Payments for redemption of redeemable preferred stock	(821,778)	-	-	-	(821,778)
Preferred stock dividends	(4,313,542)	-	-	-	(4,313,542)
Issuance of member capital	-	58,589,352	48,324,599	(106,913,951)	-
NET CASH FLOWS PROVIDED BY	68,526,934	58,589,352	29,899,463	(106,913,951)	50,101,798

FINANCING ACTIVITIES					
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,132,783)	(4,864,397)	1,844,494	-	(10,152,686)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH BEGINNING OF THE PERIOD	123,017,408	6,195,102	1,883,603	-	131,096,113
END OF THE PERIOD	$ 115,884,625	$ 1,330,705	$ 3,728,097	$ -	$ 120,943,427

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GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidating Statements of Cash Flows (continued)

For the three months ended September 30, 2017	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiary	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (4,062,503)	$ 8,532,330	$ 7,403,303	$ (15,935,633)	$ (4,062,503)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:					
Equity of subsidiaries	(7,672,513)	(8,263,120)	-	15,935,633	-
Changes in fair value of life insurance policies	-	(3,609,194)	(16,572,538)	-	(20,181,732)
Amortization of deferred financing and issuance costs	2,075,632	134,445	134,464	-	2,344,541
Deferred income taxes	(2,764,243)	-	-	-	(2,764,243)
(Increase) decrease in operating assets:					
Life insurance policy benefits receivable	-	-	(7,627,000)	-	(7,627,000)
Other assets	(38,552,777)	51,740,361	1,157,168	(13,415,694)	929,058
Increase (decrease) in operating liabilities:					
Accounts payable and other accrued expenses	1,834,187	(855,012)	(1,064,684)	-	(85,509)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(49,142,217)	47,679,810	(16,569,287)	(13,415,694)	(31,447,388)

CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life insurance policies	-	-	(25,199,692)	-	(25,199,692)
Carrying value of matured life insurance policies	-	505,000	1,828,039	-	2,333,039
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	505,000	(23,371,653)	-	(22,866,653)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings on (repayments of) senior debt	-	-	56,887,491	-	56,887,491
Payments for issuance of senior debt	-	-	(3,937,907)	-	(3,937,907)
Payments for redemption of Series I Secured Notes	-	(6,815,406)	-	-	(6,815,406)
Proceeds from issuance of L Bonds	30,271,873	-	-	-	30,271,873
Payments for redemption and issuance of L Bonds	(19,752,717)	-	-	-	(19,752,717)
Issuance of common stock	30	-	-	-	30
Proceeds from issuance of redeemable preferred stock	25,211,870	-	-	-	25,211,870
Payments for issuance of redeemable preferred stock	(1,243,920)	-	-	-	(1,243,920)
Payments for redemption of redeemable preferred stock	(47,500)	-	-	-	(47,500)
Preferred stock dividends	(3,548,165)	-	-	-	(3,548,165)
Issuance of member capital	-	37,959,462	(51,375,156)	13,415,694	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	30,891,471	31,144,056	1,574,428	13,415,694	77,025,649

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,250,746)	79,328,866	(38,366,512)	-	22,711,608
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH BEGINNING OF THE PERIOD	49,632,850	5,905,486	42,914,767	-	98,453,103
END OF THE PERIOD	$ 31,382,104	$ 85,234,352	$ 4,548,255	$ -	$ 121,164,711

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GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidating Statements of Cash Flows (continued)

For the nine months ended September 30, 2018	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiary	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (19,757,655)	$ 28,024,448	$ 20,659,598	$ (48,684,046)	$ (19,757,655)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:					
Equity of subsidiaries	(24,859,716)	(23,824,330)	-	48,684,046	-
Changes in fair value of life insurance policies	-	(9,691,293)	(46,367,043)	-	(56,058,336)
Amortization of deferred financing and issuance costs	6,450,018	-	791,265	-	7,241,283
(Increase) decrease in operating assets:					
Life insurance policy benefits receivable	-	(1,300,000)	7,486,065	-	6,186,065
Other assets	(142,283,599)	(112,613,085)	826,523	249,397,712	(4,672,449)
Increase (decrease) in operating liabilities:					

Accounts payable and other accrued expenses	2,101,589	(365,125)	(3,341,098)	-	(1,604,634)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(178,349,363)	(119,769,385)	(19,944,690)	249,397,712	(68,665,726)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life insurance policies	-	(26,916,457)	(71,524,071)	-	(98,440,528)
Carrying value of matured life insurance policies	-	2,623,779	10,933,853	-	13,557,632
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	(24,292,678)	(60,590,218)	-	(84,882,896)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings on (repayments of) senior debt	-	-	(50,560,286)		(50,560,286)
Proceeds from issuance of L Bonds	166,081,914	-	-	-	166,081,914
Payments for redemption and issuance of L Bonds	(46,151,926)	-	-	-	(46,151,926)
Issuance of common stock	682,954	-	-	-	682,954
Common stock dividends	(25,709,412)	-	-	-	(25,709,412)
Proceeds from issuance of convertible preferred stock	50,000,000	-	-	-	50,000,000
Proceeds from issuance of redeemable preferred stock	56,238,128	-	-	-	56,238,128
	(4,142,294)	-	-	-	(4,142,294)

Payments for issuance of redeemable preferred stock					
Payments for redemption of preferred stock	(2,361,692)	-	-	-	(2,361,692)
Preferred stock dividends	(12,356,513)	-	-	-	(12,356,513)
Issuance of member capital	-	134,538,735	114,858,977	(249,397,712)	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	182,281,159	134,538,735	64,298,691	(249,397,712)	131,720,873
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,931,796	(9,523,328)	(16,236,217)	-	(21,827,749)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH BEGINNING OF THE PERIOD	111,952,829	10,854,033	19,964,314	-	142,771,176
END OF THE PERIOD	$ 115,884,625	$ 1,330,705	$ 3,728,097	$ -	$ 120,943,427

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GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidating Statements of Cash Flows (continued)

For the nine months ended September 30, 2017	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiary	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (9,801,856)	$ 26,372,828	$ 27,209,521	$ (53,582,349)	$ (9,801,856)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:					
Equity of subsidiaries	(24,013,243)	(29,569,106)	-	53,582,349	-
Changes in fair value of life insurance policies	-	(4,803,015)	(44,498,052)	-	(49,301,067)
Amortization of deferred financing and issuance costs	4,931,441	208,829	1,368,422	-	6,508,692
Deferred income taxes, net	(6,481,917)	-	-	-	(6,481,917)
(Increase) decrease in operating assets:					
Life insurance policy benefits receivable	-	-	(9,252,000)	-	(9,252,000)
Other assets	(65,691,037)	(3,794,004)	2,999,378	69,667,082	3,181,419
Increase (decrease) in operating liabilities:					
Accounts payable and other accrued expenses	5,262,800	(2,418,538)	17,279	-	2,861,541
NET CASH FLOWS USED IN OPERATING	(95,793,812)	(14,003,006)	(22,155,452)	69,667,082	(62,285,188)

ACTIVITIES					
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life insurance policies	-	-	(67,321,363)	-	(67,321,363)
Carrying value of matured life insurance policies	-	1,256,576	6,460,271	-	7,716,847
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	1,256,576	(60,861,092)	-	(59,604,516)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings on (repayments of) senior debt	-	-	49,787,954	-	49,787,954
Payments for issuance of senior debt	-	(1,076,118)	(4,052,201)	-	(5,128,319)
Payments for redemption of Series I Secured Notes	-	(16,613,667)	-	-	(16,613,667)
Proceeds from issuance of L Bonds	87,016,343	-	-	-	87,016,343
Payments for redemption and issuance of L Bonds	(58,949,880)	-	-	-	(58,949,880)
Redemption of common stock	(1,603,526)	-	-	-	(1,603,526)
Proceeds from issuance of redeemable preferred stock	86,692,811	-	-	-	86,692,811
Payments for issuance of redeemable preferred stock	(5,207,025)	-	-	-	(5,207,025)
Payments for redemption of redeemable preferred stock	(1,806,832)	-	-	-	(1,806,832)
Preferred stock dividends	(7,447,022)	-	-	-	(7,447,022)
Issuance of member capital	-	64,191,966	5,475,116	(69,667,082)	-
NET CASH FLOWS PROVIDED BY	98,694,869	46,502,181	51,210,869	(69,667,082)	126,740,837

FINANCING ACTIVITIES					
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,901,057	33,755,751	(31,805,675)	-	4,851,133
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH BEGINNING OF THE PERIOD	28,481,047	51,478,601	36,353,930	-	116,313,578
END OF THE PERIOD	$ 31,382,104	$ 85,234,352	$ 4,548,255	$ -	$ 121,164,711

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GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(21) Concentration

We mostly purchase life insurance policies written by life insurance companies having investment-grade ratings by independent rating agencies. As a result, there may be certain concentrations of policies with life insurance companies. The following summarizes the face value of insurance policies with specific life insurance companies exceeding 10% of the total face value held by our portfolio.

Life Insurance Company	September 30, 2018		December 31, 2017	
John Hancock	14.25	%	15.57	%
AXA Equitable	11.18	%	11.88	%
Lincoln National	10.60	%	10.80	%

The following summarizes the states, based on insured state of residence of the insurance policies in our portfolio, exceeding 10% of the total face value held by us:

State of Residence	September 30, 2018		December 31, 2017	
Florida	19.78	%	20.16	%
California	18.12	%	18.60	%

(22) Subsequent Events

Subsequent to September 30, 2018, policy benefits on five policies covering four individuals have been realized. The face value of insurance benefits of these policies was $4,140,000.

Subsequent to September 30, 2018, we have issued approximately $42,452,000 of L Bonds.

The fair value of our life insurance policies is determined as the net present value of the life insurance portfolio's future expected net cash flows (policy benefits received and required premium payments) that incorporates current life expectancy estimates and discount rate assumptions. The life expectancy estimates we use for life insurance policies with face amounts greater than $1 million are based upon the average of two life expectancy reports we receive from independent third-party medical-actuarial underwriting firms. We presently attempt to update our life expectancy estimates continuously on a maximum three cycle.

On October 18, 2018, ITM TwentyFirst, LLC ("TwentyFirst"), one of the primary independent third-party medical actuarial underwriting firms we use for life expectancy reports, released an update to their mortality tables and medical underwriting methodologies. As of September 30, 2018, 568 of our life insurance policies, representing approximately $1.3 billion in face value of policy benefits (approximately 65% of our portfolio by face amount), were valued using life expectancy reports that included a report provided by TwentyFirst.

On November 12, 2018, AVS, LLC ("AVS"), another primary independent third-party medical-actuarial underwriting firm we use for life expectancy reports, also released updated mortality tables and medical underwriting methodologies. As of September 30, 2018, 788 of our life insurance policies, representing approximately $1.7 billion in face value of policy benefits (approximately 89% of our portfolio by face amount), were valued using life expectancy reports that included a report provided by AVS.

Based upon information provided by TwentyFirst, we expect that our life expectancy estimates will lengthen, and assuming the application of our current valuation methodology, we have determined the impact (reduction) to the fair value of our life insurance policy portfolio to be $39,800,000 to $54,900,000 (approximately 5.0% to 7.0% of the investment in life insurance policies, at fair value as of September 30, 2018). TwentyFirst's changes relate to revised estimates of the originally issued life expectancy reports and do not encompass any change in an individual insured's health condition (for better or worse) since the report was originally issued. Changes in individual insureds health conditions over time can significantly impact actual policy valuations.

GWG HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

To date, we have received limited summarized information from AVS regarding the impacts of this revision to their mortality model, which is based on the actual to expected experience of their senior mortality dataset. The revision suggests a lengthening of their prior life expectancy estimates. We have not received any detailed information from AVS regarding the impacts on our individual policies and we do not expect that such detailed information will be provided. Accordingly, at this time we are unable to estimate the impact to the fair value of the portfolio within a reliable range.

We have experienced significant non-cash, unrealized financial statement impacts over the past several years from the frequent changes in methodologies made by certain independent third-party medical-actuarial underwriting firms. We are also aware of the potential conflict arising out the fact that each successive change to underwriting tables and/or methodologies results in the need for secondary market participants to spend significant sums acquiring new life expectancy reports and estimates from these same firms. We have noted that these changes over the past several years have not resulted in a narrowing of consensus in the life expectancy of any one individual.

Accordingly, we intend to continue evaluating the efficacy of the changes announced by TwentyFirst and AVS, as well as, evaluate alternative means and methods to produce accurate and stable life expectancy estimates for our models. This may include, but not be limited to, using in-house underwriting, using a broader array of independent third-party medical-actuarial underwriting firms, working with established actuarial underwriting firms to aid us in better forecasting our cash-flow models, as well as the use of epigenetic and other emerging technologies. These efforts are designed to mitigate the volatility associated with our ownership of life insurance policies and reduce our historical reliance on a limited number of medical-actuarial underwriting firms to value our portfolio. We expect to complete our evaluation prior to the filing of our Annual Report on Form 10-K with the SEC for the year ending 2018.

See Note 4 Fair Value Definition and Hierarchy, Level 3 Valuation Process for example changes in fair value of our investment in life insurance policies from Changes in Life Expectancy Estimates.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion in conjunction with the condensed consolidated financial statements and accompanying notes and the information contained in other sections of this 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.

Risk Relating to Forward-Looking Statements

This report contains forward-looking statements that reflect our current expectations and projections about future events. Actual results could differ materially from those described in these forward-looking statements.

The words “believe,” “could,” “possibly,” “probably,” “anticipate,” “estimate,” “project,” “expect,” “may,” “will,” “should,” “ “plan,” “expect,” or “consider” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from such statements. Many of the forward-looking statements contained in this report can be found in our MD&A discussion.

Such risks and uncertainties include, but are not limited to:

- changes in the secondary market for life insurance;
- changes resulting from the evolution of our business model and strategy with respect to the life insurance industry;
- 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 and continued access to the capital markets;

our history of operating losses;

risks relating to the validity and enforceability of the life insurance policies we purchase;

risks relating to our ability to license and effectively apply epigenetic technology to improve and expand the scope of our business;

our reliance on information provided and obtained by third parties, including changes in underwriting tables and underwriting methodology;

federal, state and FINRA regulatory matters;

competition in the secondary market of life insurance and epigenetic technology;

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;

cost-of-insurance (premium) increases on our life insurance policies;

general economic outlook, including prevailing interest rates;

performance of our investments in life insurance policies;

Beneficient's financial performance and ability to execute on its business plan;

an inability to obtain accurate and timely financial information from Beneficient;

financing requirements;

the various risks associated with our attempts to commercialize our epigenetic technology;

risks associated with our ability to protect our intellectual property rights;

litigation risks;

restrictive covenants contained in borrowing agreements; and

our ability to make cash distributions in satisfaction of dividend obligations and redemption requests.

We caution you that the foregoing list of factors is not exhaustive. Forward-looking statements are only estimates and predictions, or statements of current intent. Actual results, 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.

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 historically qualified as an emerging growth company and have elected to delay our adoption of new or revised accounting standards and, as a result, we may not have complied with new or revised accounting standards at the same time as other public reporting companies that are not "emerging growth companies." Effective upon the Initial Transfer of the transactions contemplated by the Master Exchange Agreement (discussed below), we no longer qualify as an emerging growth company as a result of the aggregate amount of non-convertible debt that we have issued during the prior three year period.

Overview

We are a leading provider of liquidity to consumers owning life insurance policies, an owner of a portfolio of alternative assets, and a developer of epigenetic technology for the life insurance industry and beyond. We built our business providing value to consumers owning illiquid life insurance products across America, delivering more than $564 million in value for their policies since 2006. As of September 30, 2018, we own an alternative asset portfolio of $1.96 billion in face value of life insurance policy benefits.

In addition to providing liquidity and owning alternative assets, we continue to innovate in the life insurance industry through our insurance technology initiative which is based upon the use of step-change epigenetic technology. Our wholly owned insurtech subsidiary, Life Epigenetics is focused on creating intellectual property and commercialized testing from supervised machine learning and advanced epigenetic technology. We believe our technology offers the life insurance industry a step-change opportunity for enhanced life insurance underwriting and risk assessment. Our wholly owned insurtech subsidiary, YouSurance is a digital life insurance agency that is working to offer life insurance directly to consumers in conjunction with our epigenetic testing. We believe that consumers who are interested in their health and wellness and in reducing the cost of their insurance will benefit from working with YouSurance.

On August 10, 2018, we completed the Initial Transfer of the Beneficient Transaction, which governs the strategic exchange of assets among the parties thereto. Through the Beneficient Transaction, we have enhanced and extended our activities from our core competencies of providing liquidity to individuals owning illiquid assets and alternative asset ownership. The Beneficient Transaction is expected to increase our ownership of alternative assets by $695 million, of which the parties exchanged assets valued at $453 million in connection with the Initial Transfer. Upon the Final Closing, which is expected at or near year-end 2018, and which is subject to certain closing conditions, the parties will complete the balance of an estimated $242 million asset exchange. Beneficient operates in a sector of the alternative asset market that is complementary to ours by providing a suite of innovative liquidity and trust products to mid-to-high net worth individual investors and small-to-medium institutional owners of professionally managed illiquid alternative investment assets. A summary of the Beneficient Transaction is set forth in our Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 14, 2018 and amended in our Current Report on Form 8-K/A filed with the Securities and Exchange Commission on November 9, 2018.

The Beneficient Transaction solidifies our position as a leading alternative liquidity provider and owner of alternative assets. The Beneficient Transaction builds upon core strengths that we have developed over the past decade in the secondary market for life insurance and the independent broker dealer and registered investment advisor marketplace. In addition to the strategic benefits of the transaction, we expect to experience the benefits that are attendant to a significant increase and diversification in our alternative asset portfolio that is intended to provide us with a new source of earnings and cash flow while at the same time significantly increasing our common shareholder equity.

Application of FASB Accounting Standards Codification Topic 845, Nonmonetary Transactions (ASC 845)

Although the Initial Transfer occurred on August 10, 2018, the Commercial Loan, the Exchangeable Note, the common units of Beneficient issued at the Initial Transfer and the Seller Trust L Bonds are not recorded on our condensed consolidated balance sheet at September 30, 2018 or statements of operations for the three and nine months ended September 30, 2018. These amounts were not recorded because, under ASC 845, the commercial substance of the transaction was not fully known and probable and will not be fully known and probable until the satisfaction of certain conditions to the Final Closing and the occurrence thereof.

It is important to note that, as further described below, the rights and obligations of the assets exchanged, as governed by the transaction documents, are unaffected by our current accounting application. This means that we will benefit from the assets that we received in the exchange and we will be required to meet the obligations of the Seller Trust L Bonds that we issued in the exchange. **The result is that our financial condition, including our ability to service our debt and meet our obligations as they become due, may be materially different from that which an investor can discern from a review of our condensed consolidated balance sheets and statements of operations in isolation. Likewise, financial ratios and other metrics based on our publicly filed financial statements and publicly disseminated by financial analysts, news outlets and financial websites do not reflect the assets and liabilities exchanged in the Initial Transfer and the economic consequences thereof.**

See Note 1 to the condensed consolidated financial statements for a description of the economic features of the assets received in the exchange at the Initial Transfer and the liabilities that we issued in such exchange.

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Critical Accounting Policies

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with the Generally Accepted Accounting Principles in the United States of America (GAAP) requires us to make significant 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 valuing our investments in life insurance policies and evaluating deferred taxes 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 Accounting Standards Codification 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. At each subsequent reporting period, we re-measure the investment at fair value in its entirety and recognize the change in fair value as unrealized gain (revenue) in the current period, net of premiums paid. Changes in the fair value of our portfolio are based on periodic evaluations and are recorded in our consolidated statements of operations as changes in fair value of life insurance policies.

Fair Value Components — Life Expectancies

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, 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.

The 2015 Valuation Basic Table ("2015 VBT") finalized by the Society of Actuaries is based on a much larger dataset of insured lives, face amount of policies and more current information compared to the dataset underlying the 2008 Valuation Basic Table. The 2015 VBT dataset includes 266 million policies compared to the 2008 VBT dataset of 75 million. The experience data in the 2015 VBT dataset includes 2.6 million claims on policies from 51 insurance carriers. Life expectancies implied by the 2015 VBT are generally slightly longer for both male and female nonsmokers between the ages of 65 and 80. However, insureds of both genders over the age of 80 have significantly longer life expectancies, approximately 8% to 42% longer, as compared to the 2008 VBT. We adopted the 2015 VBT in our valuation process in 2016.

For life insurance policies with face amounts greater than $1 million and that are not pledged under any senior credit facility (approximately 21.5% of our portfolio by face amount of policy benefits) we attempt to update the life expectancy estimates on a continuous rotating three year cycle. For life insurance policies that are pledged under the LNV amended and restated senior credit facility (approximately 68.7% of our portfolio by face amount of policy benefits) we are presently required to update the life expectancy estimates every two years beginning from the date of the amended facility. For the remaining small face insurance policies (i.e., a policy with $1 million in face value benefits or less) we may employ a range of methods and timeframes to update life expectancy estimates. When deemed appropriate, we may also update life expectancy estimates from time to time in response to the release by independent third party medical-actuarial underwriting firms of updated mortality tables and medical underwriting methodologies (see Note 22).

We conduct medical underwriting on the life insurance policies we own with life expectancy reports produced by independent third-party medical-actuarial underwriting firms. Each life expectancy report summarizes the underlying insured person's medical history based on the underwriter's review of recent and historical medical records. We obtain two such life expectancy reports for almost all policies, except for small face value insurance policies (i.e., a policy with $1 million in face value benefits or less) for which we have obtained at least one fully underwritten or simplified third-party report. A simplified third-party underwriting report is based on a medical interview, which may be supplemented with additional information obtained from a pharmacy benefit manager database. For valuation purposes, we use the life expectancy estimate, using the average, in the case of multiple reports, expressed as the number of months at which the individual will have a 50% probability of mortality.

Our prior experience in updating life expectancy estimates has generally, but not always, resulted in longer life expectancies than we had projected. Life expectancy updates resulted in gain to the fair value of our portfolio in the amount of $0.1 million for the three month ended September 30, 2018, and reductions to the fair value of our portfolio

in the amounts of $5.4 million for the three months ended September 30, 2017, and reductions of $4.9 million and $14.0 million for the nine months ended September 30, 2018 and 2017, respectively. As our life insurance portfolio continues to grow, we may experience additional and material adjustments to the fair value of our portfolio due to updating life expectancy estimates and/or changes to life expectancy tables and methodologies by our third party life expectancy providers (see Note 22).

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.

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Fair Value Components — Discount Rate

A discount rate is used to calculate the net present value of the expected cash flows. The discount rate used to calculate fair value of our portfolio incorporates the guidance provided by Accounting Standards Codification 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:

September 30, 2018	December 31, 2017
10.45%	10.45%

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 operational risk premium a purchaser would apply to the future cash flows derived from our portfolio of life insurance policies. Management has discretion regarding the combination of these and other factors when determining the discount rate. The discount rate we choose 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), which is consistent with related GAAP guidance. 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 Model Actuarial Pricing System, LP. (“MAPS”), owner of the actuarial portfolio pricing software we use, to prepare a calculation of our life insurance portfolio. MAPS processed policy data, future premium data, life expectancy estimate data, and other actuarial information to calculate a net present value for our portfolio using the specified discount rate of 10.45%. MAPS independently calculated the net present value of our portfolio of 1,087 policies to be $791.5 million and furnished us with a letter documenting its calculation. A copy of such letter is filed as Exhibit 99.1 to this report.

Deferred Income Taxes

Under Accounting Standards Codification 740, *Income Taxes* (“ASC 740”), deferred tax assets and liabilities are recognized 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 deferred tax assets that are not considered “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 or sufficient tax planning strategies. After assessing the realization of the net deferred tax assets, we believe that there is substantial uncertainty that our net deferred tax asset will be realized during the applicable carryforward period. As such, a valuation allowance has been established against the total net deferred tax asset as of September 30, 2018 and December 31, 2017, respectively.

Principal Revenue and Expense Items

We earn revenues from the following primary sources.

Life Insurance Policy Benefits Realized. We recognize the difference between the face value of the policy benefits and carrying value when an insured event has occurred and determine that 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 from the insurance company within 45 days of our notification of the insured’s mortality.

Change in Fair Value of Life Insurance Policies. We value our portfolio investments for each reporting period in accordance with the fair value principles discussed herein, which reflects the expected receipt of policy benefits in future periods, net of premium costs, as shown in our condensed consolidated financial statements.

Sale of a Life Insurance Policy. 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 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 lenders under our senior credit facility with LNV Corporation, as well as interest paid on our L Bonds and other outstanding indebtedness. When we issue debt, we amortize the financing costs (commissions and other fees) 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, 2018 Compared to the Same Periods in 2017

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

Revenue

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue realized from maturities of life insurance policies	$ 5,646,000	$ 7,414,000	$ 36,542,000	$ 31,940,000
Revenue recognized from change in fair value of life insurance policies	24,840,000	20,182,000	56,058,000	49,301,000
Premiums and other annual fees	(14,765,000)	(13,175,000)	(39,670,000)	(36,124,000)
Gain on life insurance policies, net	15,721,000	14,421,000	52,930,000	45,117,000
Interest and other income	932,000	276,000	2,579,000	1,336,000
Total revenue	$ 16,653,000	$ 14,697,000	$ 55,509,000	$ 46,453,000
Attribution of gain on life insurance policies, net:				
Change in estimated probabilistic cash flows, net of premium and other annual fees paid	$ 4,304,000	$ (606,000)	$ 15,813,000	$ 3,909,000
Net revenue recognized at matured policy event	2,323,000	5,193,000	20,217,000	17,189,000
Unrealized gain on acquisitions	9,021,000	7,217,000	21,790,000	25,863,000
Change in discount rates	-	7,987,000	-	12,130,000
Change in life expectancy evaluation	73,000	(5,370,000)	(4,890,000)	(13,974,000)
Gain on life insurance policies, net	$ 15,721,000	$ 14,421,000	$ 52,930,000	$ 45,117,000
Number of policies acquired	89	65	233	187
Face value of purchases	$ 120,430,000	$ 106,871,000	$ 333,078,000	$ 300,366,000
Purchases (initial cost basis)	$ 42,892,000	$ 25,199,000	$ 98,442,000	$ 67,321,000
Unrealized gain on acquisition (% of face value)	7.5 %	6.8 %	6.5 %	8.6 %
Number of policies matured	12	8	44	27

Face value of matured policies	$ 7,973,000		$ 9,747,000		$ 50,100,000		$ 39,657,000	
Net revenue recognized at maturity event (% of face value matured)	29.1	%	53.3	%	40.4	%	43.3	%

Revenue from changes in estimated probabilistic cash flows, net of premiums paid was $4.3 million and ($0.6) million for the three months ended and $15.8 million and $3.9 million for the nine months ended September 30, 2018 and 2017, respectively. Revenue increases of $2.0 million and $9.1 million for the three and nine months ended September 30, 2018 over the comparable prior year periods resulted from premium optimization actions coordinated with our external servicer, leveraging certain guarantee features and shadow accounts on certain life insurance policies in our portfolio, and growth of face value in our portfolio. The gains resulting from the foregoing factors were partially offset by cost of insurance ("COI") increases recognized of $0 million and $5.5 million for the three and nine months ended September 30, 2018 compared to $0 for the three and nine months ended September 30, 2017.

The face value of policies purchased were $120.4 million and $106.9 million for the three months ended and $333.1 million and $300.4 million for the nine months ended September 30, 2018 and 2017, respectively, reflecting increases of face value purchased of $13.5 million and $32.7 million for the three and nine months ended September 30, 2018 over the comparable prior year periods. The resulting unrealized gain on acquisition was $9.0 million and $7.2 million for the three months ended and $21.8 million and $25.9 million for the nine months ended September 30, 2018 and 2017, respectively, reflecting an increase of $1.8 million and a decrease of $4.1 million for the three and nine months ended September 30, 2018 over the comparable prior year periods. Decreased unrealized gain on acquisition in the current periods is the result of increased purchase competition driving down yields in the secondary market for life insurance which we expect to continue for the foreseeable future.

The face value of matured policies was $8.0 million and $9.7 million for the three months ended and $50.1 million and $39.7 million for the nine months ended September 30, 2018 and 2017, respectively, reflecting a decrease of face value of matured policies of $1.7 million and an increase of $10.4 million for the three and nine months ended September 30, 2018 over the comparable prior year periods, respectively. The resulting revenue recognized at matured policy event was $2.3 million and $5.2 million for the three months ended and $20.2 million and $17.2 million for the nine months ended September 30, 2018 and 2017, respectively. Revenue changes from maturity events of ($2.9) million and $3.0 million for the three and nine months ended September 30, 2018 over the comparable prior year periods primarily resulted from the changes of face value of policies matured during those same periods.

Revenue recognized from changes in discount rate were $0 and $8.0 million for the three months ended September 30, 2018 and 2017, respectively, and $0 and $12.1 million for the nine months ended September 30, 2018 and 2017, respectively. The discount rate of 10.45% as of September 30, 2018 remained unchanged from both the prior quarter and year end dates. The discount rate of 10.54% as of September 30, 2017 reflected a decrease from the 10.81% rate used at June 30, 2017 and 10.96% used at December 31, 2016.

Net revenue charges from change in life expectancy evaluation of $0.1 million and ($5.4) million for the three months ended and ($4.9) million and ($14.0) million for the nine months ended September 30, 2018 and 2017, respectively. The resulting net revenue increases of $5.5 million and $9.1 million for the three and nine months ended September 30, 2018 over the comparable prior year periods primarily resulted from a lower number of life insurance policy updates received during the three and nine months ended September 30, 2018 over the comparable prior year periods. The decreased number of life expectancy updates is primarily the result of our cycle update timing and concentrated efforts of our external servicer in the prior year to resolve a backlog of third party evaluations.

Interest and other income is comprised of bank interest and other miscellaneous items. Increased revenue of $0.7 million and $1.2 million for the three and nine months ended September 30, 2018, respectively, were primarily driven by interest income from higher bank account balances and the implementation of a sweep process to move balances to higher interest earning bank accounts.

Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	Increase/ (Decrease)	2018	2017	Increase/ (Decrease)
Interest expense (including amortization of deferred financing costs) [1]	$ 17,515,000	$ 13,275,000	$ 4,240,000	$ 50,726,000	$ 38,766,000	$ 11,960,000
Employee compensation and benefits [2]	5,549,000	3,792,000	1,757,000	12,527,000	10,696,000	1,831,000
Legal and professional expenses [3]	1,422,000	1,657,000	(235,000)	3,751,000	3,934,000	(183,000)

Other expenses [4]	2,689,000	2,800,000	(111,000)	8,263,000	9,341,000	(1,078,000)
Total expenses	$ 27,175,000	$ 21,524,000	$ 5,651,000	$ 75,267,000	$ 62,737,000	$ 12,530,000

(1) The average debt outstanding increased from approximately $595.6 million during the three months ended September 30, 2017 to approximately $745.5 million during the same period of 2018, and from approximately $573.9 million during the nine months ended September 30, 2017 to approximately $719.8 million during the same period of 2018. The average interest rate of the senior credit facility with LNV Corporation increased from 7.49% to 10.27% for the three months ended September 30, 2017 and 2018, respectively, and from 7.50% to 10.02% for the nine months ended September 30, 2017 and 2018, respectively.

(2) Increase is incentive cost resulting from certain stock-based compensation items in the third quarter of 2018.

(3) Decrease is the result of lower legal fees resulting from our exit of the merchant cash advance business.

(4) Increased contract labor costs, servicing and facility fees were offset by a reduction in charitable contributions and marketing costs, and lower provision for merchant cash advances. See Note 16 for the detailed breakdown of other expenses.

Insurtech Initiatives

During the three and nine month periods ending September 30, 2018 we incurred $1.3 million and $2.9 million of expenses, respectively, in furtherance of our insurtech initiatives which we believe are potentially transformational. These expenses are primarily related to the development of intellectual property surrounding advanced epigenetic testing technology and we expect these costs will increase over the foreseeable future.

Deferred Income Taxes

Under ASC 740, Income Taxes (“ASC 740”), deferred tax assets and liabilities are recognized 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 deferred tax assets that are not considered “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. After assessing the realization of the net deferred tax assets, we believe that there is substantial uncertainty that our net deferred tax asset will be realized during the applicable carryforward period. As such, a valuation allowance has been established against the total net deferred tax asset as of September 30, 2018 and December 31, 2017.

Income Tax Expense

We realized income tax benefit of $0 and $2.8 million for the three months ended September 30, 2018 and 2017, respectively, and $0 and $6.5 million for the nine months ended September 30, 2018 and 2017, respectively. The effective rate for the three months ended September 30, 2018 and 2017 were 0% and 40.5%, respectively, and 0% and 39.8% for the nine months ended September 30, 2018 and 2017, respectively, compared to expected statutory rates of 21.0% and 34.0%, respectively.

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 September 30, 2018		September 30, 2017		Nine Months Ended September 30, 2018		September 30, 2017
Statutory federal income tax (benefit)	$ (2,234,000)	21.0 %	$ (2,321,000)	34.0 %	$ (4,173,000)	21.0 %	$ (5,536,000)
State income taxes (benefit), net of federal benefit	(866,000)	8.1 %	(440,000)	6.5 %	(1,558,000)	7.8 %	(1,049,000)
Valuation allowance	3,215,000	(30.2)%	-	-	5,783,000	(29.1)%	-
Other permanent differences	(115,000)	1.1 %	(3,000)	(0.0)%	(52,000)	0.3 %	103,000
Total income tax expense (benefit)	$ -	0.0 %	$ (2,764,000)	40.5 %	$ -	0.0 %	$ (6,482,000)

The Tax Reform Bill enacted by U.S. Federal government in December 2017 changed existing tax law including a reduction of the U.S. Corporate tax rate. The Company re-measured deferred taxes as of the date of enactment, reflecting these changes within deferred tax assets as of December 31, 2017.

The most significant temporary differences between GAAP net income (loss) and taxable net income (loss) are the treatment of interest costs, policy premiums and servicing costs with respect to the acquisition and maintenance of the life insurance policies and revenue recognition with respect to the fair value of the life insurance portfolio.

Liquidity and Capital Resources

We finance our businesses through a combination of life insurance policy benefit receipts, equity offerings, debt offerings and our senior credit facility. We have used our debt offerings and our senior credit facility for policy acquisition, policy premiums and servicing costs, working capital and financing expenditures including paying principal, interest and dividends.

As of September 30, 2018 and December 31, 2017, we had approximately $131.4 million and $159.4 million, respectively, in combined available cash, cash equivalents, restricted cash and policy benefits receivable for the purpose of financing our business.

Additional future borrowing base capacity for premiums and servicing costs, created as the premiums and servicing costs of pledged life insurance policies become due and by additional policy pledges to the facility, if any, exists under the amended and restated senior credit facility with LNV Corporation.

On August 10, 2018 we sold $50 million of Series B in connection with the Initial Transfer of the Beneficient Transaction. Approximately half of the proceeds from this sale were distributed to common shareholders pursuant to a special dividend paid on September 5, 2018 to shareholders of record on August 27, 2018. The remaining amount is expected to be utilized primarily for our insurtech initiatives, although these amounts are available for general corporate purposes. We do not expect to issue any additional Series B.

Financings Summary

We had the following outstanding debt balances as of September 30, 2018 and December 31, 2017[1]:

Issuer/Borrower	As of September 30, 2018 Principal Amount Outstanding	Weighted Average Interest Rate	As of December 31, 2017 Principal Amount Outstanding	Weighted Average Interest Rate
GWG Holdings, Inc. – L Bonds (see Note 8)	$ 586,063,000	7.12 %	$ 461,427,000	7.29 %
GWG DLP Funding IV, LLC – LNV senior credit facility (see Note 6)	171,964,000	10.30 %	222,525,000	9.31 %
Total	$ 758,027,000	7.84 %	$ 683,952,000	7.95 %

(1) Excluding the Seller Trust L Bonds (see Note 1).

The table below reconciles the face amount of our outstanding debt to the carrying value shown on our balance sheets[1]:

	As of September 30, 2018	As of December 31, 2017
Senior credit facility with LNV Corporation		
Face amount outstanding	$ 171,964,000	$ 222,525,000
Unamortized selling costs	(9,495,000)	(10,287,000)
Carrying amount	$ 162,469,000	$ 212,238,000
L Bonds:		
Face amount outstanding	$ 586,063,000	$ 461,427,000
Subscriptions in process	4,718,000	1,560,000
Unamortized selling costs	(20,581,000)	(15,593,000)
Carrying amount	$ 570,200,000	$ 447,394,000

(1) Excluding the Seller Trust L Bonds (see Note 1).

In November 2011, we began offering Series I Secured Notes, which were governed by an Intercreditor Agreement, a Third Amended and Restated Note Issuance and Security Agreement dated November 1, 2011, as amended, and a related Pledge Agreement. In September 2017, all of the Series I Secured Notes were paid in full and all obligations thereunder were terminated.

In June 2011, we concluded a private placement offering of Series A Preferred Stock for new investors, 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 into Series A Preferred Stock and $10.6 million of new investments. In October 2017, we exercised our contractual right to call for the redemption of the Series A Preferred Stock and all related outstanding warrants and paid an aggregate of approximately $22.2 million.

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 in January 2015.

On September 24, 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.

In January 2015, we began publicly offering up to $1.0 billion of L Bonds as a follow-on to our earlier $250.0 million public debt offering. In January 2018, we began publicly offering up to $1.0 billion L Bonds as a follow-on to our earlier L Bond offering. Through September 30, 2018, the total amount of these L Bonds sold, including renewals, was $1.1 billion. As of September 30, 2018 and December 31, 2017, respectively, we had approximately $586.1 million and $461.4 million in principal amount of L Bonds outstanding.

In October 2015, we began publicly offering up to 100,000 shares of our RPS at a per-share price of $1,000. As of December 31, 2017, we had issued approximately $99.1 million stated value of RPS and terminated that offering.

In February 2017, we began publicly offering up to 150,000 shares of our RPS 2 at a per-share price of $1,000. As of September 30, 2018, we have issued approximately $150 million stated value of RPS 2 and terminated that offering.

On August 10, 2018, GWG Holdings, GWG Life and the Trustee, entered into the Supplemental Indenture to the Amended and Restated Indenture. GWG Holdings entered into the Supplemental Indenture to add and modify certain provisions of the Amended and Restated Indenture necessary to provide for the issuance of the Seller Trust L Bonds. Also on August 10, 2018, we issued Seller Trust L Bonds in the amount of $403,234,866 to the Seller Trusts in connection with the Initial Transfer. The maturity date of the Seller Trust L Bonds is August 9, 2023. The Seller Trust L Bonds bear interest at 7.5% per annum. Interest is payable monthly in cash (see Note 1).

In August 2018, we offered and sold 5,000,000 shares of our Series B in reliance upon the exemption from registration provided by Section 4(a)(2) under the Securities Act of 1933. The Series B shares were issued, at a $10 per share value, for cash consideration of $50 million.

The weighted-average interest rate of our outstanding L Bonds (excluding the Seller Trust L Bonds) as of September 30, 2018 and December 31, 2017 was 7.12% and 7.29%, respectively, and the weighted-average maturity at those dates was 2.67 and 2.38 years, respectively. Our L Bonds have renewal features. Since we first issued our L Bonds, we have experienced $473.7 million in maturities, of which $280.0 million has renewed through September 30, 2018 for an additional term. This has provided us with an aggregate renewal rate of approximately 59.1% for investments in these securities.

Future contractual maturities of L Bonds at September 30, 2018 are[(1)]:

Years Ending December 31,	L Bonds
Three months ending December 31, 2018	$ 26,778,000
2019	150,056,000
2020	137,067,000
2021	87,360,000
2022	39,713,000
2023	53,616,000
Thereafter	91,473,000
	$ 586,063,000

(1) Excluding the Seller Trust L Bonds (see Note 1).

The L Bonds and the Seller Trust L Bonds are secured by all of our assets and are subordinate to our amended and restated senior credit facility with LNV Corporation.

On September 27, 2017, we entered into a $300 million amended and restated senior credit facility with LNV Corporation in which DLP IV is the borrower. We intend to use the proceeds from this facility to grow and maintain our portfolio of life insurance policies, for liquidity and for general corporate purposes. As of September 30, 2018 we had approximately $172.0 million outstanding under the senior credit facility with LNV Corporation.

We expect to meet our ongoing operational capital needs for policy acquisition, policy premiums and servicing costs, working capital and financing expenditures including paying principal, interest and dividends through a combination of the receipt of policy benefits from our portfolio of life insurance policies, net proceeds from our L Bond offering, and funding available from our amended and restated senior credit facility with LNV Corporation. We estimate that our liquidity and capital resources are sufficient for our current and projected financial needs for at least the next twelve months given current assumptions. However, if we are unable to continue our L Bonds offering for any reason, and we are unable to obtain capital from other sources, our business will be materially and adversely affected. In addition, our business will be materially and adversely affected if we do not receive the policy benefits we forecast and if holders of our L Bonds fail 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 and other obligations. A sale under such circumstances may result in significant impairment of the recognized value of our portfolio.

Capital expenditures have historically not been material and we do not anticipate making material capital expenditures in 2018 or beyond.

Portfolio Assets and Secured Indebtedness

At September 30, 2018, the fair value of our investments in life insurance policies of $791.5 million plus our cash balance of $117.9 million, restricted cash balance of $3.1 million, policy benefits receivable of $10.5 million, totaled $923.0 million, representing an excess of portfolio assets over secured indebtedness of $165.0 million. At December 31, 2017, the fair value of our investments in life insurance policies of $650.5 million plus our cash balance of $114.4 million, our restricted cash balance of $28.3 million, matured policy benefits receivable of $16.7 million, totaled $809.9 million, representing an excess of portfolio assets over secured indebtedness of $126.0 million.

The following forward-looking table, which excludes assets and liabilities exchanged upon the Initial Transfer, seeks to illustrate the impact that a hypothetical sale of our portfolio of life insurance assets (at various discount rates) would have on our ability to satisfy our debt obligations as of September 30, 2018. In all cases, the sale of the life insurance assets owned by DLP IV will be used first to satisfy all amounts owing under our amended and restated senior credit facility with LNV Corporation. The net sale proceeds remaining after satisfying all obligations under our amended and restated senior credit facility with LNV Corporation would be applied to the L Bonds.

Portfolio Discount Rate	**10%**	**12%**	**14%**	**16%**	**17%**
Value of portfolio	$ 808,019,000	$ 738,893,000	$ 679,850,000	$ 628,979,000	$ 606,131,
Cash, cash equivalents and policy benefits receivable	131,416,000	131,416,000	131,416,000	131,416,000	131,416,
Total assets	939,435,000	870,309,000	811,266,000	760,395,000	737,547,
Senior credit facility	171,964,000	171,964,000	171,964,000	171,964,000	171,964,
Net after senior credit facility	767,471,000	698,345,000	639,302,000	588,341,000	565,583,
L Bonds	586,063,000	586,063,000	586,063,000	586,063,000	586,063,
Net remaining	$ 181,408,000	$ 112,282,000	$ 53,239,000	$ 2,368,000	$ (20,480,(
Impairment to L Bonds	No impairment	No impairment	No impairment	No Impairment	Impairm

The table illustrates that our ability to fully satisfy amounts owing under the L Bonds would likely be impaired upon the sale or realization of all our life insurance assets at a price equivalent to a discount rate of approximately 16.10% or higher. At December 31, 2017, the likely impairment occurred at a discount rate of approximately 15.04% or higher. The discount rate used to calculate the fair value of our portfolio was 10.45% as of both September 30, 2018 and December 31, 2017.

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 under our amended and restated senior credit facility with LNV Corporation. This table also does not include the yield maintenance fee, which could be substantial, we are required to pay in certain circumstances under our amended and restated senior credit facility with LNV Corporation. You should read the above table in conjunction with the information contained in other sections of this report, including Critical Accounting Policies — Fair Value Components — Discount Rate.

Amendment of Credit Facility

Effective September 27, 2017, DLP IV entered into an amended and restated senior credit facility with LNV Corporation. The amended and restated senior credit facility makes available a total of up to $300,000,000 in credit to DLP IV with a maturity date of September 27, 2029. Additional advances are available under the amended and restated senior credit facility at the LIBOR rate described below. Advances are available as the result of additional borrowing base capacity, created as the premiums and servicing costs of pledged life insurance policies become due and by additional policy pledges to the amended and restated senior credit facility, if any. Interest will accrue on amounts borrowed under the amended and restated senior credit facility at an annual interest rate, determined as of each date of borrowing or quarterly if there is no borrowing, equal to (A) the greater of 12-month LIBOR or the federal funds rate (as defined in the agreement) plus one-half of one percent per annum, plus (B) 7.50% per annum. The effective rate at September 30, 2018 was 10.30%. Interest payments are made on a quarterly basis.

Under the amended and restated senior credit facility, DLP IV has granted the administrative agent, for the benefit of the lenders under the facility, a security interest in all of DLP IV's assets. As with prior collateral arrangements relating to the senior secured debt of GWG Holdings and its subsidiaries (on a consolidated basis), GWG Holdings' equity ownership in DLP IV continues to serve as collateral for the obligations of GWG Holdings under the L Bonds (although the life insurance assets owned by DLP IV will not themselves serve directly as collateral for those obligations).

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 we will actually be required to pay the premiums decreases as mortality becomes more likely. These scheduled premiums and associated probabilities are factored into our expected internal rate of return and cash-flow modeling. Beyond premiums, we incur policy servicing costs, including annual trustee, policy administration and tracking costs. Additionally, we incur significant financing costs, including principal, interest and dividends. Both policy servicing costs and financing costs are excluded from our internal rate of return calculations. We finance our businesses through a combination of life insurance policy benefit receipts, equity offerings, debt offerings, and our amended and restated senior credit facility with LNV Corporation.

The amount of payments for anticipated premiums, including the requirement by our senior credit facility with LNV Corporation to maintain a two month cost-of-insurance threshold within each policy cash value account, 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
Three months ending December 31, 2018	$ 14,034,000	$ 345,000	$ 14,379,000
2019	64,852,000	1,381,000	66,233,000
2020	76,664,000	1,381,000	78,045,000
2021	88,681,000	1,381,000	90,062,000
2022	101,411,000	1,381,000	102,792,000
2023	113,676,000	1,381,000	115,057,000
	$ 459,318,000	$ 7,250,000	$ 466,568,000

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Our anticipated premium expenses are subject to the risk of increased cost-of-insurance charges (i.e., "COI" or premium charges) for the life insurance policies we own. On May 9, 2018 we learned that John Hancock Life Insurance Company ("John Hancock") had begun notifying policy owners of COI increases on Performance UL policies issued between 2003 and 2010. We identified and received notice on 20 such policies in our portfolio, representing $59.6 million in total face value, and have completed our analysis and incorporation of increased cost of insurance charges into our portfolio as of September 30, 2018 reducing the fair value by approximately $2.9 million. In addition, we received notice and recognized COI increases on four policies issued by the Transamerica Life Insurance Company ("Transamerica") as of September 30, 2018 with a total face value of $9.2 million and a reduction in fair value of $1.4 million.

We have no known pending cost-of-insurance increases on any policies in our portfolio, but we are aware that cost-of-insurance increases have become more prevalent in the industry. Thus, we may see additional insurers implementing cost-of-insurance increases in the future.

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 realized and premiums paid on our portfolio. The trailing 12-month benefits/premium coverage ratio indicates the ratio of policy benefits realized to premiums paid over the trailing 12-month period from our portfolio of life insurance policies.

Quarter End Date	Portfolio Face Amount ($)	12-Month Trailing Benefits Realized ($)	12-Month Trailing Premiums Paid ($)	12-Month Trailing Benefits/Premium Coverage Ratio	
March 31, 2015	754,942,000	46,675,000	23,786,000	196.2	%
June 30, 2015	806,274,000	47,125,000	24,348,000	193.5	%
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	%
June 30, 2016	1,154,798,000	30,924,000	31,891,000	97.0	%
September 30, 2016	1,272,078,000	35,867,000	37,055,000	96.8	%
December 31, 2016	1,361,675,000	48,452,000	40,239,000	120.4	%
March 31, 2017	1,447,558,000	48,189,000	42,753,000	112.7	%
June 30, 2017	1,525,363,000	49,295,000	45,414,000	108.5	%
September 30, 2017	1,622,627,000	53,742,000	46,559,000	115.4	%
December 31, 2017	1,676,148,000	64,719,000	52,263,000	123.8	%
March 31, 2018	1,758,066,000	60,248,000	53,169,000	113.3	%
June 30, 2018	1,849,079,000	76,936,000	53,886,000	142.8	%
September 30, 2018	1,961,598,000	75,161,000	55,365,000	135.8	%

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 polices in the portfolio. Nevertheless, we expect that our portfolio cash flow 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.

Inflation

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

Off-Balance Sheet Arrangements

We are party to an office lease with U.S. Bank National Association as the landlord. On September 1, 2015, we entered into an amendment that expanded the leased space to 17,687 square feet and extended the term through October 2025 (see Note 18).

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, 2018, 95.7% 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.

The assets and liabilities exchanged in the Initial Transfer of the Beneficient Transaction are excluded from this analysis.

Interest Rate Risk

Our amended and restated senior credit facility with LNV Corporation is floating-rate financing. In addition, our ability to offer interest and dividend rates that attract capital (including in our continuous offering of L Bonds) is generally impacted by prevailing interest rates. Furthermore, while our L Bond offering provides us with fixed-rate debt financing, our Debt Coverage Ratio is calculated in relation to the interest rate on all of our debt financing.

Therefore, fluctuations in interest rates impact our business by increasing our borrowing costs and reducing availability under our debt financing arrangements. We calculate our life insurance portfolio earnings based upon the spread generated between the return on our life insurance portfolio and the total 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.

The assets and liabilities exchanged in the Initial Transfer of the Beneficient Transaction are excluded from this analysis.

Non-GAAP Financial Measures

Non-GAAP financial measures disclosed by our 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 should not be considered in isolation or as a substitute for comparable amounts prepared in accordance with GAAP. See our condensed consolidated financial statements and our financial statements contained herein.

We use non-GAAP financial measures for management's assessment of our financial condition and operating results without regard to GAAP fair value standards. The application of current GAAP fair value standards, especially during a period of significant growth of our portfolio and our Company may result in current period GAAP financial results that may not be reflective of our long-term earnings potential. Management believes our non-GAAP financial measures provide investors an alternative view of the long-term earnings potential without regard to the volatility in GAAP financial results that can, and does, occur during this stage of our portfolio and company growth.

Therefore, in contrast to a GAAP 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 (exclusive of future interest costs) 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 adjusted operating costs during the same period, we can estimate the overall financial performance of our business without regard to fair value 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 can have a disproportionately positive or negative impact on GAAP results in any particular reporting period.

In addition, the Indenture governing our L Bonds requires us to maintain a “Debt Coverage Ratio” designed to provide reasonable assurance that the buy and hold value of our life insurance portfolio plus the value of all our other assets exceed our total outstanding indebtedness. This ratio is calculated using non-GAAP measures as described below, again without regard to GAAP-based fair value measures.

Non-GAAP Investment Cost Basis of Life Insurance Portfolio	As of September 30, 2018	As of December 31, 2017
GAAP fair value	$ 791,469,000	$ 650,527,000
Unrealized fair value gain [1]	(387,445,000)	(331,386,000)
Adjusted cost basis increase [2]	393,078,000	325,100,000
Non-GAAP investment cost basis [3]	$ 797,102,000	$ 644,241,000

(1) This represents the reversal of cumulative unrealized GAAP fair value gain of life insurance policies.
(2) Adjusted cost basis is increased to interest, premiums and servicing fees that are expensed under GAAP.
(3) This is the non-GAAP investment cost basis in life insurance policies from which our expected internal rate of return is calculated.

Excess Spread of Life Insurance Portfolio. Management uses the “total excess spread” to gauge expected profitability of our investment in our life insurance portfolio. The Expected IRR of our portfolio is based upon future cash flow forecasts derived from a probabilistic analysis of our policy benefits received and policy premiums paid in relation to our non-GAAP investment cost basis.

	As of September 30, 2018		As of December 31, 2017	
Expected IRR [1]	10.12	%	10.48	%
Total weighted-average interest rate on indebtedness for borrowed money, excluding the Seller Trust L Bonds (see Note 1) [2]	7.84	%	7.95	%
Total excess spread [3]	2.28	%	2.53	%

(1) Excludes IRR realized on matured life insurance policies — which are substantial.
(2) Represents the weighted-average interest rate paid on all interest-bearing indebtedness as of the measurement date, determined as follows:

Indebtedness (Excluding the Seller Trust L Bonds)	As of September 30,	As of December 31,

	2018		2017	
Senior credit facility with LNV Corporation	$ 171,964,000		$ 222,525,000	
L Bonds	586,063,000		461,427,000	
Total	$ 758,027,000		$ 683,952,000	
Interest Rates on Indebtedness				
Senior credit facility with LNV Corporation	10.30	%	9.31	%
L Bonds	7.12	%	7.29	%
Weighted-average interest rates paid on indebtedness	7.84	%	7.95	%

(3) Calculated as the Expected IRR minus the weighted-average interest rate on interest-bearing indebtedness[(2)].

Adjusted Non-GAAP Net Income. We calculate our adjusted non-GAAP net income by recognizing the actuarial gain accruing within our life insurance portfolio at the Expected IRR against our adjusted cost basis without regard to fair value. We net this actuarial gain against its adjusted costs during the same period to calculate our net income on an adjusted non-GAAP basis.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
GAAP net income (loss) attributable to common shareholders	$ (14,836,000)	$ (7,611,000)	$ (32,114,000)	$ (17,249,000)
Unrealized fair value gain (1)	(24,840,000)	(20,182,000)	(56,058,000)	(49,301,000)
Adjusted cost basis increase (2)	29,704,000	24,207,000	83,154,000	68,667,000
Accrual of unrealized actuarial gain (3)	9,325,000	9,032,000	20,898,000	21,448,000
Total adjusted non-GAAP net income (loss)	$ (647,000)	$ 5,446,000	$ 15,880,000	$ 23,565,000

(1) Reversal of unrealized GAAP fair value gain on life insurance policies for current period.
(2) Adjusted cost basis is increased to include interest, premiums and servicing fees that are expensed under GAAP.
(3) Accrual of actuarial gain at Expected IRR.

Adjusted Non-GAAP Tangible Net Worth. We calculate our adjusted non-GAAP tangible net worth by recognizing the actuarial gain accruing within our life insurance policies at the Expected IRR 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 adjusted tangible net worth on a non-GAAP basis.

	As of September 30, 2018	As of December 31, 2017
GAAP net worth [1]	$ 181,157,000	$ 133,672,000
Less intangible assets [2]	(35,345,000)	(30,354,000)
GAAP tangible net worth	145,812,000	103,318,000
Unrealized fair value gain [3]	(387,445,000)	(331,386,000)
Adjusted cost basis increase [4]	393,078,000	325,100,000
Accrual of unrealized actuarial gain [5]	179,140,000	158,241,000
Total adjusted non-GAAP tangible net worth	$ 330,585,000	$ 255,273,000

(1) Excludes assets exchanged pursuant to the Initial Transfer of the Beneficient Transaction (see Note 1).

(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 that are expensed under GAAP.

(5) Accrual of cumulative actuarial gain at Expected IRR.

Debt Coverage Ratio. Our L Bonds 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, cash equivalents, and policy benefits receivable by the net present value of the life insurance portfolio, and, without duplication, the value of all of our other assets as reflected on our most recently available balance sheet prepared in accordance with GAAP. The table below excludes the assets exchanged pursuant to the Initial Transfer of the Beneficient Transaction (see Note 1).

	As of September 30, 2018		As of December 31, 2017	
Life insurance portfolio policy benefits	$ 1,961,598,000		$ 1,676,148,000	
Discount rate of future cash flows [1]	7.84	%	7.95	%
Net present value of life insurance portfolio policy benefits	$ 896,903,000		$ 737,625,000	
Cash and cash equivalents	120,943,000		142,771,000	
Life insurance policy benefits receivable	10,473,000		16,659,000	
Other assets [2]	13,022,000		-	
Total Coverage	$ 1,041,341,000		$ 897,055,000	
Senior credit facility with LNV Corporation	$ 171,964,000		$ 222,525,000	
L Bonds	586,063,000		461,427,000	
Total Indebtedness	$ 758,027,000		$ 683,952,000	
Debt Coverage Ratio	72.79	%	76.24	%

(1) Weighted-average interest rate paid on indebtedness.
(2) The Total Coverage amount as of September 30, 2018 includes “other assets” of GWG Holdings as reflected on its most recently available balance sheet prepared in accordance with GAAP.

As of September 30, 2018 and December 31, 2017, we were in compliance with the Debt Coverage Ratio.

Life Insurance Portfolio Information

Our portfolio of life insurance policies, owned by our subsidiaries as of September 30, 2018, is summarized below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$ 1,961,598,000	
Average face value per policy	$ 1,805,000	
Average face value per insured life	$ 2,018,000	
Average age of insured (years)*	82.1	
Average life expectancy estimate (years)*	6.7	
Total number of policies	1,087	
Number of unique lives	972	
Demographics	76% Male; 24% Female	
Number of smokers	43	
Largest policy as % of total portfolio face value	0.68	%
Average policy as % of total portfolio	0.09	%
Average annual premium as % of face value	2.90	%

* Averages presented in the table are weighted averages.

Our portfolio of life insurance policies, owned by our wholly owned subsidiaries as of September 30, 2018, organized by the insured’s current age and the associated number of policies and policy benefits, is summarized below:

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Distribution of Policies and Policy Benefits by Current Age of Insured

				Percentage of Total		
Min Age	Max Age	Number of Policies	Policy Benefits	Number of Policies	Policy Benefits	Wtd. Avg. LE (yrs.)
95	100	14	$ 19,954,000	1.3 %	1.0 %	1.2
90	94	129	254,332,000	11.9 %	13.0 %	2.8
85	89	215	458,646,000	19.8 %	23.4 %	4.6
80	84	239	468,474,000	22.0 %	23.9 %	6.2
75	79	212	383,160,000	19.5 %	19.5 %	8.9
70	74	195	289,030,000	17.9 %	14.7 %	10.5
60	69	83	88,002,000	7.6 %	4.5 %	9.7
Total		1,087	$ 1,961,598,000	100.0 %	100.0 %	6.7

Our portfolio of life insurance policies, owned by our subsidiaries as of September 30, 2018, organized by the insured's estimated life expectancy and associated policy benefits, is summarized below:

Distribution of Policies by Current Life Expectancies (LE) of Insured

				Percentage of Total	
Min LE (Months)	Max LE (Months)	Number of Policies	Policy Benefits	Number of Policies	Policy Benefits
1	47	307	$ 521,969,000	28.3 %	26.6 %
48	71	213	407,180,000	19.6 %	20.8 %
72	95	220	393,943,000	20.2 %	20.1 %
96	119	162	300,075,000	14.9 %	15.3 %
120	143	108	155,617,000	9.9 %	7.9 %
144	179	64	139,598,000	5.9 %	7.1 %
180	228	13	43,216,000	1.2 %	2.2 %
Total		1,087	$ 1,961,598,000	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 including the underwriter's designation of primary impairment. We track these medical conditions within the following ten primary categories: (1) cancer, (2) cardiovascular, (3) cerebrovascular, (4) dementia, (5) diabetes, (6) multiple conditions, (7) neurological disorders, (8) respiratory disease, (9) other, and (10) no diseases. Currently, the primary disease categories within our portfolio that represent a

concentration of over 10% are multiple conditions, cardiovascular, and other which constitute 25.4%, 21.3%, and 12.4%, respectively, of the face amount of insured benefits of our portfolio as of September 30, 2018.

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 because this information is part of the data we consider when valuing our portfolio of life insurance policies for our financial statements.

The average yield to maturity of publicly traded life insurance company bonds data we consider when valuing our portfolio of life insurance policies was 4.10% as of September 30, 2018. We believe that this reflects, in part, the financial market's judgment 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 ranks senior to all of their other financial obligations, such as the aforementioned senior bonds they issue.

As of September 30, 2018, approximately 95.7% of the face value of policy benefits in our life insurance portfolio were issued by insurance companies with investment-grade credit ratings from Standard & Poor's. Our ten largest life insurance company credit exposures and the Standard & Poor's credit rating of their respective financial strength and claims-paying ability is set forth below:

Distribution of Policy Benefits by Top 10 Insurance Companies

Rank	Policy Benefits	Percentage of Policy Benefit Amount		Insurance Company	Ins. Co. S&P Rating
1	$ 279,443,000	14.2	%	John Hancock Life Insurance Company	AA-
2	219,332,000	11.2	%	AXA Equitable Life Insurance Company	A+
3	207,966,000	10.6	%	Lincoln National Life Insurance Company	AA-
4	192,938,000	9.8	%	Transamerica Life Insurance Company	AA-
5	122,532,000	6.3	%	Metropolitan Life Insurance Company	AA-
6	92,568,000	4.7	%	American General Life Insurance Company	A+
7	79,998,000	4.1	%	Pacific Life Insurance Company	AA-
8	64,093,000	3.3	%	Massachusetts Mutual Life Insurance Company	AA+
9	59,601,000	3.0	%	ReliaStar Life Insurance Company	A
10	55,202,000	2.8	%	Security Life of Denver Insurance Company	A
	$ 1,373,673,000	70.0	%		

Secondary Life Insurance — Portfolio Return Modeling

The goal of our portfolio of life insurance assets is to earn superior risk-adjusted returns. At any time, we calculate our returns from our life insurance assets based upon (i) our historical results; and (ii) the future cash flows we expect to realize from our statistical forecasts. To forecast our expected future cash flows and returns, we use the probabilistic method of analysis. The expected internal rate of return of our portfolio is based upon future cash flow forecasts derived from a probabilistic analysis of policy benefits received and policy premiums paid in relation to our non-GAAP investment cost basis. As of September 30, 2018, the expected internal rate of return on our portfolio of life insurance assets was 10.12% based on our portfolio benefits of $1.96 billion and our non-GAAP investment cost basis of $797.1 million (including purchase price, premiums paid, and financing costs incurred to date). This calculation excludes returns realized from our matured policy benefits which are substantial.

We seek to further enhance our understanding of our expected future cash flow and returns by using a stochastic analysis, sometimes referred to as a "Monte Carlo simulation," to provide us with a greater understanding of the variability of our projections. The stochastic analysis we perform provides internal rates of return calculations for

different statistical confidence intervals. The results of our stochastic analysis, in which we run 10,000 random mortality scenarios, demonstrates that the scenario ranking at the 50th percentile of all 10,000 results generates an internal rate of return ("IRR") of 10.09%, which is very near to our expected IRR ("Expected IRR") of our portfolio of 10.12%. Our Expected IRR is based upon future cash flow forecasts derived from a probabilistic analysis of our policy benefits received and policy premiums paid in relation to our non-GAAP investment cost basis. The stochastic analysis results also indicate that our portfolio is expected under this hypothetical analysis to generate an internal rate of return of 9.64% or better in 75% of all generated scenarios; and an internal rate of return of 9.25% or better in 90% of all generated scenarios. As the portfolio continues to grow in size and diversity, all else equal, the hypothetical scenario results cluster closer to each other around our median, or 50th percentile, internal rate of return expectation, thereby lowering future cash flow volatility and potentially justifying our use of lower discount rates to value our portfolio as size and diversification continue to increase over time.

The complete detail of our portfolio of life insurance policies, owned by our wholly owned subsidiaries as of September 30, 2018, 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 in Exhibit 99.2 to this report.

Annex C

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED DATA

The following tables present the unaudited pro forma condensed consolidated data of GWG, after giving effect to the Transaction (the Initial Transfer and Final Closing) assuming it had occurred on January 1, 2017. This unaudited pro forma condensed consolidated data was prepared using the equity method of accounting. GWG has determined that the equity method is appropriate because GWG’s ownership of Beneficient exceeds the applicable minimum threshold but GWG does not meet the control provision requiring consolidation (in each case, as determined under applicable accounting principles). Under this method, GWG will initially record, at cost, its investment in Beneficient as an asset. Thereafter, GWG’s proportionate share of Beneficient’s earnings attributable to common unitholders, and any distributions therefrom, will be reflected in the carrying value of GWG’s investment in Beneficient. The unaudited pro forma condensed consolidated data is based on the historical consolidated financial statements of GWG after giving effect to the completion of the Transaction and the assumptions and adjustments described in the notes to the unaudited pro forma condensed consolidated data below. The unaudited pro forma adjustments, which GWG believes are reasonable under the circumstances, have been made solely for the purpose of providing the unaudited pro forma condensed consolidated data. The unaudited pro forma adjustments are preliminary and based upon available information and certain assumptions described in the notes to the unaudited pro forma condensed consolidated data.

The information presented below should be read in conjunction with the historical consolidated financial statements and related notes of GWG appearing elsewhere in this Information Statement. The unaudited pro forma condensed consolidated data is presented solely for informational purposes and is not necessarily indicative of the financial position or results of operations that might have been achieved had the Transaction been completed as of January 1, 2017, nor is it meant to be indicative of any anticipated future financial position or results of operations that GWG will experience after the Transaction.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

	September 30, 2018				
	Consolidated GWG Holdings, Inc.		Pro Forma Adjustments - Effects of Transaction		Pro Forma Consolidated GWG Holdings, Inc.
ASSETS					
Cash and cash equivalents	$ 117,873,668	(b)	$ -		$ 117,873,668
Restricted cash	3,069,759				3,069,759
Investment in life insurance policies, at fair value	791,468,587				791,468,587
Life insurance policy benefits receivable	10,472,696				10,472,696
Investment in Beneficient	-		354,447,941	(a),(c)	354,447,941
Commercial Loan receivable from Beneficient	-		200,000,000	(a),(d)	200,000,000
Exchangeable Note receivable from Beneficient	-		-	(a),(c)	-
Other assets	13,022,023				13,022,023
TOTAL ASSETS	$ 935,906,733		$ 554,447,941		$ 1,490,354,674
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES					
Senior credit facility with LNV Corporation	$ 162,469,172		$ -		$ 162,469,172
L Bonds	570,199,704				570,199,704
Seller Trust L Bonds	-		403,234,866	(a)	403,234,866
Accounts payable	2,579,323				2,579,323
Interest and dividends payable	16,228,341				16,228,341
Other accrued expenses	3,272,758				3,272,758
TOTAL LIABILITIES	754,749,298		403,234,866		1,157,984,164
STOCKHOLDERS' EQUITY:					
Redeemable Preferred Stock	86,920,335				86,920,335
Series 2 Redeemable Preferred Stock	129,147,704				129,147,704
Series B Convertible Preferred Stock	50,000,000	(b)	(50,000,000)	(b)	-
Common stock (par value $0.001)	5,980		29,194	(b),(c)	35,174
Additional paid-in capital	-		201,183,881	(b),(c)	201,183,881
Accumulated deficit	(84,916,584)				(84,916,584)
TOTAL STOCKHOLDERS' EQUITY	181,157,435		151,213,075		332,370,510
TOTAL LIABILITIES & EQUITY	$ 935,906,733		$ 554,447,941		$ 1,490,354,674

Notes:

(a) Reflects GWG issuance of $403.2 million of Seller Trust L Bonds in exchange for 4,032,349 MLP Units in Beneficient at $10.00/unit, a $200.0 million Commercial Loan receivable and an $162.9 million Exchangeable Note receivable from Beneficient in the Initial Transfer on August 10, 2018.

(b) Cash received of $50,000,000 for issuance of 5,000,000 shares of GWG's Series B Convertible Preferred Stock at $10.00 per share on August 10, 2018. The Series B shares convert into 5,000,000 shares of GWG common stock at $10.00 per share at the Final Closing.

(c) Reflects GWG issuance of 24,194,092 shares at $10.00 per share and the satisfaction of $162.9 million Exchangeable Note in exchange for 40,485,230 MLP Units in Beneficient at $10.00 per unit. The final number of shares issued by GWG and the number of MLP Units in Beneficient exchanged at the Final Closing may be reduced to the extent the number of MLP Units in Beneficient available for distribution is less than 36,452,881 MLP Units in Beneficient at the Final Closing; however, Beneficient expects the number of MLP Units available will support the maximum issuance. Additionally, Beneficient will issue to GWG an amount of securities or other instruments, containing the same rights, preferences and privileges as the NPC-A limited partnership interests of Beneficient Company Holdings, L.P., a subsidiary of Beneficient ("Beneficient Holdings"), equivalent to seven percent (7%) of the total NPC-A limited partnership interests attributable to certain of Beneficient Holdings' founders, subject to certain adjustments. This instrument has not yet been issued; the amount of the instrument assumed for purposes of this filing is an estimated initial amount and is subject to pro rata dilution with certain founders that could result in material changes to the initial amount. As the GWG closing stock price on September 28, 2018 (the last business day in September) was $6.25/share, this price was used to determine related Additional paid-in capital on issuance of GWG stock (i.e. vs the $10.00/share transaction price) with the offset reflected in a lower beginning basis in the equity method investment in Beneficient.

(d) Beneficient may, at its option, add interest accrued on the Exchangeable Note and the Commercial Loan at the time of the Final Closing to the outstanding principal balance under the Commercial Loan Agreement at the Final Closing Date in lieu of payment in cash of such accrued interest thereon.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Nine Months Ended September 30, 2018			
	Consolidated GWG Holdings, Inc.	Effects of Transaction		Pro Forma Consolidated GWG Holdings, Inc.
REVENUE				
Gain on life insurance policies, net	$ 52,930,008			$ 52,930,008
Interest income – Commercial Loan	-	7,500,000	1b	7,500,000
Interest income – Exchangeable Note	-	-	1c	-
Interest and other income	2,579,270			2,579,270
TOTAL REVENUE	55,509,278	7,500,000		63,009,278
EXPENSES				
Interest expense	50,726,149	22,681,961	1d	73,408,110
Employee compensation and benefits	12,527,139			12,527,139
Legal and professional fees	3,751,321			3,751,321
Other expenses	8,262,324			8,262,324
TOTAL EXPENSES	75,266,933	22,681,961		97,948,894
INCOME (LOSS) BEFORE INCOME TAXES	(19,757,655)	(15,181,961)		(34,939,616)
INCOME TAX EXPENSE (BENEFIT)	-	(68,555)	1e	(68,555)
NET INCOME (LOSS) BEFORE EQUITY IN NET EARNINGS OF INVESTEE	(19,757,655)	(15,113,406)		(34,871,061)
Equity in net earnings of investee	-	14,943,426	1a	14,943,426
NET INCOME (LOSS)	(19,757,655)	(169,981)		(19,927,636)
Preferred stock dividends	12,356,513			12,356,513
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (32,114,168)	$ (169,981)		$ (32,284,149)
NET LOSS PER SHARE				
Basic	$ (5.50)			$ (0.92)
Diluted	$ (5.50)			$ (0.92)
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	5,840,880	29,194,092	1f	35,034,972
Diluted	5,840,880	29,194,092	1f	35,034,972

Notes for Unaudited Pro Forma Condensed Consolidated Statement of Operations:

1a) Equity in net earnings of investee

Description of pro forma condensed consolidated statement of operations for The Beneficient Company Group, L.P.

The Beneficient Company Group, L.P. (along with its subsidiaries, collectively "Beneficient") is a holding company of capital and financial services companies. Beneficient commenced its commercial operations on September 1, 2017, on and after which the company and MHT Financial, L.L.C. ("MHT Financial") consummated agreements to finance the economic rights to several portfolios of alternative assets (collectively, the "Formation Transactions"). The primary closing condition of those agreements consisted of MHT Financial entering into a Purchase and Sale Agreement with owners of alternative asset funds (family offices, fund-of-funds, and institutions, collectively the "Sellers") for the acquisition of a portfolio of alternative assets ("Exchange Portfolio") and the subsequent contribution of the Exchange Portfolio by MHT Financial to certain exchange trusts ("Exchange Trusts") in exchange for common units of Beneficient of a like value.

Through the Formation Transactions described above, a third party institutional investor held an indirect interest in all or substantially all of the outstanding common units of Beneficient through the Exchange Trusts. On May 31, 2018, the limited liability company agreement of Beneficient Management, L.L.C. ("BMLLC"), a Delaware limited liability company and the general partner of Beneficient, was amended and certain proxies were granted that reduced certain rights of Beneficient's founder, including removing the right to appoint a majority of the board of directors, finalizing a change-of-control event. Beneficient applied pushdown accounting under ASC 805-50-25-8 due to the acquisition of BMLLC.

The unaudited pro forma information of Beneficient is presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have been reported if such Formation Transactions and the Transaction had been completed as presented in the unaudited pro forma information of Beneficient, nor is it necessarily indicative of Beneficient's future results of operations. The pro forma adjustments and the assumptions on which they are based are described in the accompanying notes.

The unaudited pro forma condensed consolidated statement of operations of Beneficient is based on, and should be read in conjunction with, the historical consolidated financial statements and the related notes thereto of Beneficient as of June 1, 2018 and for the five months ended May 31, 2018, and for the years ended December 31, 2017 and 2016.

The following table sets forth summary unaudited pro forma condensed consolidated statement of operations of Beneficient for the period indicated. As of September 1, 2017, Beneficient's initial Formative Transaction closed. Beneficient had no significant continuing operations prior to September 1, 2017. The unaudited pro forma condensed consolidated statement of operations of Beneficient assumes the Formative Transactions closed on January 1, 2017.

Unaudited pro forma condensed consolidated statement of operations of Beneficient for the nine months ended September 30, 2018

	Nine Months Ended September 30, 2018			
	Consolidated Beneficient	Beneficient Pro Forma Adjustments (Formation Transactions)	Beneficient Pro Forma Adjustments (Effects of Transaction)	Pro Forma Consolidated Beneficient
Net interest, fee, and dividend income after provision for loan losses	$ 54,980,376	$ -	$ (6,102,151)(a)	$ 48,878,225
Total non-interest revenues	14,670,267	-	-	14,670,267
Total interest and non-interest revenues, net	69,650,643	-	(6,102,151)	63,548,492
Total non-interest expenses	30,978,108	(5,912,643)(b),(c)	(1,680,276)(d)	23,385,189
Income (loss) from continuing operations before income taxes	38,672,535	5,912,643	(4,421,875)	40,163,303
Income tax expense (benefit)	-	-	-	-
Income (loss) from continuing operations	$ 38,672,535	$ 5,912,643	$ (4,421,875)	$ 40,163,303
Allocation of Income for Equity Earnings:				
Allocation of Income (loss) to Redeemable Noncontrolling Interest				24,651,518 (f)
Allocation of Income (loss) to Noncontrolling Interest (within Equity)				1,891,603
Allocation to Class A Common Equity				13,620,183
Income (loss) from continuing operations				40,163,303
Total number of Class A Common Equity Units				45,767,579
Class A Common Equity owned by GWG Holdings, Inc.				44,517,579
				97.27 %

Class A Common Equity owned by GWG Holdings, Inc. as a % of Total Class A Common Equity Units		
Equity Earnings (Loss) for GWG from Class A Common Equity	$ 13,248,190	
Equity Earnings (Loss) for GWG from Synthetic NPC-A Interest	1,695,236	(e)
Total Equity Earnings (Loss) for GWG	$ 14,943,426	

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Notes to unaudited pro forma condensed consolidated statement of operations of Beneficient for the nine months ended September 30, 2018

(a) Pro forma interest expense adjustment of $6,102,151, calculated using the 5.0% rate defined in the Commercial Loan Agreement from GWG to Beneficient entered into on August 10, 2018, is assumed for the seven months ended July 31, 2018 and the nine day period August 1-9, 2018. Interest expense from August 10 through September 30, 2018 are recorded within the actual results.

(b) Non-interest expenses include a pro forma adjustment for amortization of certain intangibles. Amortization expense adjustments are $2,686,245 for the five months ended May 31, 2018. Amortization for the months of June through September 2018 are recorded within the actual results.

(c) Non-interest expenses include a pro forma adjustment to eliminate $8,598,888 of Beneficient's transaction costs in connection with the Formation Transactions and the change-of-control event for BMLLC resulting in Beneficient applying pushdown accounting.

(d) Non-interest expenses include a pro forma adjustment to eliminate $1,680,276 of Beneficient's transaction costs in connection with the execution of the Master Agreement.

(e) As part of the closing of the GWG transaction, Beneficient will issue to GWG an amount of securities or other instruments, containing the same rights, preferences and privileges as the NPC-A limited partnership interests of Beneficient Company Holdings, L.P., a subsidiary of Beneficient ("Beneficient Holdings"), equivalent to seven percent (7%) of the total NPC-A limited partnership interests attributable to certain of Beneficient Holdings' founders, subject to certain adjustments. This instrument has not yet been issued; the amount of the instrument assumed for purposes of this filing is an estimated initial amount and is subject to pro rata dilution with certain founders that could result in material changes to the initial amount.

(f) In connection with the Transaction, Beneficient has provided to GWG a non-binding letter of intent to amend the governing documents to implement a limit on the quarterly preferred return to be paid to NPC-A unitholders, subject to certain conditions, including consent of all NPC-A unitholders and the Final Closing under the Master Agreement. The limitation would be based on the annualized sum of: (1) total interest, fee, and dividend income and (2) total non-interest revenues ("Total Revenue") and would be assessed on a quarter-by-quarter basis. The lowest limitation of 1% would be applied at an annualized Total Revenue less than or equal to $80 million, and the limitation increases by 1% based on certain bands, up to 5% for annualized Total Revenue less than or equal to $140 million, at which point the limitation would be lifted. The assumed rate for the period presented based on the application of this limitation is 3%. The actual rate for such period, without giving effect to this limitation, was 7.8%.

1b) Pro forma adjustment for interest income on $200 million Commercial Loan with Beneficient under the Commercial Loan Agreement entered into August 10, 2018. The Commercial Loan has an annual interest of 5.0%.

1c) The $162.9 million Exchangeable Note with Beneficient issued in the Initial Transfer is fully satisfied in the Final Closing with the issuance of additional MLP Units in Beneficient. The Exchangeable Note has an annual interest rate of 12.4%. As the Exchangeable Note does not survive the Final Closing, no related results of operations are reflected in the pro forma statement.

1d) Interest expense on $403.2 million L Bonds issued to Seller Trusts in connection with GWG’s investment in Beneficient. The Seller Trust L Bonds have an annual interest rate of 7.5%.

1e) Effects of investment transactions reflected at GWG’s gross tax rate of 28.74% for 2018. For clarity of presentation, GWG did not attempt to reflect the potential pro forma impact of a corresponding valuation allowance adjustment.

1f) Additional shares of GWG issued in connection with the Beneficient transaction under the Master Agreement.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31, 2017			
	(Audited) Consolidated GWG Holdings, Inc.	Effects of Transaction		Pro Forma Consolidated GWG Holdings, Inc.
REVENUE				
Gain on life insurance policies, net	$62,114,403	$-		$62,114,403
Interest income – Commercial Loan	-	10,000,000	1b	10,000,000
Interest income – Exchangeable Note	-	-	1c	-
Interest and other income	2,019,515	-		2,019,515
TOTAL REVENUE	64,133,918	10,000,000		74,133,918
EXPENSES				
Interest expense	54,419,444	30,242,615	1d	84,662,059
Employee compensation and benefits	14,869,749	-		14,869,749
Legal and professional fees	5,095,643	-		5,095,643
Other expenses	12,478,676	-		12,478,676
TOTAL EXPENSES	86,863,512	30,242,615		117,106,127
INCOME (LOSS) BEFORE INCOME TAXES	(22,729,594)	(20,242,615)		(42,972,209)
INCOME TAX EXPENSE (BENEFIT)	(2,097,371)	6,032,445	1e	3,935,074
NET INCOME (LOSS) BEFORE EQUITY IN NET EARNINGS OF INVESTEE	(20,632,223)	(26,275,060)		(46,907,283)
Equity in net earnings of investee	-	35,148,582	1a	35,148,582
NET INCOME (LOSS)	(20,632,223)	8,873,522		(11,758,701)
Preferred stock dividends	12,702,341	-		12,702,341
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$(33,334,564)	$ 8,873,522		$(24,461,042)
NET LOSS PER SHARE				
Basic	$(5.72)	N/A		$(0.70)
Diluted	$(5.72)	N/A		$(0.70)
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	5,826,033	29,194,092	1f	35,020,125
Diluted	5,826,033	29,194,092	1f	35,020,125

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Notes for Unaudited Pro Forma Condensed Consolidated Statement of Operations:

1a) Equity in net earnings of investee

Description of pro forma condensed consolidated statement of operations for The Beneficient Company Group, L.P.

The Beneficient Company Group, L.P. (along with its subsidiaries, collectively "Beneficient") is a holding company of capital and financial services companies. Beneficient commenced its commercial operations on September 1, 2017, on and after which the company and MHT Financial, L.L.C. ("MHT Financial") consummated agreements to finance the economic rights to several portfolios of alternative assets (collectively, the "Formation Transactions"). The primary closing condition of those agreements consisted of MHT Financial entering into a Purchase and Sale Agreement with owners of alternative asset funds (family offices, fund-of-funds, and institutions, collectively the "Sellers") for the acquisition of a portfolio of alternative assets ("Exchange Portfolio") and the subsequent contribution of the Exchange Portfolio by MHT Financial to certain exchange trusts ("Exchange Trusts") in exchange for common units of Beneficient of a like value.

Through the Formation Transactions described above, a third party institutional investor held an indirect interest in all or substantially all of the outstanding common units of Beneficient through the Exchange Trusts. On May 31, 2018, the limited liability company agreement of Beneficient Management, L.L.C. ("BMLLC"), a Delaware limited liability company and the general partner of Beneficient, was amended and certain proxies were granted that reduced certain rights of Beneficient's founder, including removing the right to appoint a majority of the board of directors, finalizing a change-of-control event. Beneficient applied pushdown accounting under ASC 805-50-25-8 due to the acquisition of BMLLC.

The unaudited pro forma information of Beneficient is presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have been reported if such Formation Transactions and the Transaction had been completed as presented in the unaudited pro forma information of Beneficient, nor is it necessarily indicative of Beneficient's future results of operations. The pro forma adjustments and the assumptions on which they are based are described in the accompanying notes.

The unaudited pro forma condensed consolidated statement of operations of Beneficient is based on, and should be read in conjunction with, the historical consolidated financial statements and the related notes thereto of Beneficient as of June 1, 2018 and for the five months ended May 31, 2018, and for the years ended December 31, 2017 and 2016.

The following table sets forth summary unaudited pro forma condensed consolidated statement of operations of Beneficient for the period indicated. As of September 1, 2017, Beneficient's initial Formation Transaction closed. Beneficient had no significant continuing operations prior to September 1, 2017. The unaudited pro forma condensed consolidated statement of operations of Beneficient assumes the Formation Transactions and the Transaction closed on January 1, 2017.

Unaudited pro forma condensed consolidated statement of operations of Beneficient for the year ended December 31, 2017

	Year Ended December 31, 2017					
	Audited Consolidated Beneficient	Beneficient Pro Forma Adjustments (Formation Transactions)		Beneficient Pro Forma Adjustments (Effects of Transaction)	Pro Forma Consolidated Beneficient	
Net interest, fee, and dividend income after provision for loan losses	$16,801,965	$53,634,819	(a),(b),(c),(d)	$(10,000,000)(c)	$60,436,784	
Total non-interest revenues	6,542,813	13,756,928	(e),(f)	-	20,299,741	
Total interest and non-interest revenues, net	23,344,778	67,391,747		(10,000,000)	80,736,525	
Total non-interest expenses	15,698,623	4,412,868	(g),(h)	(260,544)(i)	19,850,947	
Income (loss) from continuing operations before income taxes	7,646,155	62,978,879		(9,739,456)	60,885,578	
Income tax expense (benefit)	800	-		-	800	
Income (loss) from continuing operations	$7,645,355	$62,978,879		$(9,739,456)	$60,884,778	
Allocation of Income for Equity Earnings:						
Allocation of Income (loss) to Redeemable Noncontrolling Interest					21,912,459	(k)
Allocation of Income (loss) to Noncontrolling Interest (within Equity)					4,385,994	
Allocation to Class A Common Equity					34,586,325	
Income (loss) from continuing operations					60,884,778	
Total number of Class A Common Equity Units					45,767,579	
Class A Common Equity owned by GWG Holdings, Inc.					44,517,579	
Class A Common Equity owned by GWG Holdings, Inc. as a % of Total Class A Common Equity Units					97.27	%
Equity Earnings (Loss) for GWG from Class A Common Equity					$33,641,706	
Equity Earnings (Loss) for GWG from Synthetic NPC-A Interest					1,506,876	(j)

Total Equity Earnings (Loss) for GWG	$ 35,148,582

Notes to unaudited pro forma condensed consolidated statement of operations of Beneficient for the year ended December 31, 2017

(a) Pro forma interest income adjustments assume financings occurred on January 1, 2017, in the amount of $508,730,686. At September 1, 2017, additional net financings are assumed of $32,158,792 for total financings of $540,889,478. At January 1, 2018, additional net financings are assumed of $24,124,109 for total financings of $565,013,587. Pro forma interest income assumes a 14% interest rate is charged on the average beginning and ending loan balances for the respective periods. The pro forma interest income adjustments for the twelve months ended December 31, 2017 were $56,402,332. All other interest income accrued for the twelve months ended December 31, 2017 are actual amounts.

(b) Dividend income of $93,985 is eliminated for the eight months ended August 31, 2017 as such amount related to discontinued operations.

(c) Pro forma interest expense adjustment totaling $13,525,000 is assumed for the year ended December 31, 2017, consisting of: 1) a pro forma interest expense adjustment of $10,000,000, calculated using the 5.0% rate defined in the Commercial Loan Agreement entered into on August 10, 2018 and 2) a pro forma interest expense adjustment of $3,525,000 is assumed for the eight months ended August 31, 2017, giving pro forma interest expense impact to the $141,000,000 pro forma liability amount of notes/loans as of January 1, 2017 to reflect the refinancing of existing debt held by The Beneficient Company Group, L.P. As of September 1, 2017, Beneficient Capital Company, L.L.C. entered into a credit agreement with HCLP Nominees, L.L.C. and all pre-existing debt was refinanced. The pro forma adjustment is calculated using 3.75% of the average outstanding debt at the beginning and end of the period.

(d) Pro forma allowance for loan losses adjustment is $1,148,528 for the eight months ended August 31, 2017. The allowance for loan losses from September 1, 2017 are actual amounts.

(e) Third party administration revenues are amounts charged to affiliate entities. These service fees are no longer charged beginning September 1, 2017 and therefore are eliminated as a pro forma adjustment. Third party administration revenues include $1,222,497 for the eight months ended August 31, 2017.

(f) Pro forma trust service revenues adjustments assume financings occurred on January 1, 2017 with the underlying collateral net asset value ("NAV") totaling $661,987,904. At September 1, 2017, additional net financings are assumed with increases to the collateral NAV of $41,764,664 for total NAV of $703,752,568. At January 1, 2018, additional net financings are assumed with increases to the collateral NAV of $30,031,311 for total NAV of $733,783,879. Pro forma trust service fees assume 2.8% on the average beginning and ending NAV for the respective periods. The pro forma trust service fee adjustments for the twelve months ended December 31, 2017 were $14,979,425. All other trust service fees accrued for the twelve months ended December 31, 2017 are actual amounts.

(g) Other expenses include a pro forma adjustment for amortization of certain intangibles. Amortization expense adjustments are $2,686,245 for the five months ended May 31, 2018 and $6,446,988 for the year ended December 31, 2017.

(h) Non-interest expenses include a pro forma adjustment to eliminate $2,034,120 of Beneficient's transaction costs in connection with the Formation Transactions and the change-of-control event for BMLLC resulting in Beneficient applying pushdown accounting.

(i) Non-interest expenses include a pro forma adjustment to eliminate $260,544 of Beneficient's transaction costs in connection with the execution of the Master Agreement.

(j) As part of the closing of the GWG transaction, Beneficient will issue to GWG an amount of securities or other instruments, containing the same rights, preferences and privileges as the NPC-A limited partnership interests of Beneficient Company Holdings, L.P., an affiliate of Beneficient ("Beneficient Holdings"), equivalent to seven percent (7%) of the total NPC-A limited partnership interests attributable to certain of Beneficient Holdings' founders, subject to certain adjustments. This instrument has not yet been issued; the amount of the instrument assumed for purposes of this filing is an estimated initial amount and is subject to pro rata dilution with certain founders that could result in material changes to the initial amount.

(k) In connection with the Transaction, Beneficient has provided to GWG a non-binding letter of intent to amend the governing documents to implement a limit on the quarterly preferred return to be paid to NPC-A unitholders, subject to certain conditions, including consent of all NPC-A unitholders and the Final Closing under the Master Agreement. The limitation would be based on the annualized sum of: (1) total interest, fee, and dividend income and (2) total non-interest revenues ("Total Revenue") and would be assessed on a quarter-by-quarter basis. The lowest limitation of 1% would be applied at an annualized Total Revenue less than or equal to $80 million, and the limitation increases by 1% based on certain bands, up to 5% for annualized Total Revenue less than or equal to $140 million, at which point the limitation would be lifted. The assumed rate for the period presented based on the application of this limitation is 2%. The actual rate for such period, without giving effect to this limitation, was 7.8%.

1b) Pro forma adjustment for interest income on $200 million Commercial Loan with Beneficient under the Commercial Loan Agreement entered into August 10, 2018. The Commercial Loan has an annual interest rate of 5.0%.

1c) The $162.9 million Exchangeable Note with Beneficient issued in the Initial Transfer is fully satisfied in the Final Closing with the issuance of additional MLP Units in Beneficient. The Exchangeable Note has an annual interest rate of 12.4%. As the Exchangeable Note does not survive the Final Closing, no related results of operations are reflected in the pro forma statement.

1d) Interest expense on $403.2 million L Bonds issued to Seller Trusts in connection with GWG's investment in Beneficient. The Seller Trust L Bonds have an annual interest rate of 7.5%

1e) Effects of investment transactions reflected at GWG's gross tax rate of 40.47% for 2017. For clarity of presentation, GWG did not attempt to reflect the potential pro forma impact of a corresponding valuation allowance adjustment.

1f) Additional shares of GWG issued in connection with the Beneficient transaction under the Master Agreement.

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Annex D

DESCRIPTION OF THE L BONDS

General

The L Bonds are secured obligations of GWG Holdings. The L Bonds will be issued under the amended and restated indenture between us and Bank of Utah as the indenture trustee, dated October 23, 2017, which amends and restates the original indenture dated October 19, 2011 and as may be amended or supplemented from time to time (referred to herein as the “indenture”). The terms and conditions of the L Bonds include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939. The following is a summary of the material provisions of the indenture. For a complete understanding of the L Bonds, you should review the definitive terms and conditions contained in the indenture, which include definitions of certain terms used below. A copy of the indenture has been filed with the SEC as an exhibit to the registration statement of which this prospectus is a part, and is available from us at no charge upon request.

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

The L Bonds are general secured obligations of GWG Holdings. The obligations are secured by a grant of a security interest in all of the assets of GWG Holdings, which assets will serve as collateral for our obligations under the L Bonds. This grant of a security interest is effected pursuant to a pledge and security agreement attached to the indenture.

The L Bonds are fully and unconditionally guaranteed by our wholly owned direct subsidiary, GWG Life, but otherwise are not guaranteed by any other person or entity. The guarantee is backed by a grant of a security interest in all of the assets of GWG Life, which assets will serve as additional collateral for our obligations under the L Bonds. Chief among these assets is GWG Life’s ownership interest in DLP IV. This guarantee is effected pursuant to provisions contained in the indenture.

The L Bonds are also secured by a pledge of the equity ownership interests in GWG Holdings beneficially owned by its principal stockholders — Jon R. Sabes and Steven F. Sabes — which pledge is effected pursuant to a pledge and security agreement attached to the indenture.

Through DLP IV, we are party to a $300 million senior secured term loan with LNV/CLMG. The amount outstanding under this facility was $222.5 million at December 31, 2017. The L Bonds will also be junior to any other senior lending facility we may later obtain.

The L Bonds are not savings accounts, certificates of deposit (CDs) or other forms of "deposits," and are not insured by the FDIC or any other governmental agency.

The L Bonds are not directly secured by any life insurance assets not owned by GWG Life. Substantially all of our life insurance assets are held by DLP IV. Although GWG Life's equity ownership interest in DLP IV is an asset in which GWG Life has, pursuant to its guarantee, granted a security interest to serve as collateral for obligations under the L Bonds, the payment on such equity interest will be subordinate to the interests of creditors of DLP IV, including our senior creditor LNV/CLMG.

The L Bonds do not have the benefit of a "sinking fund" for the retirement of principal.

The L Bonds are not convertible into our capital stock or other securities.

We have the option to call and redeem the entire outstanding principal balance and accrued but unpaid interest of any L Bonds at any time and without premium or penalty. If we elect to call and redeem your L Bonds, those redeemed L Bonds will cease to accrue interest after the redemption date under the terms and subject to the conditions of the indenture.

Except in limited circumstances (death, bankruptcy or total permanent disability), L Bond holders will have no right to require us to redeem any L Bond prior to its maturity date. Any early redemption will be for the total outstanding principal balance and accrued but unpaid interest. If we in our sole discretion nonetheless elect to accommodate a redemption request, we will redeem the entire (but not less than the entire) outstanding principal balance and accrued but unpaid interest of the L Bonds and may impose a redemption fee of 6% against the outstanding principal balance of the L Bond redeemed. This fee will be subtracted from the amount paid to you.

The L Bonds will be represented by “Units,” with each whole Unit representing $1,000 in principal amount (USD) of L Bonds. Accordingly, L Bond Units will be sold at 100% of their principal face amount. Throughout this prospectus, we refer to L Bond Units simply as “L Bonds.” The minimum investment amount in the L Bonds will be 25 Units, or $25,000. Above that minimum amount, L Bonds may be purchased in whole Units. Subject to the minimum investment amount, you may select the principal amount and term of the L Bonds (ranging from two to seven years) you would like to purchase when you subscribe. The interest rate of your L Bonds will remain fixed until maturity. Depending on our capital requirements, we may not, however, always offer L Bonds with the particular terms you seek. See “Description of the L Bonds — Interest Rate and Maturity” below.

Upon acceptance of your subscription, we will create an account in a book-entry registration and transfer system for you, and credit the principal amount of your subscription to your account. We will also send you a purchase confirmation that will indicate our acceptance of your subscription. If your subscription is rejected, all funds deposited will be promptly returned to you without any interest. See “— Registration and Exchange” below. Alternatively, you may subscribe for L Bonds as a direct participant with Depository Trust Company (DTC settlement). See “Plan of Distribution — Settlement Procedures” for more information.

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

The L Bonds are transferable pursuant to the terms of the indenture. The L Bonds may be transferred or exchanged for other L Bonds of the same series and class of a like aggregate principal amount (i.e., the same number of Units) subject to limitations contained in the indenture. We will not charge a fee for any registration, transfer or exchange of L Bonds. However, we may require the holder to pay any tax, assessment fee, or other governmental charge required in connection with any registration, transfer or exchange of L Bonds. The registered holder of any L Bonds will be treated as the owner of such L Bond Units for all purposes.

Denomination

You may purchase L Bonds in the minimum amount of 25 Units, representing a minimum principal amount of $25,000, and in any whole Unit amounts in excess thereof. You will determine the exact number of L Bond Units you purchase when you subscribe. You may not cumulate multiple purchases L Bond Units in amounts less than 25 Units to satisfy the 25 Unit minimum requirement. In our discretion, however, we may waive the 25 Unit minimum purchase requirement for any investor.

Term

We may offer L Bonds with the following terms to maturity: two years, three years, five years, and seven years.

You will select the term of the L Bonds you purchase when you subscribe. You may purchase multiple L Bonds with different terms by filling in investment amounts for more than one term on your Subscription Agreement. Nevertheless, during this offering we may not always offer L Bonds with each of the maturity terms outlined above.

The actual maturity date will be on the last day of the month in which the L Bond matures (i.e., the month in which the L Bond's term ends). For example, if you select a two-year term and your L Bond becomes effective on January 1, 2018, then the actual maturity date will be January 31, 2020. After actual maturity, we will pay all outstanding principal and accrued but unpaid interest on the L Bond no later than the fifth day of the calendar month next following its maturity (or the first business day following the fifth day of such month). So, in the case of an L Bond with a maturity date of January 31, 2020, actual payment will be made on or prior to February 5, 2020 (unless such date is not a business day, in which case actual payment will be made on the next business day). The L Bonds do not earn interest after the maturity date or any date set for prepayment.

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

Interest Rate

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

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

Payments on the L Bonds; Paying Agent and Registrar

Investors will have the opportunity to select whether interest on their L Bonds will be paid monthly or annually. For investors using direct settlement with the Company, this selection opportunity will be presented in the Subscription Agreement.

Interest will accrue on the L Bonds at the stated rate from and including the effective date of the L Bond until maturity. The effective date of an L Bond will be as follows:

If you purchase an L Bond through DTC settlement, the effective date of your L Bond purchase will be the date your subscription is accepted by the Company.

If you purchase an L Bond through direct settlement with the Company, the effective date of your L Bond purchase will be the following, as applicable: (i) in cases where you pay for your bond via wire transfer directly to us, the first business day of the next calendar month after which we receive the wire; (ii) in cases where you pay for your bond by bank draft directly to us, the first business day of the next calendar month after which we receive the draft; or (iii) in cases where you pay for your bond by personal check, the first business day of the calendar month that is at least five full business days after which we receive the check. In all cases involving direct settlement with the Company, we must also have received and accepted your completed and executed Subscription Agreement.

Interest payments on L Bonds will be paid on the 15th day immediately following the last day of the applicable interest payment period. Interest will be paid without any compounding. The first payment of interest will include interest for the partial period in which the purchase occurred. The indenture provides that all interest will be calculated based on a year with twelve 30-day months.

If you purchase your L Bond Units through direct settlement, we will pay the principal of, and interest on, L Bonds by direct deposit to the account you specify in your Subscription Agreement. We will not accept subscriptions from investors who are not willing to receive their interest payments via direct deposit. If the foregoing payment method is not available, principal and interest payments on the L Bonds will be payable at our principal executive office or at such other place as we may designate for payment purposes. If you purchase your L Bond Units through DTC settlement, our payments of principal and interest will be paid to the depositary (DTC) and then be credited to your brokerage or custodial account through the DTC procedures followed by your brokerage firm or custodian. For more information, please see “Registration and Exchange — Global Certificates Deposited with DTC” below.

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

Registration and Exchange

The L Bonds that we settle directly will generally be issued in book-entry form, which means that no physical L Bond is created, subject, however, to limited exceptions described in the indenture. The L Bonds settled through DTC settlement will be represented by global certificates deposited with the depositary as described below.

Book-Entry Registration

Evidence of your ownership will be provided by written confirmation. As described below, holders may, under certain circumstance described below, opt to receive physical delivery of a certificated security that evidences their L Bonds. Otherwise, the issuance and transfer of L Bonds will be accomplished exclusively through the crediting and debiting of the appropriate accounts in our book-entry registration and transfer system.

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

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

Book-entry notations in the accounts evidencing ownership of the L Bonds are exchangeable for certificated L Bonds only: (i) at the request of the holder, at the end of the Company's next fiscal quarter; or (ii) after the occurrence of an event of default under the indenture, if holders of more than 50% of the aggregate outstanding principal amount of the L Bonds advise the trustee in writing that the continuation of a book-entry system is no longer in the best interests of the holders of L Bonds. In its discretion, the Company may elect to terminate the book-entry system and replace book-entry notations with physical certificates.

Global Certificates Deposited with DTC

L Bonds may be issued in the form fully registered global certificates deposited with, or on behalf of, The Depository Trust Company ("DTC"), New York, NY, and registered in the name of Cede & Co., as nominee of DTC. Unless and until exchanged, in whole or in part, for L Bonds in definitive registered form, a global certificate may not be transferred except as a whole by the depositary to a nominee of such depositary, by a nominee of such depositary to such depositary or another nominee of such depositary, or by such depositary or any nominee of such depositary to a successor of such depositary or a nominee of such successor.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among its participants in such securities through electronic computerized book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers (including the managing broker-dealer), banks, trust companies, clearing corporations and certain other organizations, some of whom own DTC. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

If available, purchases of L Bonds within the DTC system must be made by or through direct participants, which will receive a credit for the L Bonds on DTC's records. The ownership interest of each beneficial owner of the L Bonds will be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners entered into the transaction. Transfers of ownership interests in the L Bonds are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners.

To facilitate subsequent transfers, all L Bonds deposited by participants with DTC will be registered in the name of DTC's nominee, Cede & Co. The deposit of L Bonds with DTC and their registration in the name of Cede & Co. will effect no change in beneficial ownership. DTC will have no knowledge of the actual beneficial owners of the L Bonds. DTC's records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

We will make payments due on the notes to Cede & Co., as nominee of DTC, in immediately available funds. DTC's practice is to credit direct participants' accounts, upon DTC's receipt of funds and corresponding detailed information, on the relevant payment date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not our responsibility or that of DTC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. is our responsibility. Disbursement of such payments to direct participants is the responsibility of Cede & Co. Thereafter, disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants (i.e., brokers, dealers and custodians).

Except as provided herein, a beneficial owner of an interest in a global certificate will not be entitled to receive physical delivery of the L Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the L Bonds. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global certificate.

As long as the depositary, or its nominee, is the registered holder of a global certificate, the depositary or such nominee will be considered the sole owner and holder of the L Bonds represented thereby for all purposes under the L bonds and the indenture. Except in the limited circumstances referred to below, owners of beneficial interests in a global certificate will not be entitled to have such global certificate or any L Bonds represented thereby registered in their names, will not receive or be entitled to receive physical delivery of certificated L Bonds in exchange for the global certificate and will not be considered to be the owners or holders of such global certificate or any certificates represented thereby for any purpose under the L Bonds or the indenture. Accordingly, each person owning a beneficial interest in such global certificate must rely on the procedures of the depositary and, if such person is not a participant, on the procedures of the participant through which such person owns its interest to exercise any rights of a holder under the indenture.

If the depositary for a global certificate representing L Bonds is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by us within 90 days, we will issue L Bonds in definitive form in exchange for such global certificate. In addition, we may at any time and in our sole discretion determine not to have the L Bonds represented by one or more global certificates and, in such event, we will issue the notes in definitive form in exchange for all of the global certificates representing the L Bonds. Finally, if an event of default, or an event which with the giving of notice or lapse of time or both would constitute an event of default, with respect to the L Bonds represented by a global certificate has occurred and is continuing, then we will issue L Bonds in definitive form in exchange for all of the global certificates representing the notes.

Although DTC has agreed to the procedures provided above in order to facilitate transfers, it is under no obligation to perform these procedures, and these procedures may be modified or discontinued at any time.

Limited Rescission Right

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

We will not accept purchases of L Bonds through DTC settlement if, as of the end of the monthly closing for DTC settlement, we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the SEC, but such post-effective amendment has not yet been declared effective. In any such case, settlement of your L Bond purchase must occur in the following month.

Renewal or Repayment on Maturity

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

You can do nothing, in which case (subject to applicable law) your L Bond will automatically renew for a new term equal to the original term but at the interest rate in effect at the time of renewal. Interest on renewed L Bonds will be paid on the same schedule (i.e., monthly or annually) as the original L Bond. If applicable, a new certificate will be issued.

You can elect repayment of your L Bond, in which case the principal amount will be repaid in full along with any accrued but unpaid interest. If you choose this option, your L Bond will not earn interest on or after the maturity date.

You can elect repayment of your L Bond and use all or part of the proceeds to purchase a new L Bond with a different term or principal amount. To exercise this option, you will need to complete a new Subscription Agreement for the new L Bond and mail it along with your request, or else work with your broker if you wish to purchase your new L Bond through DTC settlement. Any proceeds from the old L Bond that are not applied to the new L Bond will be sent to you.

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

If we notify the holder of our intention to repay an L Bond at maturity, or if the holder timely requests repayment, we will pay the principal and all accrued but unpaid interest on the L Bond on or prior to the fifth day of the calendar month after the maturity date (or the first business day following the fifth day of such month). Thus, in the case of an L Bond with a maturity date of January 31, 2020, actual payment will be made on or prior to February 5, 2020 (unless such date is not a business day, in which case actual payment will be made on the next business day). No interest will accrue after the maturity date. You should be aware that because payment is made by ACH transfer, funds may not be received in the holder’s account for two to three business days.

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

For any L Bonds offered hereby that mature on or after the three-year anniversary of the date on which the registration statement of which this prospectus is a part shall have been declared effective, we expect that the renewal of such L Bonds may require us to file a new registration statement. In such a case, the new registration statement must be declared effective before we can renew your L Bond. In this event, if the new registration statement has not yet been filed or become effective, we will extend your election period until ten days following the date of our notice to you that the new registration statement has become effective, which notice will include a new prospectus.

Call and Redemption Prior to Stated Maturity

We may call and redeem, in whole or in part, principal amount and accrued but unpaid interest on any L Bonds prior to their stated maturity only as set forth in the indenture and described below. The holder has no right to put or otherwise require us to redeem any L Bond prior to its maturity date (as originally stated or as it may be extended), except as indicated in the indenture and described below.

Our Voluntary Redemption

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

Holder's Put Election Upon Death, Bankruptcy or Total Permanent Disability

L Bonds may be redeemed prior to maturity at the election of a holder who is a natural person (including L Bonds held in an individual retirement account and the holders of a beneficial interest in a global certificate held by a depositary or its nominee), by giving us written notice within 45 days following the holder's total permanent disability or bankruptcy, as established to our satisfaction, or at the election of the holder's estate, by giving written notice within 45 days following the death of the holder. Subject to the limitations described below, we will redeem the L Bonds not later than the 15th day of the month next following the month in which we establish to our satisfaction the holder's death, bankruptcy or total permanent disability. In the event that the 15th day of the month next following the month in which we so establish such facts is not a business day, we will redeem the L Bonds on the next business day. The redemption price, in the event of such a death, bankruptcy or total permanent disability, will be the entire principal amount of the L Bonds, plus accrued but unpaid interest thereon up to and through the last day of the calendar month preceding the redemption date. The indenture defines "total permanent disability" as the determination by a physician, approved by us, that a holder of an L Bond who is a natural person, and who was gainfully employed at the time of issuance of the L Bond (or its renewal date), is unable to work on a full-time basis during a period of 24 consecutive months.

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

Redemption at Request of Holder

We have no obligation to redeem any L Bonds other than upon maturity, or upon the death, bankruptcy or total permanent disability of a natural person holder. Nevertheless, at our sole discretion we may agree from time to time, at the written request of a holder (including the holder of a beneficial interest in a global certificate held by a depositary or its nominee), to redeem an L Bond, subject, however, to a redemption fee of 6.0% of the principal amount of such L Bond. If we so redeem any L Bond prior to maturity, we will redeem the entire principal amount of such L Bond together with accrued but unpaid interest thereon, The redemption fee will be subtracted from the amount paid to you.

Transfers

The L Bonds will be transferable in accordance with the indenture. For L Bonds that are issued solely in book-entry form, transfers will be effective only upon the delivery to us of an executed assignment or other conveyance instrument in customary form. For L Bonds that are represented by a global certificate held by a depositary or its nominee, transfers of beneficial interests in such certificate must be effected in accordance with the procedures and rules of the depositary.

Upon transfer of an L Bond, we will provide the new holder of the L Bond with a purchase confirmation that will evidence the transfer of the account on our records. If applicable (e.g., if transferred to a custodial account), a new certificate will be issued. No written confirmations will be provided with respect to transfers of beneficial interests in a global certificate held by a depositary or its nominee.

Quarterly Statements

We will provide holders of the L Bonds with quarterly statements, which will indicate, among other things, the account balance at the end of the quarter, interest credited, redemptions made, if any, and the interest rate paid during the quarter. These statements will be sent electronically on or prior to the 10th business day after the end of each calendar quarter. If a holder is unwilling or unable to receive quarterly statements electronically, we will mail the statements to the address of record on or prior to the 10th business day after the end of each calendar quarter. In such a case, we may charge such holders a reasonable fee to cover our expenses incurred in mailing the statements.

Ranking

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

pari passu with respect to payment and collateral securing all L Bonds previously issued by GWG Holdings, Inc., of which approximately $461.4 million in principal amount is outstanding as of December 31, 2017 (see the caption "—Collateral Security" below);

structurally and contractually junior to the present and future obligations owed by our subsidiary DLP IV under our senior credit facility with LNV/CLMG, and structurally or contractually junior to any future obligations that DLP IV or other primary obligors or guarantors may have under future senior secured borrowing facilities; and

structurally junior to the present and future claims of creditors of our subsidiaries, other than GWG Life, including trade creditors.

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

"Pari passu" means that claims for payment and entitlement to security among the holders of L Bonds, including the holders of previously issued L Bonds, and the holders of any later-created class of "pari passu debt," will be treated equally and without preference. Although we have no present intention of causing GWG Life to issue additional secured debt in the future, any such debt issued on a pari passu basis in the future (including renewals of outstanding L Bonds or other renewable pari passu debt) would also be treated equally and without preference in respect of all outstanding L Bonds. Thus, in the event of any default on the L Bonds (or any other debt securities of ours that are pari passu with the L Bonds) resulting in claims for payment or claims on collateral security, the holders of the L Bonds and all such other debt securities pari passu with the L Bonds would share in payment or collateral in proportion to the amount of principal and interest owed on each such debt instrument.

Guarantee by GWG Life Subsidiary

The payment of principal and interest on the L Bonds, including previously issued L Bonds, is fully and unconditionally guaranteed by GWG Life. There were approximately $461.4 million in principal amount of previously issued L Bonds outstanding as of December 31, 2017.

Collateral Security

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

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

In addition, Messrs. Jon R. Sabes and Steven F. Sabes, our principal stockholders beneficially holding approximately 72% of the outstanding shares of our common stock, have pledged all of the shares they beneficially own in GWG Holdings to further secure our obligations under the L Bonds. This collateral security granted by Messrs. Jon R. Sabes and Steven F. Sabes is referred to as the “GWG Holdings Equity Collateral.”

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

The guarantee by GWG Life is contained in the indenture, and the grant of security interests in the GWG Holdings Assets Collateral, GWG Life Assets Collateral and GWG Holdings Equity Collateral is effected through a "Pledge and Security Agreement" that is an exhibit to the indenture and has been amended in connection with this offering of L Bonds. Neither the indenture nor the Pledge and Security Agreement contain any provision preventing a pledging party from disposing of any collateral in the ordinary course of business. In this regard, the Pledge and Security Agreement permits the disposition of GWG Holdings Equity Collateral to the extent the number of shares continuing to constitute such collateral represents at least 10% of the number of shares beneficially held by each individual grantor as of the date of the Pledge and Security Agreement.

Substantially all of our life insurance assets are held in our subsidiaries. The L Bonds will not be directly secured by any security interest in the assets of those subsidiaries, including DLP IV. Instead, the L Bonds will be secured by a pledge of the equity ownership interests in those subsidiaries, including DLP IV, owned by GWG Life by virtue of the guarantee provisions in the indenture and the Pledge and Security Agreement referenced above. An equity ownership interest is, by its very nature, subordinate to the interests of creditors. **Therefore, although investors in the L Bonds will have a security interest in the ownership of DLP IV (and other direct subsidiaries of GWG Life) any claim they may have to the assets owned by such entity will be subordinate to the interests of creditors of that entity, including LNV/CLMG, which is the lender to DLP IV under our senior credit facility, and all other creditors of DLP IV, including trade creditors. In addition, there is the risk that the collateral security granted for our obligations under the L Bonds may be insufficient to repay the L Bonds upon an event of default. See "Risk Factors," page 19** *("The collateral granted as security...").*

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Subordination; Other Indebtedness

Our obligations under the L Bonds will be subordinate to all our senior debt. For this purpose, “our senior debt” presently includes all indebtedness owed or that may in the future become owing under our senior credit facility with LNV/CLMG. As of December 31, 2017, DLP IV had approximately $222.5 million of debt outstanding under the credit facility with LNV/CLMG. In addition, as of December 31, 2017, we had approximately $461.4 million in principal amount of debt outstanding under previously issued L Bonds.

The maximum amount of debt, including the L Bonds, we may issue is limited by the indenture. In particular, the indenture prohibits us from issuing debt in an amount such that our “debt coverage ratio” would exceed 90%. The indenture defines the debt coverage ratio as a percentage calculated by the ratio of (A) obligations owing by us and our subsidiaries on all outstanding debt for borrowed money (including the L Bonds), over (B) the net present asset value of all life insurance assets we own, directly or indirectly, plus any cash held in our accounts. For this purpose, the net present asset value of our life insurance assets is equal to the present value of the cash flows derived from the face value of policy benefit assets we own, discounted at a rate equal to the weighted average cost of capital for all our indebtedness for the prior month.

We are required to notify the indenture trustee in the event that we violate this restrictive covenant. An “event of default” will exist under the indenture if a violation of this covenant persists for a period of 30 calendar days after our initial notice to the trustee. The L Bonds are guaranteed by GWG Life but otherwise are not guaranteed by any of our subsidiaries, affiliates or control persons. Neither indenture nor the Pledge and Security Agreement prevent holders of debt issued by our subsidiaries from disposing of, or exercising any other rights with respect to, any or all of the collateral securing that debt. Accordingly, in the event of a liquidation or dissolution of one of our subsidiaries (other than GWG Life), creditors of that subsidiary that are senior in rank will be paid in full, or provision for such payment will be made, from the assets of that subsidiary prior to distributing any remaining assets to us as an equity owner of that subsidiary.

The indenture also contains specific subordination provisions, benefitting lenders under any senior credit facility, restricting the right of L Bond holders to enforce certain of their rights in certain circumstances, including:

a prohibition on challenging any enforcement action taken by a senior lender or interfering with any legal action or suits undertaken by our senior lenders against us and our affiliates;

a 180-day standstill period during which there may not be brought any action against us or our affiliates to enforce rights respecting collateral unless our senior credit facilities have been repaid in full, which period may be extended if the senior lender takes action during such standstill period; and

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

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

the default and event of default has been cured or waived or has ceased to exist; or

in the case of a non-payment default that permits a senior lender to declare as due and payable all amounts owing under a senior credit facility (but where that senior lender has not yet so declared amounts as being due and payable), the end of the period commencing on the date the trustee receives written notice of default from the senior lender and ending on the earliest of (1) our discharge of the default (or other cure), (2) the trustee's receipt of a valid waiver of default from the senior lender, or (3) a written notice from the senior lender terminating the payment prohibition.

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During any payment prohibition period, neither the holders of the L Bonds nor the trustee will have the right, directly or indirectly, to sue to enforce the indenture or the L Bonds. Other provisions of the indenture do permit the trustee to take action to enforce the payment rights of L Bond holders after 179 days have passed since the trustee's receipt of notice of default from a senior lender, but in such case any funds paid as a result of any such suit or enforcement action shall be applied toward the senior credit facility until the facility is indefeasibly paid in full before being applied to the L Bonds. The indenture contains provisions whereby each investor in the L Bonds consents to the subordination provisions contained in the indenture and related agreements governing collateral security.

If the 180-day standstill period noted above or any other limitation on the rights of the trustee or L Bond holders to assert their rights to payment of principal or interest under the indenture or L Bonds is ultimately determined to conflict with provisions of the Trust Indenture Act of 1939 (most notably sections 316(b) and 317(a) of that Act), then the trustee, as well as any holder who shall not have earlier consented to such subordination provisions, shall (notwithstanding such provision contained in the indenture) be authorized to institute a lawsuit for the enforcement of any payment of principal or interest after their respective due dates.

No Sinking Fund

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

Restrictive Covenants

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

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

to the extent legally permissible, we will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or the performance of the indenture;

our Board of Directors will not adopt a plan of liquidation that provides for, contemplates or the effectuation of which is preceded by (a) the sale, lease, conveyance or other disposition of all or substantially all of our assets, otherwise than (i) substantially as an entirety, or (ii) in a qualified sales and financing transaction, and (b) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition and of our remaining assets to the holders of our capital stock, unless, prior to making any liquidating distribution pursuant to such plan, we make provision for the satisfaction of our obligations under the renewable unsecured subordinated notes; and

our debt coverage ratio may not exceed 90%.

The indenture defines the debt coverage ratio as a percentage calculated by the ratio of (A) obligations owing on all outstanding debt for borrowed money (including the L Bonds), over (B) the net present asset value of all life insurance assets we own, plus any cash held in our accounts, plus, without duplication, the value of all other assets of the Company as reflected on our most recently available balance sheet prepared in accordance with GAAP. For this purpose, the net present asset value of our life insurance assets is equal to the present value of the face value of policy benefit assets we own, discounted at a rate equal to the weighted-average cost of capital for all our indebtedness for the prior month.

Importantly, we are not restricted from entering into “qualified sale and financing transactions” as defined — in the indenture, or incurring additional indebtedness, including additional senior debt.

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Consolidation, Mergers or Sales

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

the resulting or acquiring entity, if other than us, is a United States corporation, limited liability company or limited partnership and assumes all of our responsibilities and liabilities under the indenture, including the payment of all amounts due on the notes and performance of the covenants in the indenture; and

immediately after the transaction, and after giving effect to the transaction, no event of default shall exist under the indenture.

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

Events of Default and Remedies

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

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

a failure to observe or perform any material covenant, condition or agreement in the indenture, but only after notice of failure from the indenture trustee and such failure is not cured within 60 days;

our debt coverage ratio exceeds 90% for a period of 30 consecutive calendar days, but only after notice of such breach from the indenture trustee and such breach is not cured within 60 days;

certain events of bankruptcy, insolvency or reorganization with respect to us; or

the cessation of our business.

In addition, a default under the indenture will create a default under our senior credit facility.

Through DLP IV, we are party to a senior credit facility with LNV Corporation (referred to in this prospectus as LNV), as the lender. The facility is governed by a Loan and Security Agreement, and CLMG Corp (referred to in this prospectus as CLMG) acts as the administrative agent for the lender under the Loan and Security Agreement.

Effective September 27, 2017, DLP IV entered into an Amended and Restated Loan and Security Agreement with LNV Corporation, as lender, and CLMG Corp., as the administrative agent on behalf of the lenders under the agreement. The Loan and Security Agreement makes available a total of up to $300,000,000 in credit to DLP IV with a maturity date of September 27, 2029. Additional advances are available under the Amended and Restated Loan Agreement at the LIBOR rate as defined in the Amended and Restated Loan Agreement. Advances are available as the result of additional borrowing base capacity, created as the premiums and servicing costs of pledged life insurance policies become due. Interest will accrue on amounts borrowed under the Amended and Restated Loan Agreement at an annual interest rate, determined as of each date of borrowing or quarterly if there is no borrowing, equal to (A) the greater of 12-month LIBOR or the federal funds rate (as defined in the agreement) plus one-half of one percent per annum, plus (B) 7.50% per annum. The effective rate at December 31, 2017 was 9.31%. Interest payments are made on a quarterly basis. As of December 31, 2017, approximately $222.5 million was outstanding under the line of credit. We may use proceeds of the line of credit to repay short-term debt and acquire additional life insurance assets.

Under the Loan and Security Agreement, DLP IV has granted the administrative agent, for the benefit of the lenders under the agreement, a security interest in all of its assets. As with prior collateral arrangements relating to the senior secured debt of GWG Holdings and its subsidiaries (on a consolidated basis), GWG Holdings' equity ownership in DLP IV will serve as collateral for the obligations of GWG Holdings under its L Bonds (although the life insurance assets owned by DLP IV will not themselves serve directly as collateral for those obligations).

The Amended and Restated Loan Agreement does not require DLP IV to maintain a reserve account for future premiums.

In addition, the Loan and Security Agreement contains certain customary negative covenants restricting the ability of the borrower to directly or indirectly engage in a merger or exchange transaction, sell substantially all of its assets, or permit the amendment of the contracts governing the outstanding debt securities of GWG Holdings and its subsidiaries, without the prior consent of the lender.

The Loan and Security Agreement contains customary events of default (e.g., payment defaults, covenant defaults, cross-defaults, defaults arising by virtue of a change in control, and defaults arising from breaches of representations and warranties), as well as defaults for amendments to the organizational documents of the borrower, defaults from pledged policies falling out of good standing, the occurrence of an event that could terminate the arrangement by which GWG Life services the pledged life insurance policies, and the entry of a judgment against the borrower in an amount exceeding $50,000 without payment or discharge, or a stay of execution obtained, within 30 days thereafter.

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

If an event of default occurs, the indenture trustee or the holders of at least 25% in principal amount of the outstanding L Bonds, may by written notice to us declare the unpaid principal and all accrued but unpaid interest on the L Bonds to be immediately due and payable. Notwithstanding the foregoing, the indenture limits the ability of the L Bond holders to enforce certain rights under the indenture in certain circumstances. These limitations are required subordination provisions under our senior credit facility and are summarized above under "— Subordination; Other Indebtedness." The Pledge and Security Agreement permits the trustee to exercise on behalf of the holders of L Bonds all rights and remedies as are available to a secured creditor under applicable law, subject to any limitations therein or in the indenture. In this regard, the trustee is not authorized under the Pledge and Security Agreement to distribute in kind any collateral in its possession to the holders of L Bonds.

Amendment, Supplement and Waiver

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

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

reduces the principal of, or changes the fixed maturity of, any L Bond;

reduces the rate of or changes the time for payment of interest, including default interest, on any L Bond;

waives a default or event of default in the payment of principal or interest on the L Bonds, except for a rescission or withdrawal of acceleration of the L Bonds made by the holders of at least a majority in aggregate principal amount of the then-outstanding L Bonds and a waiver of the payment default that resulted from such acceleration;

makes any change in the provisions of the indenture relating to waivers of past defaults or the rights of holders of L Bonds to receive payments of principal of or interest on the L Bonds; or

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

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

to cure any ambiguity, defect or inconsistency;

to provide for assumption of our obligations to holders of the L Bonds in the case of a merger, consolidation or sale of all or substantially all of our assets;

to provide for additional uncertificated or certificated L Bonds;

to make any change that does not materially and adversely affect the legal rights under the indenture of any holder of L Bonds, including but not limited to an increase in the aggregate dollar amount of L Bonds which may be outstanding under the indenture and limited in amount thereunder;

to modify or eliminate our policy regarding redemptions elected by a holder of L Bonds prior to maturity, including our obligation to redeem L Bonds upon the death, bankruptcy or total permanent disability of any holder of the L Bonds, but only so long as such modifications do not materially and adversely affect any then-existing obligations under pending repurchase commitments for L Bonds;

to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, or to comply with other applicable federal or state laws or regulations;

to comply with the rules or policies of a depositary of the L Bonds; or

in connection with an amendment, extension, replacement, renewal or substitution of any senior debt, to amend the subordination provisions of the indenture to conform to the reasonable requirements of the holder or holders of such senior debt.

Rights of L Bond Holders

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

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

The Indenture Trustee

General

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

Subject to certain exceptions, the holders of a majority in principal amount of the then-outstanding L Bonds will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee. The indenture provides that if an event of default specified in the indenture shall occur and not be cured, the trustee will be required, in the exercise of its power, to use the degree of care of a reasonable person in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of L Bonds, unless the holder shall have offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

Resignation or Removal of the Trustee

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

Reports to Trustee

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

Certain Charges

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

Variations in Terms and Conditions

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

Satisfaction and Discharge of Indenture

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

Reports

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

Annex E

AMENDED AND RESTATED

MASTER EXCHANGE AGREEMENT

by and among

GWG HOLDINGS, INC.,

GWG LIFE, LLC,

THE BENEFICIENT COMPANY GROUP, L.P.,

MHT FINANCIAL SPV, LLC,

and

EACH SELLER EXCHANGE TRUST LISTED IN SCHEDULE I HERETO

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SCHEDULE

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AMENDED AND RESTATED

MASTER EXCHANGE AGREEMENT

This Amended and Restated Master Exchange Agreement (this "Agreement"), effective as of January 12, 2018, amends and restates in its entirety that certain Master Exchange Agreement dated as of January 12, 2018, by and among GWG HOLDINGS, INC., a Delaware corporation ("GWG"), GWG LIFE, LLC, a Delaware limited liability company and wholly owned Subsidiary of GWG ("GWG LIFE"), THE BENEFICIENT COMPANY GROUP, L.P., a Delaware limited partnership (the "Company"), MHT FINANCIAL SPV, LLC, a Delaware limited liability company and wholly owned subsidiary of MHT Financial, L.L.C. ("MHT SPV"), and each of the EXCHANGE TRUSTS set out on Schedule I (together with such additional Exchange Trusts that become a party hereto by joinder prior to the Closing, each a "Seller Trust" and collectively the "Seller Trusts"), and as agreed to and accepted by Murray T. Holland and Jeffrey S. Hinkle as trust advisors to the Seller Trusts (the "Trust Advisors").

WHEREAS, on December 23, 2017, GWG and GWG Life submitted an irrevocable bid for the transactions contemplated herein, which was accepted by the Company, MHT SPV and the Seller Trusts, and agreed to and accepted by the Trust Advisors, on January 12, 2018;

WHEREAS, the Parties now wish to amend and restate this Agreement in its entirety to correct certain provisions contained herein;

WHEREAS, the Seller Trusts are the owners of certain common units of partnership interests of the Company (the "MLP Units") held, collectively, by the Seller Trusts, which amount may be adjusted prior to the Closing (as defined herein);

WHEREAS, upon the terms and subject to the conditions of this Agreement, (a) GWG desires to acquire the MLP Units owned by the Seller Trusts at a price of $10.00 per unit in exchange for (i) up to 29.1 million shares of common stock, par value $0.001 of GWG (the "GWG Common Stock") (subject to adjustment as set forth in Section 8.4 hereof), the resale of which shall be registered with the Securities and Exchange Commission (the "SEC") and, subject to issuance, approved for listing on The NASDAQ Capital Market ("NASDAQ") (the "Stock Consideration"), (ii) L Bonds issued by GWG (the "GWG L Bonds") in an aggregate principal amount of up to $360 million (the "Debt Consideration"), and (iii) $150 million in cash (the "Cash Payment"), and (b) the Seller Trusts desire to exchange the MLP Units, on a pro rata basis, for such GWG Common Stock, GWG L Bonds, and cash (the Cash Payment, the Debt Consideration and the Cash Payment, collectively, the "Consideration");

WHEREAS, in consideration of the foregoing, and upon the terms and subject to the conditions of this Agreement, MHT SPV will subscribe for GWG Common Stock and GWG L Bonds in the denominations determined in accordance with Section 2.2 below for an aggregate purchase price of $150 million in cash, subject to acceptance by GWG in its sole discretion and

WHEREAS, the Company shall enter into a commercial loan agreement with GWG Life (the "Loan Agreement"), the proceeds of which the Company shall use in furtherance of the expansion of its business;

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth in this Agreement, and intending to be legally bound hereby, the parties hereby agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

Section 1.1 Definitions. As used this Agreement, the following terms shall have the following meanings:

"Action" means any litigation, claim, action, suit, case, dispute, assessment, summon, court notification, inspection, infraction notice, investigation, or judicial, administrative, arbitration or other proceeding of any nature, including, but not limited to, civil, tax, labor, social security, environmental, whether at law or in equity, in each case that is by or before any Governmental Authority.

"Affiliate" means, with respect to any specified Person, any Person that, directly or indirectly, controls, is controlled by, or is under common control with, such specified Person, through one or more intermediaries or otherwise.

"Amended & Restated Limited Partnership Agreement" means the Amended & Restated Limited Partnership Agreement of the Company, dated as of September 1, 2017.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by Law to close.

"Confidentiality Agreement" means that certain letter agreement, dated as of October 4, 2017, by and between GWG and the Company.

"Contracts" means any legally binding contracts, agreements, subcontracts, leases, and purchase orders, whether written or oral.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"GAAP" means the United States generally accepted accounting principles, consistently applied.

"Governmental Authority" means any federal, state, provincial, municipal, local or foreign government, governmental authority, regulatory or administrative agency, governmental commission, department, board, bureau, agency or instrumentality, court or tribunal, or any arbitral tribunal.

"Governmental Order" means any order, judgment, injunction, decree, writ, stipulation, compliance agreement, settlement agreement, decision, determination or award, in each case, entered by or with any Governmental Authority or arbitrator.

"GWG Board" means the board of directors of GWG.

"GWG Stockholder" means a holder of shares of GWG Common Stock.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, including and future provisions of succeeding law.

"Investment Company Act" means the Investment Company Act of 1940, as amended.

"Law" means any statute, law, ordinance, rule, regulation or Governmental Order, in each case, of any Governmental Authority.

"Liabilities" means any and all debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, known or unknown, matured or unmatured or determined or determinable, including those arising under any Law (including any environmental law), Action or Governmental Order and those arising under any Contract, agreement, arrangement, commitment or undertaking.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, encumbrance, security interest or other lien of any kind.

"Material Adverse Effect" means, with respect to a party (including, as appropriate, its Subsidiaries), any event, change, effect or development that, individually or in the aggregate, (i) has or would reasonably be expected to have a material and adverse effect on the condition (financial or otherwise), results of operations, business or prospects of such party

and its Subsidiaries, taken as a whole, or (ii) materially impairs the ability of a party to perform its obligations under this Agreement or otherwise materially impede or delay the consummation of the transactions contemplated by this Agreement; provided, however, that in the case of clause (i) only, a "Material Adverse Effect" shall not be deemed to include events, changes, effects or developments resulting from or arising out of any of the following, either alone or in combination, and none of the following, either alone or in combination, shall be deemed to constitute or contribute to a Material Adverse Effect, or otherwise be taken into account in determining whether a Material Adverse Effect has occurred or would be reasonably expected to occur: (A) changes after the date of this Agreement in GAAP or regulatory accounting requirements or principles (so long as such party and its Subsidiaries are not materially disproportionately affected thereby); (B) changes after the date of this Agreement in Laws of general applicability to financial institutions (so long as such party and its Subsidiaries are not materially disproportionately affected thereby); (C) changes after the date of this Agreement in global, national or regional political conditions or general economic or market conditions, including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates and price levels or trading volumes in U.S. or foreign securities markets (so long as such party and its Subsidiaries are not materially disproportionately affected thereby); (D) a decline in the trading price of a party's common equity securities or a failure, in and of itself, to meet earnings projections, but not, in either case, including any underlying causes thereof; (E) the impact of the public disclosure, pendency or performance of this Agreement or the transactions contemplated hereby including the impact of the transactions contemplated by this Agreement on relationships with clients, customers and employees; and (F) any natural disaster, outbreak or escalation of hostilities, declared or undeclared acts or war or terrorism, or any escalation or worsening thereof, whether or not occurring or commenced before or after the date of this Agreement.

"Organizational Documents" means: (i) in the case of a Person that is a corporation or a company, its articles or certificate of incorporation and its by-laws, memorandum of association, articles of association, regulations or similar governing instruments required by the laws of its jurisdiction of formation or organization; (ii) in the case of a Person that is a partnership, its articles or certificate of partnership, formation or association, and its partnership agreement (in each case, limited, limited liability, general or otherwise); (iii) in the case of a Person that is a limited liability company, its articles or certificate of formation or organization, and its limited liability company agreement or operating agreement; and (iv) in the case of a Person that is none of a corporation, partnership (limited, limited liability, general or otherwise), limited liability company or natural person, its governing instruments as required or contemplated by the laws of its jurisdiction of organization.

"Person" means any individual, firm, corporation, partnership, limited liability company, incorporated or unincorporated association, joint venture, joint stock company, governmental agency or instrumentality or other entity of any kind.

"Representative" means, as to any Person, any of the officers, directors, managers, employees, counsel, accountants, financial advisors, and consultants of such Person.

"Securities Act" means the Securities Act of 1933, as amended.

"Subsidiary" means, with respect to a Person, any corporation or other organization (including a limited liability company or a partnership), whether incorporated or unincorporated, of which such Person directly or indirectly owns or controls a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization, or any organization of which such Person or any of its Subsidiaries is, directly or indirectly, a general partner or managing member.

"Tax" means any federal, state, provincial, territorial, local, foreign and other net income tax, alternative or add-on minimum tax, franchise tax, gross income, adjusted gross income or gross receipts tax, employment related tax (including employee withholding or employer payroll tax, FICA, or FUTA) ad valorem, transfer, franchise, license, excise, severance, stamp, occupation, premium, personal property, real property, capital stock, profits, disability, registration, value added, customs duties, escheat, and sales or use tax, or other tax, governmental fee or other like assessment or similar government charges in the nature of a tax, together with any interest, penalty, addition to tax or additional amount imposed with respect thereto by a Governmental Authority, whether as a primary obligor or as a result of being a transferee or successor of another Person or a member of an affiliated, consolidated, unitary, combined or other group or pursuant to Law, Contract or otherwise.

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"Tax Return" means any return, report, statement, refund, claim, declaration, information return, statement, estimate or other document filed or required to be filed with respect to Taxes, including any schedule or attachment thereto and including an amendments thereof.

"Transaction Agreements" shall mean this Agreement, the Orderly Marketing Agreement, the Stockholders' Agreement, the Registration Rights Agreement, and the Voting Agreement, as each such term is defined herein.

Section 1.2 Construction.

(a) Unless the context of this Agreement otherwise requires, (i) words of any gender include each other gender, (ii) words using the singular or plural number also include the plural or singular number, respectively, (iii) the terms "hereof," "herein," "hereby," "hereto" and derivative or similar words refer to this entire Agreement, (iv) the terms "Article," "Section," "Schedule" and "Exhibit" refer to the specified Article, Section, Schedule or Exhibit of or to this Agreement, (v) the word "including" means "including without limitation," (vi) the word "or" shall be disjunctive but not exclusive, (vii) references to agreements and other documents shall be deemed to include all subsequent amendments and other modifications thereto and (viii) references to statutes shall include all regulations promulgated thereunder and references to statutes or regulations shall be construed as including all statutory and regulatory provisions consolidating, amending or replacing the statute or regulation.

(b) Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified. If any action is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action may be deferred until the next Business Day.

(c) All accounting terms used herein and not expressly defined herein shall have the meanings given to them under GAAP.

ARTICLE II

EXCHANGES; CLOSING

Section 2.1 The Sale and Exchange.

(a) Upon the terms and subject to the conditions of this Agreement, at the Closing, each Seller Trust shall sell, assign, transfer and deliver to GWG, and GWG shall purchase and acquire from each Seller Trust, (i) those MLP Units set forth next to each Seller Trust's name on Schedule I, free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws), at a price of $10.00 per MLP Unit (the "MLP Unit Exchange Price") in exchange for aggregate Consideration to be delivered in the form of (i) the Stock Consideration, free and clear of all Liens, (ii) the Cash Payment and (iii) the Debt Consideration containing the terms set forth in Exhibit A hereto, free and clear of all Liens, each in such amount as is set forth next to such Seller Trust's name on Schedule I.

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(b) At the Closing, in consideration for the transfer of the MLP Units to GWG, GWG shall make the Cash Payment and issue the Stock Consideration and the Debt Consideration to each Seller Trust pro rata as set forth next to such Seller Trust's name on Schedule I. The Stock Consideration and the Debt Consideration shall be issued in such amounts and proportions as GWG, the Company and the Trust Advisors on behalf of the Seller Trusts shall determine not less than five (5) Business Days prior to the Closing; provided, however, that in no event shall the aggregate amount of GWG Common Stock issued as Stock Consideration exceed 29.1 million shares at a price per share of $10.00 and the aggregate principal amount of GWG L Bonds issued as Debt Consideration exceed $360 million; and provided, further, that in no event shall the aggregate Consideration received by the Seller Trusts be less than $550 million nor greater than $800 million.

Section 2.2 Subscription for GWG Common Stock and L Bond. Upon the terms and subject to the conditions of this Agreement, at the Closing, MHT SPV shall purchase from GWG, subject to GWG's acceptance in its sole discretion of MHT SPV's subscription, for an aggregate purchase price of $150 million, shares of GWG Common Stock at a price of $10.00 per share and GWG L Bonds (at 100% of the face amount thereof), in a proportion such that the total amount of GWG L Bonds issued by GWG under this Agreement is equal to the total amount of GWG Common Stock issued by GWG under this Agreement. Specifically, subject to GWG's acceptance as set forth above, MHT SPV shall acquire, for an aggregate purchase price of $150 million, (i) GWG Common Stock in an amount equal to 50% of the Consideration minus the Stock Consideration, and (ii) GWG L Bonds in an amount equal to 50% of the Consideration minus the Debt Consideration.

Section 2.3 Commercial Loan. At the Closing (as defined in Section 2.4(a) below), the Company shall enter into the Loan Agreement with GWG Life in a principal amount of $275 million, which may be increased prior to Closing up to $400 million, and containing the principal terms as set forth in Exhibit B hereto.

Section 2.4 Closing; Closing Deliverables.

(a) Upon the terms and subject to the conditions of this Agreement, the closing (the "Closing") of the transaction contemplated by this Agreement will take place at 10:00 a.m., New York time, on the date that is the second Business Day after the satisfaction or waiver of the conditions (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions) set forth in Article IX, at the offices of Greenberg Traurig, LLP, 200 Park Avenue, New York, New York 10166, or such other time, date or place as the parties shall agree to in writing (the date on which the Closing occurs, the "Closing Date").

(b) At the Closing:

(i) Each Seller Trust shall deliver to GWG a duly executed Assignment and Assumption of MLP Units substantially in the form attached hereto as Exhibit C evidencing the transfer of such Seller Trust's MLP Units to GWG, free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws);

(ii) GWG shall deliver to each Seller Trust, pro rata, (A) a duly executed stock certificate, registered in the name of such Seller Trust and dated the Closing Date, evidencing the pro rata Stock Consideration issuable thereto, free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws), (B) a duly executed certificate, registered in the name of such Seller Trust, evidencing the pro rata Debt Consideration issuable thereto, and (C) the Cash Payment payable pro rata to such Seller Trust by wire transfer of immediately available funds to an account identified by such Seller Trust not less than two Business Days prior to Closing, each in the amounts set forth on Schedule I hereto;

(iii) GWG shall record in its books and records the ownership of the Stock Consideration and the Debt Consideration in such name or names as shall be designated by the Trust Advisors on behalf of the Seller Trusts not less than two (2) Business Days prior to Closing;

(iv) Subject to GWG's acceptance, MHT SPV shall deliver $150 million by wire transfer of immediately available funds to an account identified by GWG not less than two Business Days prior to Closing as payment in full for such number of shares of GWG Common Stock and such principal amount of GWG L Bonds as shall be determined in accordance with Section 2.2 above;

(v) GWG shall (A) deliver to MHT SPV a duly executed stock certificate, registered in the name of MHT SPV and dated the Closing Date, evidencing shares of GWG Common Stock, free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws), and (B) record in its books and records the ownership of GWG L Bonds by MHT SPV in an amount determined in accordance with Section 2.2 above;

(vi) GWG Life shall deliver the proceeds of the loan to the Company in accordance with the Loan Agreement; and

(vii) The appropriate parties shall deliver the items required to be delivered pursuant to Article IX.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the Schedules to this Agreement (each of which qualifies (i) the correspondingly numbered representation, warranty or covenant if specified therein and (ii) such other representations, warranties or covenants where its relevance as an exception to (or disclosure for purposes of) such other representation, warranty or covenant is readily apparent on its face and shall not be deemed to expand in any way the scope or effect of any such representations, warranties or covenants or to create any of the same), the Company represents and warrants to GWG and GWG Life, as of the date hereof and the Closing, as follows:

Section 3.1 Organization. The Company and each of its Subsidiaries has been duly organized and is validly existing and in good standing under the Laws of State of Delaware and has the requisite partnership or corporate power and authority to own, lease and operate its assets and properties and to conduct its business as it is now being conducted. The copies of the Organizational Documents of the Company and each Subsidiary previously made available by the Company to GWG are true, correct and complete and are in full force and effect.

Section 3.2 Due Authorization.

(a) The Company has all requisite partnership power and authority to execute, deliver and perform its obligations under this Agreement and each of the other Transaction Agreements to which it is a party, and (subject to the approvals described in Section 3.4) to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and each of the other Transaction Agreements to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by the general partner of the Company and no other proceeding on the part of the Company is necessary to authorize such agreements or the Company’s performance thereunder. This Agreement has been duly and validly executed and delivered by the Company, and each of the other Transaction Agreements to which it is a party, when executed and delivered, will be duly and validly executed and delivered by the Company; and, assuming due authorization and execution by each other party hereto and thereto, each of this Agreement and the other Transaction Agreements to which it is a party constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject (i) to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors’ rights generally, (ii) as to enforceability, to general principles of equity, and (iii) to applicable requirements of the HSR Act, and any other Laws designed or intended to prohibit, restrict or regulate antitrust, monopolization, restraint of trade or competition.

(b) The Loan Agreement has been duly and validly authorized and approved by the general partner of the Company and, when executed and delivered as contemplated therein, will have been duly and validly executed and delivered by

it, and assuming the due authorization, execution and delivery thereof by GWG Life, will constitute a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject (i) to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally and (ii) as to enforceability, to general principles of equity

Section 3.3 No Conflict. Subject to the receipt of the consents, approvals, authorizations and other requirements set forth in Section 3.4, the execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby do not and will not (a) conflict with or violate any provision of, or result in any breach of the Organizational Documents of the Company or any of its Subsidiaries, (b) conflict with or result in any violation of any provision of any Law, permit or Governmental Order applicable to the Company or any of its Subsidiaries, or any of their respective properties or assets, (c) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the termination or acceleration of, or a right of termination, cancellation, modification, acceleration or amendment under, accelerate the performance required by, or result in the acceleration or trigger of any payment, posting of collateral (or right to require the posting of collateral), time of payment, vesting or increase in the amount of any compensation or benefit payable pursuant to, any of the terms, conditions or provisions of any Contract of the Company or its Subsidiaries or (d) result in the creation of any Lien upon any of the properties, equity interests or assets of the Company or any of its Subsidiaries, except (in the case of clauses (b), (c), or (d) above) for such violations, conflicts, breaches or defaults which would not, individually or in the aggregate have a Material Adverse Effect on the Company and its Subsidiaries as a whole.

Section 3.4 Governmental Authorities; Consents. No consent, approval or authorization of, or designation, declaration or filing with, any Governmental Authority or notice, approval, consent waiver or authorization from any third party is required on the part of the Company with respect to the Company's execution, delivery or performance of its obligations under this Agreement or the consummation of the transactions contemplated hereby, except for waiting period requirements of the HSR Act and any consent, approvals, authorizations, designations, declarations, waivers or filings, the absence of which would not have a Material Adverse Effect on the Company and its Subsidiaries as a whole.

Section 3.5 Litigation. There are no pending, or to the knowledge of the Company, threatened, Actions against the Company or otherwise affecting the Company or its assets or its partnership interests.

Section 3.6 Capitalization.

(a) The partnership interests/units authorized for issuance by the Company are an unlimited number of common units under the Amended & Restated Limited Partnership Agreement, of which 48,924,321 common units are outstanding. All of such common units (i) have been duly authorized and validly issued and are fully paid and non- assessable, (ii) were issued in compliance in all material respects with applicable Law and (iii) were not issued in breach or violation of any preemptive rights or any Contract. Beneficient Company Holdings, L.P. ("Company Holdings") is a wholly owned subsidiary of the Company, and all of its classes of the partnership interests/units (i) have been duly authorized and validly issued and are fully paid and non-assessable, (ii) were issued in compliance in all material respects with applicable Law and (iii) were not issued in breach or violation of any preemptive rights or any Contract.

(b) Except for additional Seller Trusts that may become party hereto prior to the Closing, no Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by this Agreement. Except as set forth on Schedule 3.6(b), there are no outstanding options, warrants, script rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any equity or equity-linked interests of the Company or any Subsidiary of the Company, nor are there any Contracts by which the Company or any Subsidiary of the Company is or may become bound to issue additional equity or equity-linked interests.

(c) Other than as contemplated in this Agreement, the sale and transfer of the MLP Units to GWG (or any of its Affiliates) will not obligate the Company or any Subsidiary of the Company to issue any equity or equity-linked interests to any Person and will not result in a right of any holder of Company equity or equity-linked interests to adjust the exercise, conversion, exchange or reset price under such equity or equity-linked interests. Other than the Amended & Restated Limited Partnership Agreement, there are no partnership agreements, voting agreements or other similar agreements with respect to the Company's partnership interests to which the Company is a party.

(d) Except as contemplated by the terms of this Agreement or otherwise as set forth on Schedule 3.6(d), there are no agreements or other obligations (contingent or otherwise) which may require the Company or any Subsidiary to repurchase or otherwise acquire any equity interests, securities or other obligations.

(e) Except as detailed on Schedule 3.6(e), the Company does not own, directly or indirectly, and is not a party to a Contract to acquire, any securities of any entity or association.

Section 3.7 Partnership Taxation. The Company currently is subject to taxation as a partnership for federal income-tax purposes. Immediately after the Closing, the Company will continue to be taxed as a partnership for federal income-tax purposes. After giving effect to the registration of Company's Common Units (as defined in the Amended & Restated Limited Partnership Agreement) under the Exchange Act and the Listing (as defined below, the Company expects to continue to be taxed as a partnership for federal income-tax purposes, provided that there is no change in the current rules regarding the treatment of publicly-traded partnerships, within the meaning of Section 7704(b) of the Internal Revenue Code of 1986.

Section 3.8 Investment Company Act. The Company is not, and immediately after the Closing will not be, (i) registered, or required to be registered as, as an investment company under the Investment Company Act or (ii) directly or indirectly "controlled" by a Person registered, or required to be registered as, as an investment company under the Investment Company Act, in each case within the meaning of the Investment Company Act.

Section 3.9 Future Listing. The Company has no knowledge of facts that are likely to have the effect of preventing or materially delaying the registration of Common Units (as defined in the Amended & Restated Limited Partnership Agreement) in the Company under the Exchange Act, or the listing of such Common Units on a nationally recognized stock exchange.

Section 3.10 Financial Statements. Each of (i) the pro forma condensed financial statements of the Company, included in the electronic date room, as of and for the 12-month period ended December 31, 2016, (ii) the pro forma condensed balance sheet as of September 1, 2017 included in the Company's Business Plan, dated September 2017 and

included in the electronic data room (the "Business Plan"), and (iii) the financial projections for the 12 months ended December 31, 2017 and prepared as of September 1, 2017, included in the Business Plan (the "Financial Statements"), furnished to GWG have been prepared in accordance with GAAP, except as may be otherwise specified in such Financial Statements or the notes thereto, and such Financial Statements fairly present in all material respects the pro forma and projected financial position of the Company and its consolidated Subsidiaries, as the case may be, as of and for the dates thereof and the periods then ended.

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Section 3.11 Absence of Undisclosed Liabilities. Neither the Company nor any Subsidiary has any material Liabilities which are not reflected on the Financial Statements other than (i) material Liabilities that have arisen since the date of such financial statements in the ordinary course of business consistent with past practice, including offers of employment, issuance of securities in connection with management incentive plans, non-competition arrangements, and restrictive covenants in employment agreements, (ii) agreements with additional sellers as contemplated herein, (iii) agreements included in the electronic data room made available to GWG and GWG Life, (iv) fees and expenses of financial, accounting and legal advisors, including legal fees and expenses, incurred in connection with the transactions contemplated by this Agreement, and (v) agreements otherwise described in the Private Placement Memorandum, dated September 20, 2017 and provided to each of GWG and GWG Life in connection with the transactions contemplated hereunder, none of which is a Liability resulting from or arising out of any breach of contract, breach of warranty, tort, infringement, misappropriation, or violation of Law.

Section 3.12 Material Changes. Other than the transactions contemplated by this Agreement, since the date of the Financial Statements, there has been no event, occurrence or development that has not been disclosed in the Private Placement Memorandum, dated September 20, 2017 and/or the electronic data room that has had or that could reasonably be expected to result in a Material Adverse Effect.

Section 3.13 Compliance. Neither the Company nor any Subsidiary (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any order of any court, arbitrator or governmental body, or (iii) is or has been in violation of any statute, rule or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws applicable to its business except in each case as could not have a Material Adverse Effect.

Section 3.14 Title to Assets. The Company and the Subsidiaries each have (i) good and marketable title in fee simple to all real property owned by them that is material to the business of the Company and its Subsidiaries and (ii) good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens.

Section 3.15 Tax Matters. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and each Subsidiary has filed all necessary federal, state and foreign income and franchise tax returns (including informational returns) and has paid or accrued all taxes shown as due thereon, and the Company has no knowledge of a tax deficiency which has been asserted or threatened against the Company or any Subsidiary.

Section 3.16 Brokers' Fees. Other than Credit Suisse Securities (USA) LLC and Castle Hill Capital Partners, Inc., no broker, finder, investment banker or other Person is entitled to any brokerage fee, finders' fee or other commission in connection with the transactions contemplated by this Agreement based upon arrangements made by the Company or any of its Affiliates.

Section 3.17 Disclosure Documents; Acknowledgment. All written disclosure documentation furnished by or on behalf of the Company to GWG in the electronic data room in connection with the transactions contemplated by this Agreement is materially accurate and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Company acknowledges and agrees that GWG and GWG Life have not made and are not making any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Article V.

Section 3.18 Full Disclosure. The representations and warranties of the Company contained in this Agreement (and in any schedule, exhibit, certificate or other instrument to be delivered under this Agreement) are true and correct in all material respects, and such representations and warranties do not omit any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. There is no fact of which the Company has knowledge and that has not been disclosed to GWG pursuant to this Agreement, which has had or which could reasonably be expected to have a Material Adverse Effect on the Company, or to materially and adversely affect the ability of the Company to consummate in a timely manner the transactions contemplated hereby.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE SELLER TRUSTS AND MHT SPV

Each of the Seller Trusts and MHT SPV hereby severally and not jointly represent and warrant to GWG, GWG Life and the Company, as of the date hereof and the Closing, as follows:

Section 4.1 Organization. Each has been duly organized and is validly existing and in good standing under the Laws of the jurisdiction of its organization, and has the requisite power and authority under its Organizational Documents to hold its assets and perform the transactions contemplated by this Agreement.

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Section 4.2 Due Authorization. Each has all requisite organizational power and authority to execute, deliver and perform its obligations under this Agreement and each of the other Transaction Agreements to which it is a party, and (subject to the approvals described in Section 4.4) to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and each of the other Transaction Agreements to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by the requisite trust advisor or managing member, as the case may be, and no other proceeding is necessary to authorize such agreements or the performance by each thereunder. This Agreement has been duly and validly executed and delivered by each and, when each of the other Transaction Agreements to which it is a party has been executed and delivered by it will be duly and validly executed and delivered by each; and assuming due authorization and execution by each other party hereto and thereto, each of this Agreement and the other Transaction Agreements to which it is a party constitutes a legal, valid and binding obligation of each, enforceable against each in accordance with its terms, subject (i) to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally, (ii) as to enforceability, to general principles of equity, and (iii) to applicable requirements of the HSR Act, and any other Laws designed or intended to prohibit, restrict or regulate antitrust, monopolization, restraint of trade or competition.

Section 4.3 No Conflict. Subject to the receipt of the consents, approvals, authorizations and other requirements set forth in Section 4.4, the execution, delivery and performance of this Agreement by such entity and the consummation of the transactions contemplated hereby do not and will not (a) conflict with or violate any provision of, or result in the breach of its respective Organizational Documents, (b) conflict with or result in any violation of any provision of any Law, permit or Governmental Order applicable to such entity, or any of their respective properties or assets, (c) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the termination or acceleration of, or a right of termination, cancellation, modification, acceleration or amendment under, accelerate the performance required by, or result in the acceleration or trigger of any payment, posting of collateral (or right to require the posting of collateral), time of payment, vesting or increase in the amount of any compensation or benefit payable pursuant to, any of the terms, conditions or provisions of any of any material Contract to which such entity is a party, or (d) result in the creation of any Lien upon any of the properties, equity interests or assets such entity, except (in the case of clauses (b), (c), or (d) above) for such violations, conflicts, breaches or defaults which would not, individually or in the aggregate have a Material Adverse Effect on such entity.

Section 4.4 Governmental Authorities; Consents. No consent, approval or authorization of, or designation, declaration or filing with, any Governmental Authority or notice, approval, consent waiver or authorization from any third party is required on the part of such entity with respect to its execution, delivery or performance of its obligations under this Agreement or the consummation of the transactions contemplated hereby, except for any consents, approvals, authorizations, designations, declarations, waivers or filings, the absence of which would not have a Material Adverse Effect thereon.

Section 4.5 Title to MLP Units. The respective Seller Trust owns such of the MLP Units as set forth on Schedule I hereto to be sold to GWG pursuant to this Agreement, and such MLP Units are free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws).

Section 4.6 Litigation. There are no pending, or to the knowledge of such entity, threatened, Actions against such entity or otherwise affecting it or its assets.

Section 4.7 Receipt of All Necessary Information. Such entity has received all the information it considers necessary or appropriate for deciding whether to acquire the GWG Common Stock and GWG L Bonds under this Agreement. Such entity further represents that it has had an opportunity to ask questions and receive answers from GWG regarding the terms and conditions of its acquisition of the GWG Common Stock and GWG L Bonds and the business, properties, prospects and financial condition of GWG.

Section 4.8 Accredited Investor. Such entity is (i) an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act and (ii) a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act.

Section 4.9 Legends. It is understood that the certificate(s) evidencing the GWG Common Stock and the GWG L Bonds issued pursuant to this Agreement may bear one or all of the following legends:

(a) "THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THIS SECURITY UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT."

(b) Any legend required by applicable state "blue sky" securities laws, rules and regulations.

Section 4.10 Brokers' Fees. No broker, finder, investment banker or other Person is entitled to any brokerage fee, finders' fee or other commission in connection with the transactions contemplated by this Agreement based upon arrangements made by such entity.

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ARTICLE V

REPRESENTATIONS AND WARRANTIES

OF GWG AND GWG LIFE

Except as set forth in the Schedules to this Agreement (each of which qualifies (i) the correspondingly numbered representation, warranty or covenant if specified therein and (ii) such other representations, warranties or covenants where its relevance as an exception to (or disclosure for purposes of) such other representation, warranty or covenant is readily apparent on its face and shall not be deemed to expand in any way the scope or effect of any such representations, warranties or covenants or to create any of the same), GWG and GWG Life hereby jointly and severally represent and warrant to the Company, each Seller Trust and MHT SPV, as of the date hereof and the Closing, as follows:

Section 5.1 Corporate Organization. Each of GWG and its Subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the Laws of the State of Delaware and has the requisite corporate power and authority to own, lease or operate its assets and properties and to conduct its business as it is now being conducted. Each of GWG and its Subsidiaries has not conducted and does not currently conduct any activity in conflict with or in excess of its corporate purpose. The copies of the Organizational Documents of GWG and its Subsidiaries previously made available to each of the Company, the Seller Trusts and MHT SPV are true, correct and complete and are in full force and effect. GWG and GWG Life are duly licensed or qualified and in good standing as a foreign corporation or limited liability company (as applicable) in all jurisdictions in which its ownership of property or the character of its activities is such as to require it to be so licensed or qualified, except where failure to be so licensed or qualified would not have a Material Adverse Effect on GWG and its Subsidiaries, as a whole.

Section 5.2 Due Authorization.

(a) Each of GWG and GWG Life has all requisite power and authority to execute, deliver and perform this Agreement and each of the other Transaction Agreements to which it is a party, and (subject to the approvals described in Section 5.5 and receipt of the GWG Stockholder Approval) to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and each of the other Transaction Agreements to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized and approved by the GWG Board and the managers of GWG Life, respectively, as the case may be, and, except for the GWG Stockholder Approval and confirmation from such Boards, not to be unreasonably withheld or delayed, that all conditions to Closing have been reasonably satisfied, no other proceeding on the part of GWG or GWG Life is necessary to authorize this Agreement and each of the other Transaction Agreements to which it is a party or GWG's and GWG Life's performance hereunder and thereunder. This Agreement has been duly and validly executed and delivered by each of GWG and GWG Life, respectively, and, each of the other Transaction Agreements to which GWG and GWG Life is a party will be, as of the Closing, duly and validly executed and delivered by each of

them, as the case may be; and assuming due authorization and execution by the Company, the Seller Trusts and MHT SPV, of this Agreement and each of the other Transaction Agreements to which it is a party, this Agreement and each of the other Transaction Agreements to which it is a party constitutes a legal, valid and binding obligation of each of GWG and GWG Life, respectively, enforceable against GWG and GWG Life, as the case may be, in accordance with its terms, subject (i) to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally, (ii) as to enforceability, to general principles of equity, and (iii) to applicable requirements of the HSR Act, and any other Laws designed or intended to prohibit, restrict or regulate antitrust, monopolization, restraint of trade or competition.

(b) The affirmative vote of holders of a majority of the outstanding shares of GWG Common Stock entitled to vote at the GWG Stockholders' Meeting, assuming a quorum is present, to approve the adoption of this Agreement is the only vote of any of GWG's capital stock necessary in connection with the entry into this Agreement by GWG and the consummation of the transactions contemplated hereby, including the Closing (the "GWG Stockholder Approval").

(c) The Loan Agreement has been duly and validly authorized and approved by the managers of GWG Life and, when executed and delivered as contemplated therein, will have been duly and validly executed and delivered by it, and assuming the due authorization, execution and delivery thereof by the Company, will constitute a legal, valid and binding obligation of GWG Life, enforceable against GWG Life in accordance with its terms, subject (i) to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally and (ii) as to enforceability, to general principles of equity.

Section 5.3 No Conflict. The execution, delivery and performance of this Agreement by GWG and GWG Life and, upon receipt of the GWG Stockholder Approval and the final approval of the Closing by the GWG Board, the consummation of the transactions contemplated hereby do not and will not (a) conflict with or violate any provision of, or result in the breach of the Organizational Documents of GWG or any of its Subsidiaries, (b) conflict with or result in any violation of any provision of any Law or Governmental Order applicable to GWG, its Subsidiaries or any of their properties or assets, (c) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or result in the termination or acceleration of, or a right of termination, cancellation, modification, acceleration or amendment under, accelerate the performance required by, or result in the acceleration or trigger of any payment, posting of collateral (or right to require the posting of collateral), time of payment, vesting or increase in the amount of any compensation or benefit payable pursuant to, any of the terms, conditions or provisions of any material Contract to which GWG or any of its Subsidiaries is a party, or (d) result in the creation of any Lien upon any of the properties or assets of GWG or its Subsidiaries, except (in the case of clauses (b), (c) or (d) above) for such violations, conflicts, breaches or defaults which would not have a Material Adverse Effect on GWG and its Subsidiaries, as a whole.

Section 5.4 Compliance. Neither GWG nor any Subsidiary (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by GWG or any Subsidiary under), nor has GWG or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any order of any court, arbitrator or governmental body, or (iii) is or has been in violation of any statute, rule or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws applicable to its business except in each case as could not have a Material Adverse Effect.

Section 5.5 Governmental Authorities; Consents. No consent, approval or authorization of, or designation, declaration or filing with, any Governmental Authority or notice, approval, consent waiver or authorization from any third party is required on the part of GWG or GWG Life with respect to its execution, delivery or performance of its obligations under this Agreement or the consummation of the transactions contemplated hereby, except for (a) waiting period requirements of the HSR Act, (b) the filing with the SEC of (i) the preliminary and definitive Proxy Statement relating to the GWG Stockholder Approval, and (ii) such reports under Section 13(a) or 15(d) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby, and (c) the written consent of the senior lender to GWG DLP Funding IV, LLC, a Delaware limited liability company and Subsidiary of GWG, (d) the filing with NASDAQ and NASDAQ's approval of (subject to official notice of issuance) a Listing of Additional

Shares application, (e) the approval by the holders of a majority in outstanding principal amount of GWG L Bonds of an amendment to that certain Amended and Restated Indenture dated effective as of October 23, 2017 (as amended or supplemented from time to time, the "GWG Indenture"), and (e) any consents, approvals, authorizations, designations, declarations, waivers or filings, the absence of which would not have a Material Adverse Effect on GWG and its Subsidiaries, as a whole.

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Section 5.6 GWG Reports; Financial Statements and Sarbanes-Oxley Act.

(a) GWG has timely filed all required registration statements, prospectuses, reports, schedules, forms, statements and other documents required to be filed by it with the SEC since December 31, 2015 (collectively, as they have been amended since the time of their filing up to the date hereof and including all exhibits and schedules thereto, and other information incorporated therein, the "GWG Reports"). Each of the GWG Reports, as of the respective date of its filing, and as of the date of any amendment, complied in all material respects with the applicable requirements of the Securities Act, the Exchange Act, the Sarbanes- Oxley Act and any rules and regulations promulgated thereunder applicable to the GWG Reports. None of the GWG Reports, as of their respective dates (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The audited financial statements and unaudited interim financial statements (including, in each case, the notes and schedules thereto) included in the GWG Reports complied as to form in all material respects with the published rules and regulations of the SEC with respect thereto, were prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto and except with respect to unaudited statements as permitted by Form 10-Q of the SEC) and fairly present (subject, in the case of the unaudited interim financial statements included therein, to normal year-end adjustments the impact of which is not material and the absence of complete footnotes) in all material respects the financial position of GWG as of the respective dates thereof and the results of its operations and cash flows for the respective periods then ended. As of the date hereof, there are no outstanding or unresolved comments in comment letters received from the SEC with respect to the GWG Reports. The books and records of GWG have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements.

(b) GWG has established and maintains disclosure controls and procedures (as defined in Rule 13a-15 under the Exchange Act). Such disclosure controls and procedures are designed to ensure that material information relating to GWG is made known to GWG's principal executive officer and its principal financial officer, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared. To the knowledge of GWG, such disclosure controls and procedures are effective in timely alerting GWG's principal executive officer and principal financial officer to material information required to be included in GWG's periodic reports required under the Exchange Act.

(c) GWG has established and maintained a system of internal controls over financial reporting (as defined in Rule 13a-15 under the Exchange Act). Such internal controls are sufficient to provide reasonable assurance regarding the reliability of GWG's financial reporting and the preparation of GWG's financial statements for external purposes in accordance with GAAP.

(d) There are no outstanding loans or other extensions of credit made by GWG to any executive officer (as defined in Rule 3b-7 under the Exchange Act) or director of GWG. GWG has not taken any action prohibited by Section 402 of the Sarbanes-Oxley Act.

(e) Since December 31, 2015, GWG has complied in all material respects with the applicable listing and corporate governance rules and regulations of NASDAQ. The issued and outstanding shares of GWG Common Stock are registered pursuant to Section 12(b) of the Exchange Act and are listed for trading on NASDAQ. There are no pending or, to the knowledge of GWG, threatened in writing lawsuits, actions, suits, judgements, claims or other proceedings at law or in equity before any Governmental Authority against GWG by NASDAQ or the SEC with respect to any intention by such entity to deregister the GWG Common Stock or prohibit or terminate the listing of GWG Common Stock on NASDAQ. GWG has taken no action that is designed to terminate the registration of GWG Common Stock under the Exchange Act.

(f) There are no material Liabilities of GWG that would be required to be reflected on a balance sheet of GWG prepared in accordance with GAAP, except for Liabilities (a) disclosed, reflected or reserved for in GWG's consolidated balance sheet as of December 31, 2016 (or the notes thereto) included in the GWG Reports, (b) that have arisen since the date of the most recent balance sheet included in the GWG Reports in the ordinary course of the financing and operation of the business of GWG or (c) arising under any Contract, other than as a result of a breach thereof by GWG.

Section 5.7 Tax Matters. (i) All Tax Returns required to have been filed by or with respect to GWG and its Subsidiaries have been timely filed (taking into account any extension of time to file granted or obtained); (ii) all Taxes due and payable by GWG and its Subsidiaries (whether or not shown on any Tax Return) have been paid or will be timely paid (other than those Taxes being contested in good faith and for which adequate reserves have been established in the GWG Reports); (iii) no deficiency for any Tax has been asserted, proposed or assessed by a Governmental Authority against GWG and its Subsidiaries that has not been satisfied by payment, settled or withdrawn or that are being contested in good faith through appropriate proceedings; (iv) no audit or other Action by any Governmental Authority is pending or threatened in writing; (v) there are no outstanding agreements extending or waiving the statutory period of limitations applicable to any claim for, or the period for the collection, assessment or reassessment of, Taxes due from GWG and its Subsidiaries for any taxable period and no request for any such waiver is currently pending; (vi) neither GWG nor its Subsidiaries are subject to any pending tax collection suit, proceeding or claim that in any way could result in any liability; (vii) neither GWG nor its Subsidiaries are a party or subject to any material tax deficiency or infraction notice, proceeding or claim of assessment, collection or debt in arrears regarding any Taxes, either in court or in the administrative sphere; (viii) neither GWG nor its Subsidiaries are a party

to any Tax allocation or sharing agreement; (ix) GWG and its Subsidiaries have withheld and paid all Taxes required to have been withheld and paid by it in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party and (x) there are no Tax Liens on any assets of GWG and its Subsidiaries.

Section 5.8 Capitalization.

(a) The classes and series of capital stock authorized for issuance by GWG under its Organizational Documents are as follows: 210 million shares of common stock; 150,000 shares of Redeemable Preferred Stock; 1,000,000 shares of Series 2 Redeemable Preferred; and 39,750,000 shares of undesignated preferred stock. GWG has the following classes and series of capital stock outstanding: 5,813,555 shares of common stock, 99,841 shares of Redeemable Preferred Stock, and 88,691 shares of Series 2 Redeemable Preferred Stock, all of which (i) have been duly authorized and validly issued and are fully paid and non-assessable, (x) were issued in compliance in all material respects with applicable Law and (iii) were not issued in breach or violation of any preemptive rights or any Contract. GWG Life is a wholly owned subsidiary of GWG. All of the outstanding membership interests in GWG Life are held by GWG and all such interests (i) have been duly authorized and validly issued and are fully paid and non-assessable, (ii) were issued in compliance in all material respects with applicable Law and (iii) were not issued in breach or violation of any preemptive rights or any Contract.

(b) No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by this Agreement. Except as detailed with specificity on Schedule 5.8(b), there are no outstanding options, warrants, script rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any equity or equity-linked interests of GWG or any Subsidiary of GWG, nor are there any Contracts by which GWG or any Subsidiary of GWG is or may become bound to issue additional equity or equity-linked interests.

(c) The issuance, sale and transfer of the GWG Common Stock to the Seller Trusts will not obligate GWG or any Subsidiary of GWG to issue any equity or equity- linked interests to any Person and will not result in a right of any holder of GWG equity or equity-linked interests to adjust the exercise, conversion, exchange or reset price under such equity or equity-linked interests. Other than the Organizational Documents, there are no shareholder agreements, voting agreements or other similar agreements with respect to GWG's capital stock to which the GWG is a party.

(d) Except as set forth on Schedule 5.8(d), there are no agreements or other obligations (contingent or otherwise) which may require GWG or any Subsidiary to repurchase or otherwise acquire any equity interests, securities or other obligations.

(e) Except as detailed on Schedule 5.8(e), GWG does not own, directly or indirectly, and is not a party to a Contract to acquire, any securities of any entity or association.

(f) The shares of GWG Common Stock to be issued to the Seller Trusts, pro rata in accordance with this Agreement, and to MHT SPV pursuant to this Agreement shall be (i) duly authorized and validly issued and are fully paid and nonassessable, (ii) issued in compliance with applicable Law, (iii) not issued in breach or violation of any preemptive rights or Contract, (iv) fully vested and not otherwise subject to a substantial risk of forfeiture and (v) free and clear of all Liens.

(g) The GWG L Bonds to be issued to the Seller Trusts, pro rata in accordance with this Agreement, and to MHT SPV pursuant to this Agreement shall (i) be duly authorized and validly issued, (ii) be issued in compliance with the GWG Indenture and applicable Law, (iii) entitle the registered holders to the rights and entitlements set forth therein

(y) be issued free and clear of all Liens, and (iv) constitute valid and binding obligations of GWG, enforceable in accordance with their terms subject (A) to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally, (B) as to enforceability, to general principles of equity.

Section 5.9 Litigation. Except as disclosed on Schedule 5.9, there are no pending or, to the knowledge of GWG, threatened, material Actions against GWG or its Subsidiaries or otherwise affecting GWG or its Subsidiaries or their respective assets.

Section 5.10 Title to Assets. GWG and the Subsidiaries each have (i) good and marketable title in fee simple to all real property owned by them that is material to the business of GWG and its Subsidiaries and (ii) good and marketable title in all personal property owned by them that is material to the business of GWG and the Subsidiaries, in each case free and clear of all Liens.

Section 5.11 Investment Company Act. Neither GWG nor GWG Life is, and immediately after the Closing will not be, (i) registered, or required to be registered, as an investment company under the Investment Company Act or (ii) directly or indirectly "controlled" by a Person registered, or required to be registered, as an investment company under the Investment Company Act, in each case within the meaning of the Investment Company Act.

Section 5.12 Purchase Entirely for Own Account. The MLP Units will be acquired for investment for GWG's own account, not as a nominee or agent, and not with a view to the distribution of any part thereof, and GWG and GWG Life have no present intention of selling, granting any participation in, or otherwise distributing the same. By

executing this Agreement, GWG and GWG Life further represents that it does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to the MLP Units or any portion thereof.

Section 5.13 Receipt of Information. Each of GWG and GWG Life believes it has received all the information it considers necessary or appropriate for deciding whether to purchase the MLP Units and issue the Loan as contemplated herein. Each of GWG and GWG Life further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of its purchase of the MLP Units, and the business, properties, prospects and financial condition of the Company.

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Section 5.14 Accredited Investor. Each of GWG and GWG Life is (i) an "accredited investor" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act and (ii) a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act.

Section 5.15 Restricted Security. Each of GWG and GWG Life understands that the MLP Units will be characterized as a "restricted security" under the federal securities laws inasmuch as it is being acquired from the Seller Trusts or the Company, as applicable, in a transaction not involving a public offering and that under such laws and applicable regulations such a security may be resold without registration under the Securities Act only in certain limited circumstances.

Section 5.16 No Public Market. Each of GWG and GWG Life understands that no public market now exists for the MLP Units, and that the Company has made no assurances that a public market will ever exist for the MLP Units.

Section 5.17 Legends. It is understood that the certificate evidencing the MLP Units may bear one or all of the following legends:

(a) "THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IT MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THIS SECURITY UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT."

(b) Any legend required by applicable state "blue sky" securities laws, rules and regulations.

Section 5.18 Private Placement Memorandum. Each of GWG and GWG Life has had an opportunity to carefully review a copy of the Private Placement Memorandum, dated September 20, 2017. Each of GWG and GWG Life understands and agrees that the Private Placement Memorandum speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent thereto. Each of GWG and GWG Life has also had an opportunity to discuss the Company's business, management, financial affairs and the terms and conditions of the offering of the MLP Units with the Company's management and has had an opportunity to review the Company's materials provided by the Company in an online data room and such other materials or information requested by GWG. Each of GWG and GWG Life understands that any estimates, forecasts, projections or predictions, or any other information or materials that have been made available to GWG, GWG Life or any of its Affiliates or its or their respective Representatives, are not, and shall not be deemed to be, representations and warranties of the Company, the Seller Trusts, MHT SPV or any of their respective Affiliates or their respective Representatives, unless expressly included in the representations and warranties made by the Company in Article III or by the Seller Trusts, and each of

them, and/or MHT SPV in Article IV. GWG and GWG Life each acknowledges and agrees that none of the Company, the Seller Trusts, MHT SPV or any of their respective Affiliates or Representatives have made and are making any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Articles III and IV, respectively.

Section 5.19 Brokers’ Fees. No broker, finder, investment banker or other Person is entitled to any brokerage fee, finders’ fee or other commission in connection with the transactions contemplated by this Agreement based upon arrangements made by GWG, GWG Life or any of their Affiliates.

Section 5.20 Full Disclosure. The representations and warranties of each of GWG and GWG Life contained in this Agreement (and in any schedule, exhibit, certificate or other instrument to be delivered under this Agreement) are true and correct in all material respects, and such representations and warranties do not omit any material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. There is no fact of which GWG, GWG Life or either of them has knowledge and that has not been disclosed to the Company, the Seller Trusts and MHT SPV pursuant to this Agreement (including the schedules hereto), which has had or which could reasonably be expected to have a Material Adverse Effect on GWG and/or GWG Life, or to materially and adversely affect the ability of GWG and/or GWG Life to consummate in a timely manner the transactions contemplated hereby.

ARTICLE VI

COVENANTS OF THE COMPANY

Section 6.1 Conduct of Business. Except as (i) otherwise expressly permitted or required under or by this Agreement, (ii) set forth in Schedule 6.1, (iii) consented to by GWG in writing (which consent shall not be unreasonably conditioned, withheld or delayed) or (z) required by any Law, the Company agrees that, from the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms (the “Interim Period”), the Company shall, and shall cause its Subsidiaries to, (x) use its commercially reasonable efforts to conduct its respective business in the ordinary course in a manner consistent with past practice in all material respects, (y) prepare, in the ordinary course of business consistent with past practice (except as otherwise required by applicable Law), and timely file all material Tax Returns (taking into account all valid extensions) required to be filed by it on or before the Closing Date and fully and timely pay all Taxes due and payable in respect of such Tax Returns that are so filed (other than Taxes being contested in good faith through appropriate proceedings) and (z) use its respective reasonable best efforts to preserve, in all material respects, consistent with past practices, its business organizations intact, including the material assets and properties of the business and relations with customers, suppliers, licensors, licensee and distributors having material commercial or business dealings with the Company and its Subsidiaries (it being understood that such efforts will not include any requirement or obligation to pay any consideration not otherwise required to be paid by the terms of an existing Contract or grant any financial accommodation or other benefit not otherwise required to be made by the terms of an existing Contract). In addition, the Amended & Restated Limited Partnership Agreement of the Company, dated effective as of September 1, 2017, shall not be amended without the prior written consent of GWG during the Interim Period.

Section 6.2 Listing.

(a) The Company agrees to use its commercial best efforts to pursue and obtain a listing of its Common Units on a nationally recognized stock exchange (the “Listing”) on or prior to the 40-month anniversary of the Closing Date (the “Listing Date”). In the event that either (i) the Company has not filed a registration statement with the SEC in connection with a Listing within 24 months following the Closing or (ii) the Company does not secure a listing of its common units of partnership interests of the Company on a national stock exchange in the United States within 40 months following the Closing, the Company agrees, for the benefit of GWG, that, upon and subject to the written election of GWG (the “Election”), the Company shall adopt a Redemption Strategy (as defined below) and redeem, at the Redemption Price (as defined below), all of the MLP Units then held by GWG as of the date of such Election. To effect such redemption, if elected by GWG, the Company shall use a percentage of its Net Distributable Cash (as defined below) each quarter (until all of the MLP Units and NPC-C Unit Accounts subject to redemption (in accordance with the priority outlined in that certain Private Offering Memorandum, dated December 18, 2017) have been redeemed) equal to the percentage that the MLP Units held by GWG on the date of the Election bears to the total number of outstanding Common Units (on an undiluted basis) as of the date of the Election. For purposes of this Section 6.2, “Redemption Price” shall mean the greater of (i) $11.00 per MLP Unit or (ii) the book value per MLP Unit as of the date of the redemption.

(b) As used in Section 6.2(a), (i) “Redemption Strategy” shall mean a cash flow strategy adopted by the Company to satisfy the redemption of the GWG MLP Units from the cash derived from the assets held by the Company as of the Closing or further financing transactions or from additional private equity loans acquired from the proceeds thereof; and (ii) “Net Distributable Cash” shall mean an amount equal to no less than 75% of the Company’s distributable cash flow, calculated quarterly, derived from cash flows from operations, plus cash inflows from financings less mandatory tax distributions.

(c) From and after the Closing until the effective date of the Listing, if any, the Company shall not, without the prior written consent of GWG, issue, and shall procure that none of its Subsidiaries or Affiliates shall issue, any class of securities with rights of redemption, whether optional or mandatory, ranking senior in priority to the MLP Units acquired by GWG under this Agreement, unless and until all of the MLP Units acquired by GWG at the Closing are redeemed under this Section 6.2 (or GWG affirmatively elects in writing not to so redeem) or are otherwise sold or transferred.

Section 6.3 Company Restrictions. Until such time as the Loan has been satisfied in full, without the prior written consent of GWG (which may be granted, withheld or conditioned in GWG’s sole discretion), the Company shall not incur additional indebtedness for borrowed money (including any guarantees of obligations of other Persons) in excess of 45% of the Company’s NAV, inclusive of (i) the Company’s bank debt and (ii) outstanding NPC-B Unit Accounts of Beneficient Company Holdings, L.P.; provided that the bank debt of the Company shall not exceed at any time the lesser of 30% of the Company’s NAV or $200 million.

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Section 6.4 Informational Rights.

(a) After the execution of this Agreement by GWG and GWG Life and until such time as the Company has obtained the Listing, the Company will: (a) on no less than five (5) Business Days prior written notice, permit GWG to visit and inspect any of the properties of the Company, including its books of account and other records (and make copies thereof and take extracts therefrom), and to discuss its affairs, finances and accounts with the Company's officers and its independent public accountants, all at such reasonable times and as often as GWG may reasonably request, provided that such rights of access shall be exercised in a manner that does not unreasonably interfere with the operations of the Company and its Subsidiaries; and (c) provide on a timely basis to GWG all financial and tax information GWG reasonably requests in order to comply with its SEC reporting obligations and prepare and file its Tax Returns. Notwithstanding the foregoing, neither the Company nor its Subsidiaries shall be required to provide access to any books, Contracts, records and information that (i) is subject to attorney-client privilege to the extent doing so, in the opinion of the Company's counsel, would cause such privilege to be waived (in which case, the Company shall work in good faith to provide an alternative means of providing the requested information) or (iii) is prohibited by applicable Law from being disclosed.

(b) From the date of this Agreement's execution and delivery by GWG through the Closing, each of the Company, the Seller Trusts and MHT SPV shall afford to GWG and its Representatives reasonable access to the books, records, financial statements, information, agreements, officers, and other items of the asset, liabilities, and business of the Company and the Seller Trusts, and otherwise provide such assistance as may be reasonably requested by GWG or its Representatives in order that GWG and its Representatives may have a full opportunity to make such investigation and evaluation as it shall desire to make of the Company, the Seller Trusts, MHT SPV, their businesses and the transactions contemplated hereby.

Section 6.5 Investment Company Act; Master Limited Partnership Status. The Company shall conduct its business in a manner so that it will: (a) not be required to register as an investment company under the Investment Company Act, and (b) upon and after the Listing, the Company will qualify for status as a "master limited partnership" under the rules set forth in Section 7704 under the Internal Revenue Code. The Company shall use its commercial best efforts to conduct its business in a manner so that it will not become subject to taxation as a corporation for federal income tax purposes.

ARTICLE VII

COVENANTS OF GWG

Section 7.1 Conduct of Business. Except as (i) otherwise expressly permitted or required under or by this Agreement, (ii) set forth in Schedule 7.1, (iii) consented to by the Company in writing (which consent shall not be unreasonably

conditioned, withheld or delayed) or (iv) required by any Law, GWG agrees that, during the Interim Period, GWG shall, and shall cause its Subsidiaries to, (x) use its commercially reasonable efforts to conduct its respective business in the ordinary course in a manner consistent with past practice in all material respects, (aa) prepare, in the ordinary course of business consistent with past practice (except as otherwise required by applicable Law), and timely file all material Tax Returns (taking into account all valid extensions) required to be filed by it on or before the Closing Date and fully and timely pay all Taxes due and payable in respect of such Tax Returns that are so filed (other than Taxes being contested in good faith through appropriate proceedings) and (z) use its respective reasonable best efforts to preserve, in all material respects, consistent with past practices, its business organizations intact, including the material assets and properties of the business and relations with customers, suppliers, licensors, licensee and distributors having material commercial or business dealings with GWG and its Subsidiaries (it being understood that such efforts will not include any requirement or obligation to pay any consideration not otherwise required to be paid by the terms of an existing Contract or grant any financial accommodation or other benefit not otherwise required to be made by the terms of an existing Contract).

Section 7.2 No Liens or Security Interests. Each of GWG and GWG Life agree that it will not, prior to later of the termination of the Orderly Marketing Agreement or the satisfaction in full of the Loan, permit, create, incur, assume or suffer to exist any lien, security interest, pledge, mortgage, charge, assignment or hypothecation of any of its respective rights and interests in or over (by way of collateral or otherwise) the MLP Units or the Loan to secure any of its obligations of any nature or kind, other than with the express prior written consent of each of the Company, the Seller Trusts and MHT SPV; provided, however, that Liens created or permitted (a) under the GWG Indenture, and (b) under the Amended and Restated Loan and Security Agreement by and between GWG DLP Funding IV, LLC and CLMG Corp. as administrative agent (as the same may be amended from time to time) (the "DLP Funding IV Agreement"), shall each nonetheless be permitted under this Section 7.2; provided further that no amendment or supplement to the Indenture or to the DLP Funding IV Agreement shall be effected without the prior written consent of the Seller Trusts, such consent not to be unreasonably withheld or delayed. Notwithstanding any provision in this Agreement to the contrary, in no event shall GWG or GWG Life issue any debt or encumbrance of any nature or kind senior to the GWG L Bonds issued under this Agreement unless and until the earlier of (i) the refinancing in full of the aggregate principal amount outstanding of the GWG L Bonds issued under this Agreement and (ii) the resale of all such GWG L Bonds by each of the Seller Trusts and MHT SPV.

Section 7.3 Preparation of SEC Documents. Promptly after the date of this Agreement, (i) GWG shall prepare and file with the SEC a proxy statement on Schedule 14A under the Exchange Act (as the same is amended or supplemented in both its preliminary and definitive forms from time to time, the "Proxy Statement"), to be sent in its definitive form(s) to the GWG Stockholders relating to the GWG Stockholder Meeting. GWG shall use its reasonable best efforts to cause the Proxy Statement to comply with the rules and regulations promulgated by the SEC. As promptly as practicable after the Proxy Statement shall have become finalized in its definitive form, GWG shall use its reasonable best efforts to cause the Proxy Statement to be mailed to its stockholders. No filing of, or amendment or supplement to, the Proxy Statement will be made (in each case including documents incorporated by reference therein) by GWG without providing the Company with a reasonable opportunity to review and comment thereon and each party shall give reasonable and good faith consideration to any comments made by any other party and their counsel. The Company will be given a reasonable opportunity to provide comment on or for the response to any SEC comments (to which reasonable and good faith consideration shall be given), including by participating with GWG or their counsel in any discussions or meetings with the SEC.

(b) In furtherance of the foregoing, as promptly as practicable after the date hereof, (i) GWG shall use its reasonable best efforts to enter into a voting agreement, in form and substance reasonably acceptable to the parties (the "Voting Agreement"), with Messrs. Jon R. Sabes and Steven F. Sabes. Pursuant to the Voting Agreement, each of Messrs. Jon R. Sabes and Steven F. Sabes shall (i) agree not to sell, transfer or otherwise dispose of any such shares of GWG capital stock subject thereto prior to earlier of the adjournment of the GWG Stockholder Meeting (as defined below) or the termination of this Agreement; and (ii) grant to GWG an irrevocable proxy to vote all of the outstanding share capital owned directly or indirectly by them, respectively, and entitled to vote at a meeting of GWG's stockholders to approve the transactions, and each of them, contemplated by this Agreement and recommended to the stockholders by GWG's Board of Directors.

(c) If at any time prior to the Closing any information relating to GWG or any of its respective Affiliates, directors or officers, should be discovered by GWG which should be set forth in an amendment or supplement to the Proxy Statement, so that either such document would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, GWG shall promptly notify the other parties hereto and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent required by Law, disseminated to the GWG stockholders.

(d) GWG will advise the other parties hereto promptly after it receives any oral or written request by the SEC for amendment of the Proxy Statement, or comments thereon and responses thereto or requests by the SEC for additional information, and GWG will promptly provide the other parties with copies of any written communication between it or any of its Representatives, on the one hand, and the SEC, on the other hand, with respect to the Proxy Statement. GWG shall use its reasonable best efforts, after consultation with each of the other parties, to resolve all such requests or comments with respect to the Proxy Statement, as applicable, as promptly as reasonably practicable after receipt thereof. GWG shall notify the other parties hereto promptly of the time when the Proxy Statement has cleared comments and has been mailed to the GWG stockholders.

(e) All of the fees, costs and expenses incurred or payable to any other Person (other than legal fees and expenses, which shall be subject to Section 11.5) in connection with the preparation and filing of the Proxy Statement, including all of the fees, costs and expenses of the financial printer and other Persons for the printing and mailing of the Proxy Statement, as applicable, shall be paid by GWG.

Section 7.4 GWG Stockholders' Meeting. After this Agreement shall have become effective in accordance with Section 11.17, GWG shall duly call, give notice of, convene and hold a meeting of GWG stockholders for the purpose of submitting this Agreement and the transactions contemplated hereby to the stockholders of GWG for their approval (the "GWG Stockholders' Meeting"). GWG shall use its best efforts to obtain the requisite approval from its stockholders for adoption of this Agreement and the transactions contemplated hereby, including voting any proxy obtained by it from stockholders (including pursuant to the Voting Agreement) in favor of such action, and shall take all other action reasonably necessary or advisable to secure the requisite approvals.

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Section 7.5 NASDAQ Listing of Additional Shares. GWG shall use its reasonable best efforts to cause the GWG Common Stock to be approved for listing on NASDAQ, subject to official notice of issuance, prior to the Closing Date.

Section 7.6 Resale Registration. In connection with the Closing, GWG and the Seller Trusts will enter into a registration rights agreement (the "Registration Rights Agreement") in customary and negotiated form but in any event containing (a) demand registration rights affording the assigns of the Seller Trusts rights in respect to the resale registration of all of the shares of GWG Common Shares issued pursuant to this Agreement (subject, however, to limitations set forth in the Orderly Marketing Agreement entered into pursuant to Section 8.6, and subject further to limitations that may be imposed by any regulatory agency) (the "Resale Registration"), and (b) piggyback registration rights affording the assigns of the Seller Trusts the right to include (subject to customary cutback provisions) any shares of GWG Common Stock not otherwise included on the Resale Registration. The Seller Trusts and their assigns shall be named express third party beneficiaries of such registration rights agreement.

Section 7.7 No Solicitation. From and after the date hereof until the earlier of the Closing and the termination of this Agreement in accordance with its terms, GWG shall not (and shall cause its Subsidiaries to not), directly or indirectly: (a) solicit, initiate, encourage, or facilitate the making, submission or announcement of any Acquisition Proposal or Acquisition Inquiry relating to GWG or any of its Subsidiaries or otherwise solicit, initiate, encourage or facilitate any action that could reasonably be expected to lead to an Acquisition Proposal or Acquisition Inquiry relating to GWG or any of its Subsidiaries; (b) request or receive any non- public information from any Person or provide any non-public information to any Person in connection with an Acquisition Proposal or Acquisition Inquiry relating to GWG or any of its Subsidiaries; (c) engage in discussions or negotiations with any Person with respect to any Acquisition Proposal relating to GWG or any of its Subsidiaries; (d) approve, endorse or recommend any Acquisition Proposal or Acquisition Inquiry relating to GWG or any of its Subsidiaries; or (e) enter into any letter of intent or similar document or any Contract contemplating or providing for any Acquisition Transaction or Acquisition Proposal relating to GWG or any of its Subsidiaries; provided, that, in the event GWG receives an unsolicited *bona fide* written Acquisition Inquiry or Acquisition Proposal, GWG, its Subsidiaries and their respective Representatives may take any of the aforementioned actions if GWG's Board of Directors concludes in good faith (after consultation with its outside counsel, and with respect to financial matters, its financial advisors) that failure to take any of the such actions would be inconsistent with its fiduciary duties under applicable Law. Without limiting the generality of the foregoing, GWG acknowledges and agrees that any action taken by its Representatives that, if taken by GWG would constitute a breach of this Section 7.7, shall be deemed to constitute a breach of this Section 7.7 by GWG (whether or not such Representative is purporting to act on behalf of GWG). For purposes of this Section 7.7:

(a) "Acquisition Inquiry" means an inquiry, indication of interest or request for information that could reasonably be expected to lead to an Acquisition Proposal.

(b) “Acquisition Proposal” means any offer, proposal, inquiry or indication of interest relating to any Acquisition Transaction.

(c) “Acquisition Transaction” means any transaction or series of transactions (other than the transactions contemplated by this Agreement) with any Person involving: (i) any merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, reorganization, recapitalization, tender offer, exchange offer or other similar transaction; or (ii) any sale, lease, exchange, transfer, license, acquisition or disposition of any business or businesses or assets of such Person.

ARTICLE VIII

JOINT COVENANTS

Section 8.1 Consents and Approvals. Upon the terms and subject to the conditions set forth in this Agreement, each of the parties agrees to use commercially reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, as soon as possible following the date hereof (and in any event on or prior to April 30, 2018), the transactions contemplated by this Agreement, including using commercially reasonable best efforts to (i) obtain all necessary actions, nonactions, waivers, consents, approvals and other authorizations from Governmental Authorities prior to the Closing, (ii) avoid an Action or proceeding by any Governmental Authority, (iii) obtain all necessary consents, approvals or waivers from third parties, (iv) execute and deliver any additional instruments necessary to consummate the transactions contemplated by this Agreement and (v) refrain from taking any action that would reasonably be expected to impede, interfere with, prevent or materially delay the consummation of the transactions contemplated by this Agreement.

(b) Without limiting the generality of Section 8.1(a), each party hereto agrees to, and shall cause its respective Affiliates to, make its respective filing, if necessary, pursuant to the HSR Act with respect to the transactions contemplated by this Agreement and to supply as promptly as practicable to the appropriate Governmental Authorities any additional information and documentary material that may be requested pursuant to the HSR Act. Each party hereto agrees to, and shall cause its respective Affiliates to, promptly make any filings or notifications required to be made by it under any other applicable antitrust, competition, or trade regulation Law and to supply as promptly as practicable to the appropriate Governmental Authorities any additional information and documentary material that may be requested by such Governmental Authorities pursuant to the applicable antitrust, competition, or trade regulation Law. The parties shall consult with each other and mutually agree on the timing of any filings pursuant to the HSR Act.

(c) Subject to applicable Law, each of the Company, the Trust Advisors with respect to the Seller Trusts, GWG and GWG Life agrees to (i) cooperate and consult with the other regarding obtaining and making all notifications and filings with Governmental Authorities, (ii) furnish to the other such information and assistance as the other may reasonably request in connection with its preparation of any notifications or filings, (iii) keep the others apprised of the status of matters relating to the completion of the transactions contemplated by this Agreement, including promptly furnishing the other with copies of notices or other communications received by such party from, or given by such party to, any third party or any Governmental Authority with respect to such transactions, (iv) permit the other party to review and incorporate the other party's reasonable comments in any communication to be given by it to any Governmental Authority with respect to any filings required to be made with, or action or nonactions, waivers, expirations or terminations of waiting periods, clearances, consents or orders required to be obtained from, such Governmental Authority in connection with execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement, and (v) to the extent reasonably practicable, consult with the other in advance of and not participate in any meeting or discussion relating to the transactions contemplated by this Agreement, either in person or by telephone, with any Governmental Authority in connection with the proposed transactions unless it gives the other party the opportunity to attend and observe; provided, however, that in each of clauses (iii) and (iv) above, materials may be redacted (A) to remove references concerning the valuation of such party and its Affiliates, (B) as necessary to comply with contractual arrangements or applicable Laws and (C) as necessary to address reasonable attorney-client or other privilege or confidentiality concerns.

Section 8.2 Governance Matters. Each of the Trust Advisors with respect to the Seller Trusts, MHT SPV and GWG agree to enter into a shareholders' agreement (the "Stockholders' Agreement"), subject to and conditioned upon the Closing of this Agreement, relating to certain matters in connection with such Seller Trusts' and MHT SPV's shareholding in GWG. Such agreement shall remain in effect for Trust Advisors for the benefit of each of the Seller Trusts up until the termination of the Orderly Marketing Agreement, as contemplated by Section 8.6 below and for MHT SPV until the termination of the MHT SPV Lock-up, as contemplated by Section 8.9 below, and shall contain provisions pursuant to which MHT SPV, the Seller Trusts, and their respective assignees or transferees will agree as follows:

(a) that they will vote all voting securities of GWG over which such Persons have voting control with respect to all matters, including without limitation the election and removal of directors, voted on by the stockholders of GWG (whether at a regular or special meeting or pursuant to a written consent), solely in proportion with the votes cast by all other holders of voting securities of GWG on any matter put before them;

(b) that, until the earlier of (i) one year from the Closing Date and (ii) the termination of the Orderly Marketing Agreement, neither the Seller Trust nor its assignees and transferees (other than pursuant to a registered public offering) or their respective affiliates will, without the prior written consent of GWG's Company's Board of Directors, directly or indirectly:

(i) acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, any securities or direct or indirect rights to acquire any voting securities of GWG or any of its Subsidiaries other than pursuant to this Agreement;

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(ii) seek or propose to influence or control the management, Board of Directors, or policies of GWG, make or participate, directly or indirectly, in any "solicitation" of "proxies" (as such terms are used in the rules of the Securities and Exchange Commission) to vote any voting securities of GWG or any of its Subsidiaries, or seek to advise or influence any other person with respect to the voting of any voting securities of GWG or any of its Subsidiaries;

(iii) submit a proposal for or offer of (with or without conditions) any merger, recapitalization, reorganization, business combination, or other extraordinary transaction involving GWG, any of its subsidiaries, or any of their respective securities or assets or, except as required by law, make any public announcement with respect to the foregoing;

(iv) enter into any discussions, negotiations, arrangements, or understandings with any other person with respect to any of the foregoing, or otherwise form, join, engage in discussions relating to the formation of, or participate in a "group" within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, in connection with any of the foregoing; or

(v) advise, assist, or encourage any other person in connection with any of the foregoing.

Section 8.3 Publicity. None of the Company, the Seller Trusts, MHT SPV, GWG, GWG Life or any of their respective Affiliates or Representatives shall make any public announcement or issue any public communication regarding this Agreement or the transactions contemplated hereby, or any matter related to the foregoing, without first obtaining the prior consent of GWG or the Company, as applicable (which consent shall not be unreasonably withheld, conditioned or delayed), except if such announcement or other communication is required by applicable Law or legal process (including pursuant to the federal securities law or the rules of any national securities exchange), in which case the Company, the Seller Trusts, MHT SPV, GWG or GWG Life, as applicable, shall use its commercially reasonable efforts to coordinate such announcement or communication with the other party, prior to announcement or issuance; provided, however, that, subject to this Section 8.3, each party hereto and its Affiliates may make internal announcements regarding this Agreement and the transactions contemplated hereby to their and their Affiliates' respective directors, officers and employees without the consent of any other party hereto and may make public statements regarding this Agreement and the transactions contemplated hereby containing information or events already publicly known other than as a result of a breach of this Section 8.3; and provided, further, that, subject to this Section 8.3, the foregoing shall not prohibit any party hereto from communicating with third parties to the extent necessary for the purpose of seeking any third-party consent.

Section 8.4 Make-Whole.

(a) Not less than 30 days prior to the Closing, GWG may at its option secure a valuation opinion from a nationally recognized valuation firm to the effect that the MLP Units will have, as of the Closing Date, a fair value of not less than $10.00 per unit. In the event such opinion ascribes a fair value of less than $9.00 per unit to the MLP Units, GWG and the Company shall engage a second nationally recognized valuation firm, as they shall mutually agree, to conduct a final and binding valuation at the cost of the Company. If, and only in the event that, such final valuation ascribes a value to the MLP Units of less than $9.00 per unit, the Company undertakes to provide such additional number of MLP Units to GWG at Closing as shall be necessary to provide an aggregate value to GWG equal to the value of the Consideration. The Company agrees to assist and cooperate with GWG and the valuation firms in completing such valuations.

(b) In furtherance of the Company's undertaking in Section 8.4(a) above, the Company agrees to enter into such arrangements with such of its existing securityholders as it deems necessary and appropriate, in its sole discretion, to preclude any dilution to its common unitholders (including, as of the Closing, GWG) that otherwise may result from the make-whole obligation in Section 8.4(a).

(c) In connection therewith, GWG irrevocably covenants and agrees, as of the date of Closing, as the then majority holder of the Company's Common Units, to waive any restriction the Company may have under any contractual provision relating to the partnership interests/units of the Company or its Subsidiaries that would otherwise prevent or limit the conversion of outstanding partnership interests/units, or any of them, into Common Units to satisfy the Company's obligations under this Section 8.4 or any other transaction or series of transactions arising out of or relating to the transactions contemplated hereunder; provided, however, that this irrevocable waiver and consent shall apply only to conversions effected in compliance with the Amended & Restated Limited Partnership Agreement.

Section 8.5 Strategic Initiative. GWG, GWG Life and the Company undertake to use their reasonable commercial efforts post-Closing to pursue synergistic opportunities on terms that shall be mutually agreed, including but not limited to: (a) shared originations programs from respective professional advisory networks; (b) FinTech online portal development and management for originating life settlement financings direct from clients; (c) the provision of exclusive GWG Life settlement underwriting advisory services to the Company; (d) coordinated product development for their respective target markets; and (e) such other activities as they may consider to be in their respective and collective best interests. Notwithstanding the foregoing, none of GWG, GWG Life and the Company shall be obligated to enter into any of the foregoing activities should it determine, in its sole discretion, that any such activity is not in its best interests or the best interests of its securityholders.

Section 8.6 Orderly Marketing Arrangements. GWG, the Trust Advisors for the benefit of each of the Seller Trusts agree to negotiate in good faith the terms of an agreement (the "Orderly Marketing Agreement") with one or more

nationally recognized “bulge bracket” investment banks at the Closing for the orderly marketing and resale of the GWG Common Stock. Under the Orderly Marketing Agreement, the Trust Advisors with respect to each of the Seller Trusts, severally, covenant and agree with the Company and GWG that no shares of the GWG Common Stock received pursuant to this Agreement, including shares held by each such Seller Trusts or the beneficiaries thereof, shall be transferred or sold other than in accordance with such orderly marketing arrangements, and the Orderly Marketing Agreement will contain provisions conditioning any assignments or distributions to the Seller Trusts, their beneficiaries, or other assignees, on compliance with the provisions of the Orderly Marketing Agreement until the termination thereof. GWG covenants and agrees for the benefit the Seller Trusts that it will use its commercially reasonable effort to secure the assistance of its senior executives to assist the investment bank in marketing and resale activities, including roadshows, from time to time, as reasonably requested. The Company covenants and agrees for the benefit of GWG that, subject to applicable Law, it will use its commercially reasonable effort to secure the assistance of its senior executives to assist the investment bank in marketing and resale activities, including roadshows, from time to time, as reasonably requested by GWG.

Section 8.7 Further Assurances. Each party shall, on the reasonable request of any other party, execute such further documents, and perform such further acts, as may be reasonably necessary or appropriate to give full effect to the allocation of rights, benefits and Liabilities contemplated by this Agreement and the transactions contemplated hereby.

Section 8.8 Transfer Taxes. Upon the Closing, (a) GWG shall be liable for all transfer, documentary, sales, use, stamp, registration and other similar Taxes and fees (including any associated penalties and interest) (collectively, "Transfer Taxes") incurred in connection with or arising out of the issuance of GWG securities pursuant to this Agreement, and (b) the Company shall be liable for all Transfer Taxes incurred in connection with or arising out of the issuance of Company securities pursuant to this Agreement. The parties shall reasonably cooperate in the execution and delivery of any and all instruments and certificates with respect to such Transfer Taxes and file all necessary Tax Returns and other documentation with respect to any such Transfer Taxes for which they bear responsibility under this Agreement.

Section 8.9 MHT SPV Lock-Up. MHT SPV agrees that, until the earlier of (a) the Listing of the Company's MLP Units or (b) forty (40) months from the date of Closing, it shall not, directly or indirectly, sell, transfer, distribute, pledge, hypothecate or otherwise dispose of any shares of GWG Common Stock acquired pursuant to Section 2.2, without the prior written consent of GWG.

ARTICLE IX

CONDITIONS TO OBLIGATIONS

Section 9.1 Conditions to the Obligations of Each Party. The obligations of the Company, the Seller Trusts, MHT SPV, GWG and GWG Life to consummate, or cause to be consummated, the transactions contemplated hereby, are subject to the satisfaction of the following conditions, any one or more of which may be waived (if legally permitted) in writing by all of such parties:

(a) There shall not be in force any Governmental Order or Law enjoining or prohibiting the consummation of the other transactions contemplated hereby.

(b) The GWG Stockholder Approval shall have been obtained.

(c) The HSR waiting period (and any extension thereof) shall have expired or been terminated.

(d) There shall not have been commenced any Action against any of the parties relating to the transactions contemplated hereby.

Section 9.2 Conditions to the Obligation of GWG and GWG Life. The obligation of GWG and GWG Life to consummate, or cause to be consummated, the transactions contemplated hereby is subject to the satisfaction of the following additional conditions, any one or more of which may be waived in writing by GWG (on behalf of both GWG and GWG Life):

(a) Representations and Warranties.

(i) Each of the representations and warranties of (A) the Company contained in the first sentence of Section 3.1 (Organization), Section 3.2 (Due Authorization) and Section 3.16 (Brokers' Fees), and (B) the Seller Trusts and MHT SPV contained in Section 4.1 (Organization), Section 4.2 (Due Authorization) and Section 4.10 (Brokers' Fees) (collectively, the "Company Specified Representations") shall be true and correct (without giving any effect to any limitation as to "materiality" or "Material Adverse Effect" or any similar limitation set forth therein) in all material respects as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case, they shall be true and correct on and as of such earlier date).

(ii) The representations and warranties of the Company contained in Section 3.6 (Capitalization) shall be true and correct as of the Closing Date as though made on the Closing Date.

(iii) Each of the representations and warranties of the Company, the Seller Trusts and MHT SPV contained in this Agreement (other than the Company Specified Representations, and the representations and warranties of the Company contained in Section 3.6 (Capitalization)) shall be true and correct (without giving any effect to any limitation as to "materiality" or "Material Adverse Effect" or any similar limitation set forth therein) as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case, they shall be true and correct on and as of such earlier date), except, in either case, where the failure of such representations and warranties to be so true and correct would not have a Material Adverse

Effect on the Company or its Subsidiaries, as a whole.

(b) The Company, the Seller Trusts and MHT SPV shall have complied, in all material respects, with all covenants required to be performed by them as of or prior to the Closing.

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(c) GWG shall have obtained the following written consents or approvals for the transactions contemplated hereby: (i) a consent from the senior lender to GWG DLP Funding IV, LLC; (ii) a consent from the holders of a majority in principal amount of outstanding GWG L Bonds to effect an amendment to the GWG Indenture for the purpose of amending the manner in which the debt-coverage ratio contained therein is calculated; (iii) an approval from Bank of Utah, as trustee under the GWG Indenture, for a supplemental indenture relating to the GWG L Bonds to be issued under this Agreement, and (iv) confirmation from the GWG Board, not to be unreasonably withheld or delayed, that all conditions to Closing have been reasonably satisfied.

(d) GWG and the Company shall have entered into a registration rights agreement in customary and negotiated form reasonably acceptable to the parties, but in any event containing (a) piggyback registration rights affording GWG the right to include the MLP Units for resale on any initial registration statement that the Company files with the SEC under the Securities Act for an initial offering, if any, of Company partnership interests/units (subject to customary cutback provisions) (the "Initial Registration"), and (b) demand registration rights with respect to any MLP Units the resale registration of which is not obtained through the Initial Registration.

(e) GWG and the Trust Advisors for the benefit of the Seller Trusts (together with one or more investment banks selected by and reasonably acceptable to the parties thereto) shall have entered into the Orderly Marketing Agreement respecting the resale of GWG Common Stock in final negotiated form reasonably acceptable to the parties.

(f) GWG, the Seller Trusts and MHT SPV shall have entered into a Stockholders' Agreement containing, among others, the terms set forth in Section 8.2.

(g) The GWG Board shall have received (i) a valuation opinion, in form and substance reasonably acceptable to GWG and rendered by a nationally recognized valuation firm, to the effect that the MLP Units as of the Closing shall have a fair value of at least $10.00 per unit, and (ii) a fairness opinion from a nationally recognized valuation firm chosen by GWG to the effect that the transactions contemplated by this Agreement are fair, from a financial point of view, to GWG and its stockholders.

(h) GWG shall have received a reasoned legal opinion of Willkie Farr & Gallagher LLP, special counsel to the Company, dated as of the Closing Date and in form and substance reasonably satisfactory to GWG, to the effect that the Company is not, and as a result of the consummation of the transaction contemplated by this Agreement will not be, required to register as an investment company under the Investment Company Act.

(i) GWG shall have received the written opinion of Mayer Brown LLP, special tax counsel to the Company, dated as of the Closing Date and in form and substance reasonably satisfactory to GWG, to the effect that the Company will be

taxed as a partnership for federal income-tax purposes after giving effect to the transactions effected at the Closing.

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(j) Each of the Company, the Trust Advisors with respect to the Seller Trusts and MHT SPV shall have delivered to GWG a certificate signed by a respective officer of such entity (or trustee, as the case may be), dated as of the Closing Date, certifying that the conditions applicable to it specified in Section 9.2(a) and Section 9.2(b) have been fulfilled.

(k) Each of the Company and MHT SPV shall have delivered to GWG a true copy of the resolutions of its respective governing board or authority, as the case may be, authorizing the execution of this Agreement and the consummation of the transactions contemplated herein, certified by the respective secretary or similar officer thereof.

Section 9.3 Conditions to the Obligations of Company, the Seller Trusts and MHT SPV. The obligations of the Company, the Seller Trusts and MHT SPV to consummate the transactions contemplated hereby are subject to the satisfaction of the following additional conditions, any one or more of which may be waived in writing by the Company and the Seller Trusts and MHT SPV:

(a) Representations and Warranties.

(i) Each of the representations and warranties of GWG and GWG Life contained in the first and third sentences of Section 5.1 (Corporate Organization), Section 5.2 (Due Authorization) and Section 5.19 (Brokers' Fees) (the "GWG Specified Representations") shall be true and correct (without giving any effect to any limitation as to "materiality" or "Material Adverse Effect" or any similar limitation set forth therein) in all material respects as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case, they shall be true and correct on and as of such earlier date).

(ii) Each of the representations and warranties of GWG and GWG Life contained in Section 5.8 (Capitalization) shall be true and correct.

(iii) Each of the representations and warranties of GWG and GWG Life contained in this Agreement (other than the GWG Specified Representations, the representations and warranties of GWG contained in Section 5.8 (Capitalization)) shall be true and correct (without giving any effect to any limitation as to "materiality" or "Material Adverse Effect" or any similar limitation set forth therein) as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case, they shall be true and correct on and as of such earlier date), except, in either case, where the failure of such representations and warranties to be so true and correct would not a Material Adverse Effect on GWG and its Subsidiaries, as a whole.

(b) GWG and GWG Life shall have complied, in all material respects, with all covenants required to be performed by them as of or prior to the Closing.

(c) GWG and the Seller Trusts shall have entered into the Registration Rights Agreement.

(d) GWG and the Trust Advisors with respect to the Seller Trusts (together with one or more investment banks selected by and reasonably acceptable to the parties thereto) shall have entered into the Orderly Marketing Agreement respecting the resale of GWG Common Stock in final negotiated form reasonably acceptable to the parties.

(e) GWG, the Trust Advisors with respect to the Seller Trusts and MHT SPV shall have entered into a Stockholders' Agreement containing, among others, the terms set forth in Section 8.2.

(f) GWG Life and the Company shall have entered into the Loan Agreement as contemplated by Section 2.3.

(g) GWG shall cause to be delivered to each of the Company, the Seller Trusts and MHT SPV a fully executed and true copy of the Voting Agreement.

(h) GWG shall have delivered to each of the Company, the Seller Trusts and MHT SPV a certificate signed by an officer of GWG, dated as of the Closing Date, certifying that the conditions specified in Section 9.3(a) and Section 9.3(b) have been fulfilled.

(i) GWG shall have delivered to each of the Company, the Seller Trusts and MHT SPV a true copy of the resolutions of the GWG Board authorizing the execution of this Agreement and the consummation of the transactions contemplated herein, certified by the secretary or similar officer of GWG.

(j) GWG Life shall have delivered to each of the Company, the Seller Trusts and MHT SPV a true copy of the resolutions of the board of managers of GWG Life authorizing the execution of this Agreement and the consummation of the transactions contemplated herein, certified by the secretary or similar officer of GWG Life.

(k) The GWG Common Stock issuable as Stock Consideration to the Seller Trusts shall have been approved for listing on NASDAQ, subject to official notice of issuance.

(l) GWG shall have executed and delivered to the Company a joinder to the Amended & Restated Limited Partnership Agreement, which shall continue to be in full force and effect as of the Closing.

(m) GWG Life shall remain a wholly owned subsidiary of GWG as of

the Closing Date.

(n) The Company shall have received a reasoned legal opinion of Mayer Brown LLP, counsel to GWG, dated as of the Closing Date and in form and substance reasonably satisfactory to the Company, to the effect that, GWG is not, and as a result of the consummation of the transaction contemplated by this Agreement will not be, required to register as an investment company under the Investment Company Act.

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ARTICLE X

TERMINATION; EFFECTIVENESS

Section 10.1 Term; Termination. This Agreement shall expire upon the later of (i) the completion of the resale of all GWG Common Stock issued to the Seller Trusts as set forth in Section 2.1, consistent with the terms of the Orderly Marketing Agreement, or (ii) the satisfaction of the Loan executed and delivered concurrently with the consummation of the transactions contemplated under this Agreement (the "Term"). Notwithstanding the foregoing, this Agreement may be terminated and the transactions contemplated hereby abandoned:

(a) by written consent of the Company, the Trust Advisors on behalf of the Seller Trusts, MHT SPV and GWG;

(b) by either the Company, the Trust Advisors on behalf of the Seller Trusts and MHT SPV, or by GWG:

(i) if any of the conditions set forth in Article IX shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by April 30, 2018; provided that the right to terminate this Agreement pursuant to this Section 10.1(b)(i) shall not be available to a party whose failure to perform any of its material obligations under this Agreement has been the primary cause of, or primarily resulted in, such failure; or

(ii) if this Agreement shall have failed to receive the GWG Stockholder Approval at the GWG Stockholders' Meeting and at any adjournment or postponement thereof;

(c) by the Trust Advisors on behalf of the Seller Trusts at any time prior to the Closing, so long as the Seller Trusts pay GWG the Termination Fee set forth in and pursuant to the terms of Section 10.4 concurrently with or prior to (and as a condition to) such termination;

(d) by the Company, the Trust Advisors on behalf of the Seller Trusts and MHT SPV (provided that none of the Company, the Seller Trusts or MHT SPV is then in breach of any representation, warranty, covenant or other agreement contained in this Agreement that would cause any of the conditions set forth in Section 9.2 not to be satisfied), if GWG or GWG Life shall have breached or failed to perform any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 9.3(a) or Section 9.3(b) and (ii) is incapable of being cured by GWG or GWG Life, as the case may be, or is not cured within 30 days of written notice thereof to GWG or GWG Life, as the

case may be; or

(e) by GWG (provided that GWG or GWG Life is not then in breach of any representation, warranty, covenant or other agreement contained in this Agreement that would cause any of the conditions set forth in Section 9.3 not to be satisfied), if the Company or the Seller Trusts (or Trust Advisors), as applicable, shall have breached or failed to perform any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 9.2(a) or Section 9.2(b) and (ii) is incapable of being cured by the Company, the Seller Trusts or MHT SPV, as applicable, or is not cured within 30 days of written notice thereof to the Company, the Seller Trusts or MHT SPV, as applicable.

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Section 10.2 Notice of Termination. A terminating party will provide written notice of termination to the other parties specifying with particularity the reason for such termination (including the provision or provisions of this Agreement pursuant to which such terminated is to be effected). If more than one provision of Section 10.1 is available to a terminating party in connection with a termination, a terminating party may rely on any available provisions in Section 10.1 for any such termination, whether or not to the exclusion of other available provisions in Section 10.1.

Section 10.3 Effect of Termination. Except as otherwise set forth in this Section 10.3, in the event of the termination of this Agreement pursuant to Section 10.1, this Agreement shall forthwith become void and have no effect, without any Liability on the part of any party hereto or its respective Affiliates, officers, directors or stockholders, other than Liability of any party hereto for any breach of a covenant of this Agreement occurring prior to such termination or, in the event of a Closing, any breach of a representation or warranty. The provisions of this Section 10.3 and Sections 11.2, 11.4, 11.5, 11.6, 11.9, 11.10, 11.12, 11.13, 11.14, 11.15 and 11.16 (collectively, the "Surviving Provisions") and the Confidentiality Agreement, and any other Section or Article of this Agreement referenced in the Surviving Provisions which are required to survive in order to give appropriate effect to the Surviving Provisions, shall in each case survive any termination of this Agreement.

Section 10.4 Termination Fee. If this Agreement is terminated by the Trust Advisors on behalf of the Seller Trusts pursuant to Section 10.1(c), then the Seller Trusts and the Company shall be jointly and severally liable to pay to GWG (by wire transfer in immediately available funds to one or more accounts designed by GWG in writing), concurrently with, and as a condition to, such termination, a fee in an amount of $4,000,000 (the "Termination Fee"). In the event the Termination Fee is paid to GWG pursuant to this Section, payment of the Termination Fee shall be the sole and exclusive remedy of GWG and GWG Life, and any of its former, current or future officers, directors, partners, stockholders, managers, members or Affiliates (the "GWG Related Parties") against the Company, the Seller Trusts, MHT SPV and their respective Subsidiaries and any of their respective former, current or future officers, directors, partners, stockholders, managers, members or Affiliates (collectively, "Seller Related Parties") for any loss suffered as a result of the failure of this Agreement and the transactions contemplated hereunder to be consummated, and upon payment of such amount none of the Seller Related Parties shall have any further liability or obligation relating to or arising out of this Agreement or the transactions herein contemplated.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Waiver. Any party to this Agreement may, at any time prior to the Closing, by action taken by its general partner, board of directors, or officers thereunto duly authorized, waive any of the terms or conditions of this Agreement or agree to an amendment or modification to this Agreement in the manner contemplated by Section 11.10 and by an agreement in writing executed in the same manner (but not necessarily by the same Persons) as this Agreement.

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Section 11.2 Notices. All notices and other communications among the parties shall be in writing and shall be deemed to have been duly given (i) when delivered in person, (ii) when delivered after posting in the United States mail having been sent registered or certified mail return receipt requested, postage prepaid, (iii) when delivered by FedEx or other nationally recognized overnight delivery service or (iv) when received by facsimile or email (provided that a copy is subsequently delivered by one of the other methods permitted in (i) through (iii) of this Section 11.2), addressed as follows:

(a) If to the Company, to:

The Beneficient Company Group, L.P.

325 N. St. Paul Street, Suite 4850

Dallas, Texas 75201
Attention: Brad K. Heppner

Email: bheppner@beneficient.com

(b) If to the Seller Trusts to:

Each of the Seller Trusts set forth on Schedule I hereto

c/o The Delaware Trust Company, as Trustee
251 Little Falls Drive

Wilmington, DE 19808
Attention: Trust Administration/Alan Halpern

(c) If to MHT SPV to:

MHT Financial, L.L.C.
2021 McKinney Avenue, Suite 1950
Dallas, TX 75201
Attn: Managing Member
E-mail: mholland@mhtpartners.com

(c) If to GWG, to:

220 S. Sixth Street

Suite 1200
Minneapolis, MN 55402

Attention: Jon R. Sabes

(d) If to GWG Life, to:

220 S. Sixth Street

Suite 1200
Minneapolis, MN 55402

Attention: Jon R. Sabes

or to each party at such other address or addresses as such party may from time to time designate in writing.

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Section 11.3 Assignment. No party hereto shall assign this Agreement or any part hereof without the prior written consent of the other parties. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns. Any attempted assignment in violation of the terms of this Section 11.3 shall be null and void, *ab initio*.

Section 11.4 Rights of Third Parties. Except as provided in Sections 11.15 and 11.16, nothing expressed or implied in this Agreement is intended or shall be construed to confer upon or give any Person, other than the parties hereto, any right or remedies under or by reason of this Agreement.

Section 11.5 Expenses. Except as otherwise provided herein, each party hereto shall bear its own transaction expenses, whether or not such transactions shall be consummated; provided that the filing fee associated with any HSR filing shall be borne equally by GWG and the Company.

Section 11.6 Governing Law. This Agreement, and all claims or causes of action based upon, arising out of, or related to this Agreement or the transactions contemplated hereby, shall be governed by, and construed in accordance with, the Laws of the State of Delaware, without giving effect to principles or rules of conflict of laws to the extent such principles or rules would require or permit the application of Laws of another jurisdiction.

Section 11.7 Captions; Counterparts. The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement. This Agreement may be executed in counterparts (and delivered by facsimile or electronic transmission), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 11.8 Schedules and Exhibits. The Schedules and Exhibits referenced herein are a part of this Agreement as if fully set forth herein.

Section 11.9 Entire Agreement. This Agreement and the Confidentiality Agreement constitute the entire agreement among the parties relating to the transactions contemplated hereby and supersede any other agreements, whether written or oral, that may have been made or entered into by or among any of the parties hereto or any of their respective Subsidiaries relating to the transactions contemplated hereby. No representations, warranties, covenants, understandings, agreements, oral or otherwise, relating to the transactions contemplated by this Agreement exist between the parties except as expressly set forth in this Agreement and the Confidentiality Agreement.

Section 11.10 Amendments. This Agreement may be amended or modified in whole or in part, only by a duly authorized agreement in writing executed by all of the parties and which makes reference to this Agreement.

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Section 11.11 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. The parties further agree that if any provision contained herein is, to any extent, held invalid or unenforceable in any respect under the Laws governing this Agreement, they shall take any actions necessary to render the remaining provisions of this Agreement valid and enforceable to the fullest extent permitted by Law and, to the extent necessary, shall amend or otherwise modify this Agreement to replace any provision contained herein that is held invalid or unenforceable with a valid and enforceable provision giving effect to the intent of the parties.

Section 11.12 Jurisdiction; WAIVER OF TRIAL BY JURY. In any Action among the parties arising out of or relating to this Agreement or any of the transactions contemplated hereby, each of the parties (a) irrevocably and unconditionally consents and submits to the exclusive jurisdiction and venue of the Court of Chancery of the State of Delaware in and for New Castle County, Delaware; (b) agrees that it will not attempt to deny or defeat such jurisdiction by motion or other request for leave from such court; and (c) agrees that it will not bring any such Action in any court other than the Court of Chancery for the State of Delaware in and for New Castle County, Delaware, or, if (and only if) such court finds it lacks subject matter jurisdiction, the federal court of the United States of America sitting in Delaware, and appellate courts thereof. Service of process, summons, notice or document to any party's address and in the manner set forth in Section 11.2 shall be effective service of process for any such Action. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION BASED UPON, ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 11.13 Specific Performance. The parties agree that irreparable damage for which monetary damages, even if available, would not be an adequate remedy, would occur in the event that the parties do not perform their obligations under the provisions of this Agreement (including failing to take such actions as are required of them hereunder to consummate this Agreement) in accordance with its specified terms or otherwise breach such provisions. The parties acknowledge and agree that the parties shall be entitled to seek an injunction, specific performance, or other equitable relief, to prevent breaches of this Agreement and to seek to enforce specifically the terms and provisions hereof, without proof of damages, prior to the valid termination of this Agreement in accordance with Section 10.1, this being in addition to any other remedy to which they are entitled under this Agreement.

Section 11.14 Survival of Representations and Warranties. All of the representations and warranties in this Agreement or in any instrument, document or certificate delivered pursuant to this Agreement shall survive the Closing until the later of (i) the resale of the GWG Common Stock issued as Stock Consideration hereunder as contemplated by the Orderly Marketing Agreement, (ii) the satisfaction or refinancing of the GWG L Bonds issued as Debt Consideration pursuant to this Agreement, and (iii) the full satisfaction of all obligations under the Loan.

Section 11.15 [Reserved].

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Section 11.16 Seller Trusts and Trust Advisors. It is expressly understood and agreed that (a) this document is executed and delivered by Delaware Trust Company, not individually or personally, but solely as Trustee, pursuant to direction from the Trust Advisors and in the exercise of the powers and authority conferred and vested in Delaware Trust Company as Trustee pursuant to the Trust Agreements of the Seller Trusts (the "Trust Agreements") and the Trustee is governed by and subject to the Trust Agreements and entitled to the protections, rights and benefits contained therein, (b) each of the representations, undertakings and agreements herein made on the part of the Seller Trusts and Trust Advisors is made and intended not as personal representations, undertakings and agreements by Delaware Trust Company but is made and intended for the purpose for binding only the Seller Trusts and respective trust estates (the "Seller Trust Assets"), (c) nothing herein contained shall be construed as creating any liability on Delaware Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and (d) under no circumstances shall Delaware Trust Company be personally liable for the payment of any indebtedness or expenses of the Seller Trusts or Trust Advisors or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Seller Trusts or Trust Advisors under this Agreement or any other related documents, and (e) under no circumstances shall the Trust Advisors be personally liable for the payment of any indebtedness or expenses or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken under this Agreement, all such recourse being strictly to the Seller Trust Assets.

Section 11.17 [Reserved].

[*Signature page follows*]

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on January 18, 2018 with effect as of January 12, 2018.

GWG HOLDINGS, INC.

By: /s/ Jon Sabes
Name: Jon Sabes
Title: CEO

GWG LIFE, LLC

By: /s/ Jon Sabes
Name: Jon Sabes
Title: CEO

THE BENEFICIENT COMPANY GROUP, L.P.
By: Beneficient Management, LLC, its General Partner

By: /s/ Brad K. Heppner
Name: Brad K. Heppner
Title: CEO

MHT FINANCIAL SPV, LLC

By: /s/ Murray T. Holland
Name: Murray T. Holland
Title: Manager

THE LT-1 EXCHANGE TRUST,
By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-2 EXCHANGE TRUST,
By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-3 EXCHANGE TRUST,
By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-4 EXCHANGE TRUST,
By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: vice President

THE LT-5 EXCHANGE TRUST,
By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-6 EXCHANGE TRUST,
By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-7 EXCHANGE TRUST,
By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-8 EXCHANGE TRUST,
By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

ACCEPTED AND AGREED THIS 18th
DAY OF JANUARY, 2018:

MURRAY T. HOLLAND, as Trust
Advisor

/s/ Murray T. Holland

JEFFREY S. HINKLE, as Trust Advisor

/s/ Jeffrey S. Hinkle

SCHEDULE I

LIST OF SELLER EXCHANGE TRUSTS

THE LT-1 EXCHANGE TRUST

THE LT-2 EXCHANGE TRUST

THE LT-3 EXCHANGE TRUST

THE LT-4 EXCHANGE TRUST

THE LT-5 EXCHANGE TRUST

THE LT-6 EXCHANGE TRUST

THE LT-7 EXCHANGE TRUST

THE LT-8 EXCHANGE TRUST

EXHIBIT A

TERMS OF GWG L BONDS

Issuer: GWG

Initial Holders: (i) Seller Trusts, pro rata, in accordance with Section 2.1; (ii) MHT SPV, in accordance with Section 2.2.

Form: Privately placed, subject to GWG Indenture (and a supplement thereto entered into by and between GWG, GWG Life, and Bank of Utah, National Association, as trustee thereunder).

Registration Rights: Resale registration rights to be included.

Principal Amount: Up to $400,000,000.

Term: 5 years

Interest Rate: 7.50% per annum.

Settlement at Maturity: Cash. Issuer shall have option to renew/extend term if Holder does not exercise option to receive principal payment at maturity.

Seniority: Secured Debt.

Refinancing: GWG shall undertake commercially reasonable efforts to refinance its outstanding debt with a more favorable credit facility and/or institutional note within 12 months following the Closing.

Transferability: Each of the Seller Trusts may assign/transfer its pro rata distribution of the GWG L Bonds, in whole or in part, to liquidating trusts formed post-Closing. GWG L Bonds transferred to liquidating trusts may be distributed in liquidation to the trusts' beneficiaries.

EXHIBIT B

PRINCIPAL TERMS OF COMMERCIAL LOAN AGREEMENT

Business Purposes/Use of Proceeds: The Company, as Borrower, shall enter into a Loan Agreement with GWG Life, as Lender, providing for loan proceeds to the Borrower in an agreed amount. The loan proceeds shall be used by the Borrower for working capital and general corporate purposes in order to execute its business strategy and activities.

1. KEY DEFINITIONS

Loan Amount:	$[257 million], [amount to be confirmed up to a maximum of $400 million]
Maturity Date:	[ ], 2022, being the date that is 48 calendar months after the date on which this Note has been issued
Listing:	The effective date of the listing of the Borrower's common units (the "**Units**") on a U.S. national stock exchange
Qualified Valuation Expert:	An accounting, appraisal or investment banking firm of nationally recognized standing, such as Duff & Phelps, that is, in the reasonable judgment of the Borrower, qualified to perform the task for which it has been engaged
Alternative Asset Financing Portfolio:	[ ]
Business Day:	Any day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close
Event of Default:	Defined in Section 6

2. INTEREST

The Loan shall bear simple interest from the date of execution and delivery, which shall accrue at a rate per annum equal to 5%, one-half of which will be due and payable monthly in cash, and one-half of which will be due and payable in full on the Maturity Date as set forth in Section 3 below.

3. REPAYMENT

(a) All principal and accrued interest on the Loan shall be due and payable on the Maturity Date, payable, at the option of the Issuer, in (i) cash or (ii) in Units in an amount determined (A) in the event of a Listing, by the five-day average closing bid price immediately prior to the Maturity Date or (B) in the event a Listing has not occurred, by the tangible book value of the Units, as determined by a Qualified Valuation Expert; provided, however, that, in the event of either such (A) or (B), the Lender shall not be required hereunder to accept Units in settlement of amounts owing under this Note if the acceptance of such Units would, in the reasonable opinion of the Borrower or GWG, be likely to cause the Borrower or GWG to require to be registered as an investment company under the Investment Company Act.

(b) If a payment to be made hereunder shall fall due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day without additional interest thereon.

(c) Notwithstanding anything herein to the contrary, the outstanding principal amount of the Loan, together with all accrued interest thereon, may be repaid in cash at any time and from time without penalty.

4. RANKING

The payment obligations of the Borrower under the Loan shall, at all times while any principal amount of the Loan remains outstanding, rank junior only to Borrower's bank debt and the NPC- B Unit Accounts of Beneficient Company Holdings, L.P. in accordance with the limitations set forth in Section 5 below.

5. LIMITATION ON INDEBTEDNESS

Until all amounts outstanding under the Loan shall have been paid in full, the Borrower shall not incur, create or assume any indebtedness that is senior in right of payment to the payment obligations under the Loan ("**Senior Debt**"); *provided that* the Borrower may incur, create or assume Senior Debt if, after giving effect to the incurrence thereof on a pro forma basis, the aggregate amount of all outstanding Senior Debt would not exceed 45% of the net asset value ("**NAV**") (calculated by the Borrower in accordance with its customary procedures) of the Borrower's Alternative Asset Financing Portfolio, inclusive of (i) the Borrower's bank debt and (ii) outstanding NPC-B Unit Accounts of Beneficient Company Holdings, L.P.; provided that the bank debt of the Borrower shall not exceed at the time of incurrence the lesser of 30% of the Borrower's NAV at the time of borrowing of such bank debt or $200 million. The Borrower shall provide the Lender with monthly month-end calculations, including supporting data, of what

percentage outstanding Senior Debt bears to the net asset value of the Borrower's Alternative Asset Financing Portfolio.

6. EVENTS OF DEFAULT; ACCELERATION

(a) The occurrence and continuance of any of the following shall constitute an Event of Default hereunder:

(i) the Borrower fails to pay any principal or interest when due and such failure continues for five (5) days after written notice to the Borrower;

(ii) the Borrower fails to observe the covenant contained in Section 5 and such failure continues for twenty (20) days after written notice to the Borrower;

(iii) an event has occurred that has had or could reasonably be expected to have a Material Adverse Effect and such Material Adverse Effect continues and remains uncured for a period of thirty (30) days after written notice to the Borrower. A "Material Adverse Effect" means, with respect to any event or circumstance, that individually or in the aggregate, has or would reasonably be expect to have a material and adverse effect on:

(A) a change in the business, assets, financial condition or operations of the Borrower; or

(B) the ability of the Borrower to perform its obligations under the Loan Agreement or any material contract to which it is a party; or

(C) the status, existence, perfection or priority of the security interest in the Borrower resulting in a breach of Section 4 of this Loan Agreement; or

(E) the Borrower is required to register as an investment company under the Investment Company Act of 1940, as amended;

provided, however, that in the case of clause (A) only, a "Material Adverse Effect" shall not be deemed to include events, changes, effects or developments resulting from or arising out of any of the following, either alone or in combination, and none of the following, either alone or in combination, shall be deemed to constitute or contribute to

a Material Adverse Effect, or otherwise be taken into account in determining whether a Material Adverse Effect has occurred or would be reasonably expected to occur: (1) changes after the date of this Loan Agreement in GAAP or regulatory accounting requirements or principles (so long as the Borrower and its Subsidiaries are not materially disproportionately affected thereby); (2) changes after the date of this Loan Agreement in Laws of general applicability to financial institutions (so long as the Borrower and its Subsidiaries are not materially disproportionately affected thereby); (3) changes after the date of this Loan Agreement in global, national or regional political conditions or general economic or market conditions, including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates and price levels or trading volumes in U.S. or foreign securities markets (so long as the Borrower and its Subsidiaries are not materially disproportionately affected thereby); (D) a decline in the trading price of a the Borrower's Units (if listed) or a failure, in and of itself, to meet earnings projections, but not, in either case, including any underlying causes thereof; (4) the impact of the public disclosure, pendency or performance of this Loan Agreement or the transactions contemplated hereby including the impact of the Loan on relationships with clients, customers and employees; and (F) any natural disaster, outbreak or escalation of hostilities, declared or undeclared acts or war or terrorism, or any escalation or worsening thereof, whether or not occurring or commenced before or after the date of this Loan Agreement.

(iv) (A) the Borrower commences any case, proceeding or other action (1) under any law relating to bankruptcy, insolvency, reorganization, or other relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts or (2) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower makes a general assignment for the benefit of its creditors;

(B) there is commenced against the Borrower any case, proceeding or other action of a nature referred to in Section 6(a)(iv)(A) above which (1) results in the entry of an order for relief or any such adjudication or appointment or (2) remains undismissed, undischarged or unbonded for a period of sixty (60) days;

(C) there is commenced against the Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which has not been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or

(D) the Borrower takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in Section 6(a)(iv)(A), Section 6(a)(iv)(B) or Section 6(a)(iv)(C) above.

(b) Upon the occurrence of any Event of Default and at any time thereafter during the continuance of such Event of Default, the Lender may at its option, by written notice to the Borrower declare the entire principal amount of this Loan, together with all accrued interest thereon, immediately due and payable; *provided however that*, if an Event of Default described in Section 6(a)(iii) shall occur, the principal of and accrued interest on the Loan Amount shall become immediately due and payable without any notice, declaration or other act on the part of the Lender.

7. NOTICES

(a) All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:

(i) If to the Borrower:

(ii) If to the Lender:

(b) Notices if (i) mailed by certified or registered mail or sent by hand or overnight courier service shall be deemed to have been given when received; (ii) sent by facsimile during the recipient's normal business hours shall be deemed to have been given when sent (and if sent after normal business hours shall be deemed to have been given at the opening of the recipient's business on the next business day); and (iii) sent by e-mail shall be deemed received upon the sender's receipt of an acknowledgment or confirmation from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other electronic confirmation of delivery).

8. GOVERNING LAW

The Loan Agreement and any claim, controversy, dispute or cause of action in contract based upon, arising out of or relating to the Loan Agreement and the transactions contemplated hereby shall be governed by the laws of the State of Delaware.

EXHIBIT C

FORM OF ASSIGNMENT AND ASSUMPTION OF MLP UNITS

C-1

FIRST AMENDMENT TO MASTER EXCHANGE AGREEMENT

THIS FIRST AMENDMENT is dated as of April 30, 2018 (this "Amendment"), and amends in part that certain Master Exchange Agreement, as amended and restated on January 18, 2018 with effect as of January 12, 2018 (the "Agreement"), by and among GWG HOLDINGS, INC., a Delaware corporation ("GWG"), GWG LIFE, LLC, a Delaware limited liability company and wholly owned Subsidiary of GWG, THE BENEFICIENT COMPANY GROUP, L.P., a Delaware limited partnership, MHT FINANCIAL SPV, LLC, a Delaware limited liability company and wholly owned subsidiary of MHT Financial, L.L.C., and each of the EXCHANGE TRUSTS that is a party to the Agreement (the "Seller Trusts"), and as agreed to and accepted by Murray T. Holland and Jeffrey S. Hinkle as trust advisors to the Seller Trusts. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Agreement.

WITNESSETH:

WHEREAS, the parties have entered into the Agreement; and

WHEREAS, pursuant to and in accordance with Section 11.10 of the Agreement, the parties wish to amend the Agreement as set forth in this Amendment.

NOW, THEREFORE, in consideration of the rights and obligations contained herein, and for other good and valuable consideration, the adequacy of which is hereby acknowledged, the parties agree as follows:

Section 1. Amendment to the Agreement.

(a) Section 8.1 of the Agreement is hereby amended by deleting the following parenthetical in the sixth line as follows: "(and in any event on or prior to April 30, 2018)."

(b) Section 10.1(b)(i) of the Agreement is hereby deleted in its entirety and replaced with the following:

"if any of the conditions set forth in Article IX shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by June 30, 2018; provided that the right to terminate this Agreement pursuant to this Section 10.1(b)(i) shall not be available to a party whose failure to perform any of its material obligations under this Agreement has been the primary cause of, or primarily resulted in, such failure; or"

(c) All other terms and provisions of the Agreement are hereby ratified in full and incorporated by reference herein.

Section 2. No Third Party Beneficiary. This Amendment shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person, any legal or equitable right, benefit or remedy of any nature whatsoever, including, without limitation, any rights of employment for any specified period, under or by reason of this Agreement.

Section 3. Entire Agreement. This Amendment constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof. Except as amended by this Amendment, the Agreement shall continue in full force and effect.

Section 4. Counterparts. This Amendment may be executed in counterparts (and delivered by facsimile or electronic transmission), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 5. Governing Law. This Amendment, and all claims or causes of action based upon, arising out of, or related to this Amendment or the transactions contemplated hereby, shall be governed by, and construed in accordance with, the Laws of the State of Delaware, without giving effect to principles or rules of conflict of laws to the extent such principles or rules would require or permit the application of Laws of another jurisdiction.

[Signature Page Follows]

IN WITNESS WHEREOF the parties have hereunto caused this Amendment to be duly executed as of the date first set forth above.

GWG HOLDINGS, INC.

By: /s/ Jon Sabes
Name: Jon Sabes
Title: Chief Executive Officer

GWG LIFE, LLC

By: /s/ Jon Sabes
Name: Jon Sabes
Title: Chief Executive Officer

[Signature Page to Amendment to Master Exchange Agreement]

IN WITNESS WHEREOF the parties have hereunto caused this Amendment to be duly executed as of the date first set forth above.

THE BENEFICIENT
COMPANY GROUP, L.P.

By: /s/ Brad Heppner
Name: Brad Heppner
Title: Chief Executive Officer

MHT FINANCIAL SPV, LLC

By: /s/ Murray T. Holland
Name: Murray T. Holland
Title: Manager

THE LT-1 EXCHANGE
TRUST,

By: DELAWARE TRUST
COMPANY, not in its
individual capacity but solely
as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-2 EXCHANGE
TRUST,

By: DELAWARE TRUST
COMPANY, not in its
individual capacity but
solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

[Signature Page to Amendment to Master Exchange Agreement]

IN WITNESS WHEREOF the parties have hereunto caused this Amendment to be duly executed as of the date first set forth above.

THE LT-3 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-4 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-5 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-6 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

[Signature Page to Amendment to Master Exchange Agreement]

IN WITNESS WHEREOF the parties have hereunto caused this Amendment to be duly executed as of the date first set forth above.

THE LT-7 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-8 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

MURRAY T. HOLLAND, as Trust Advisor

/s/ Murray T. Holland

JEFFREY S. HINKLE, as Trust Advisor

/s/ Jeffrey S. Hinkle

[Signature Page to Amendment to Master Exchange Agreement]

SECOND AMENDMENT TO MASTER EXCHANGE AGREEMENT

THIS SECOND AMENDMENT is dated as of June 29, 2018 (this "Second Amendment"), and amends in part that certain MASTER EXCHANGE AGREEMENT, as amended and restated on January 18, 2018 with effect as of January 12, 2018, and further amended by the First Amendment thereto, dated April 30, 2018 (the "Agreement"), by and among GWG HOLDINGS, INC., a Delaware corporation ("GWG"), GWG LIFE, LLC, a Delaware limited liability company and wholly owned Subsidiary of GWG, THE BENEFICIENT COMPANY GROUP, L.P., a Delaware limited partnership, MHT FINANCIAL SPV, LLC, a Delaware limited liability company and wholly owned subsidiary of MHT Financial, L.L.C., and each of the EXCHANGE TRUSTS that is a party to the Agreement (the "Seller Trusts"), and as agreed to and accepted by Murray T. Holland and Jeffrey S. Hinkle as trust advisors to the Seller Trusts. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Agreement.

WITNESSETH:

WHEREAS, the parties have entered into the Agreement; and

WHEREAS, the parties have agreed in principle to a forthcoming amendment of the Agreement that will contemplate multiple closings of the transaction, the first of which is expected to occur presently and will include the transfer of approximately $403,000,000 of L Bonds and $150,000,000 of cash consideration, and are committed to its ultimate closing on the satisfaction of the remaining regulatory requirements;

WHEREAS, pursuant to and in accordance with Section 11.10 of the Agreement, the parties wish to amend the Agreement as set forth in this Second Amendment.

NOW, THEREFORE, in consideration of the rights and obligations contained herein, and for other good and valuable consideration, the adequacy of which is hereby acknowledged, the parties agree as follows:

Section 1. Amendment to the Agreement.

(a) Section 10.1(b)(i) of the Agreement is hereby deleted in its entirety and replaced with the following:

"if any of the conditions set forth in Article IX shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by July 30, 2018; provided that the right to terminate this Agreement pursuant to this Section 10.1(b)(i) shall not be available to a party whose failure to perform any of its material obligations under this Agreement has been the primary cause of, or primarily resulted in, such failure; or"

(b) All other terms and provisions of the Agreement are hereby ratified in full and incorporated by reference herein.

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Section 2. No Third Party Beneficiary. This Second Amendment shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person, any legal or equitable right, benefit or remedy of any nature whatsoever, including, without limitation, any rights of employment for any specified period, under or by reason of this Agreement.

Section 3. Entire Agreement. This Second Amendment constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof Except as amended by this Second Amendment, the Agreement shall continue in full force and effect.

Section 4. Counterparts. This Second Amendment may be executed in counterparts (and delivered by facsimile or electronic transmission), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 5. Governing Law. This Second Amendment, and all claims or causes of action based upon, arising out of, or related to this Second Amendment or the transactions contemplated hereby, shall be governed by, and construed in accordance with, the Laws of the State of Delaware, without giving effect to principles or rules of conflict of laws to the extent such principles or rules would require or permit the application of Laws of another jurisdiction.

[Signature Page Follows]

IN WITNESS WHEREOF the parties have hereunto caused this Second Amendment to be duly executed as of the date first set forth above.

GWG HOLDINGS, INC.

By: Jon Sabes
Name: Jon Sabes
Title: Chief Executive Officer

GWG LIFE, LLC

By: Jon Sabes
Name: Jon Sabes
Title: Chief Executive Officer

[Signature Page to Second Amendment to Master Exchange Agreement]

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IN WITNESS WHEREOF the parties have hereunto caused this Second Amendment to be duly executed as of the date first set forth above.

THE BENEFICIENT
COMPANY GROUP, L.P.

By: Brad K. Heppner
Name: Brad K. Heppner
Title: Chief Executive Officer

MHT FINANCIAL SPV, LLC

By: Murray T. Holland
Name: Murray T. Holland
Title: Manager

THE LT-1 EXCHANGE
TRUST,

By: DELAWARE TRUST
COMPANY, not in its
individual capacity but solely
as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-2 EXCHANGE
TRUST,

By: DELAWARE TRUST
COMPANY, not in its
individual capacity but solely
as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

[Signature Page to Second Amendment to Master Exchange Agreement]

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IN WITNESS WHEREOF the parties have hereunto caused this Second Amendment to be duly executed as of the date first set forth above.

THE LT-3
EXCHANGE TRUST,

By: DELAWARE
TRUST COMPANY,
not in its individual
capacity but solely as
Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-4
EXCHANGE TRUST,

By: DELAWARE
TRUST COMPANY,
not in its individual
capacity but solely as
Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-5
EXCHANGE TRUST,

By: DELAWARE
TRUST COMPANY,
not in its individual
capacity but solely as
Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-6
EXCHANGE TRUST,

By: DELAWARE
TRUST COMPANY,
not in its individual
capacity but solely as
Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

[Signature Page to Second Amendment to Master Exchange Agreement]

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IN WITNESS WHEREOF the parties have hereunto caused this Second Amendment to be duly executed as of the date first set forth above.

THE LT-7
EXCHANGE TRUST,

By: DELAWARE
TRUST COMPANY,
not in its individual
capacity but solely as
Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-8
EXCHANGE TRUST,

By: DELAWARE
TRUST COMPANY,
not in its individual
capacity but solely as
Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

MURRAY T. HOLLAND, as Trust Advisor

Murray T. Holland

JEFFREY S. HINKLE, as Trust Advisor

Jeffrey S. Hinkle

Execution Version

THIRD AMENDMENT TO MASTER EXCHANGE AGREEMENT

THIS THIRD AMENDMENT is dated as of August 10, 2018 (this "Third Amendment"), and amends in part that certain Master Exchange Agreement, as amended and restated on January 18, 2018 with effect as of January 12, 2018 (the "Agreement"), and further amended by the First Amendment thereto, dated April 30, 2018 (the "First Amendment"), and the Second Amendment thereto, dated June 29, 2018 (the "Second Amendment"), by and among GWG HOLDINGS, INC., a Delaware corporation ("GWG"), GWG LIFE, LLC, a Delaware limited liability company and wholly owned subsidiary of GWG, THE BENEFICIENT COMPANY GROUP, L.P., a Delaware limited partnership, MHT FINANCIAL SPV, LLC, a Delaware limited liability company and wholly owned subsidiary of MHT Financial, L.L.C., and each of the EXCHANGE TRUSTS that is a party to the Agreement (the "Seller Trusts"), and as agreed to and accepted by Murray T. Holland and Jeffrey S. Hinkle, as trust advisors to the Seller Trusts. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Agreement.

WITNESSETH:

WHEREAS, the parties have entered into the Agreement, as amended to date;

WHEREAS, pursuant to and in accordance with Section 11.10 of the Agreement, the parties wish to amend the Agreement further as set forth in this Third Amendment in order to enable the parties to obtain the benefit of their bargain under the Agreement in an expedited manner in light of certain regulatory delays to the consummation of the Agreement in full.

NOW, THEREFORE, in consideration of the rights and obligations contained herein, and for other good and valuable consideration, the adequacy of which is hereby acknowledged, the parties agree as follows:

Section 1. Amendments to the Agreement.

1. The fourth WHEREAS clause is deleted in its entirety and replace with the following:

"WHEREAS, upon the terms and subject to the conditions of this Agreement, (a) GWG desires to acquire the MLP Units owned by the Seller Trusts at a price of $10.00 per unit in exchange for (i) up to 29.1 million shares of common stock, par value $0.001 of GWG (the "GWG Common Stock") (subject to adjustment as set forth in Section 8.4 hereof), the resale of which shall be registered with the Securities and Exchange Commission (the "SEC") and, subject to issuance, approved for listing on The NASDAQ Capital Market ("NASDAQ") (the "Stock Consideration"), (ii) a new series of L Bonds issued by GWG (the "GWG L Bonds") issued pursuant to a supplemental indenture (the "Supplemental Indenture") in an aggregate principal amount of up to $403,234,866 (the "Debt Consideration"), (b) the Seller Trusts desire to exchange the MLP Units, on a pro rata basis based on their respective ownership of MLP Units, for such GWG Common Stock and GWG L Bonds (the Stock Consideration and the Debt Consideration, collectively, the "Consideration"), (iii) the Company shall issue to GWG an amount of securities or other instruments in an amount calculated in accordance with Section 2.4(a) hereof (the "Additional Consideration"), and (iv) GWG shall issue to the Company the Convertible Preferred Stock (as defined in Section 2.4(b) hereof);"

2. The fifth WHEREAS clause is hereby deleted in its entirety. The Parties agree further that all references to MHT Financial SPV, LLC contained in the Agreement (other than as set forth in the last sentence of Section 5.6(a) hereto), together with all rights and obligations relating thereto, are hereby deleted and that such entity shall, as of the effective date of this Third Amendment withdraw and no longer be a party to the Agreement.

3. The definition of "Transaction Agreements" in Section 1.1 is hereby deleted in its entirety and replaced with the following:

"Transaction Agreements" shall mean this Agreement, the Orderly Marketing Agreement, the Shareholders' Agreement, the Commercial Loan Agreement, the Exchangeable Note, the Supplemental Indenture, as each such term is defined herein, and the registration rights agreements provided for in Sections 7.6 and 9.2(c)(iv).

4. All references to that certain "Private Placement Memorandum, dated September 20, 2017," shall be amended and replaced with "Private Placement Memorandum, initially dated September 20, 2017, as amended through March 12, 2018."

5. ARTICLE II: EXCHANGES; CLOSING is hereby deleted in its entirety and replaced with the following:

Section 2.1 "The Sale and Exchange.

(a) Upon the terms and subject to the conditions of this Agreement, at the Closing, each Seller Trust shall sell, assign, transfer and deliver to GWG, and GWG shall purchase and acquire from each Seller Trust, (i) those MLP Units set forth next to each Seller Trust's name on Schedule I or as otherwise identified in writing by the Company and agreed to by GWG, free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws), at a price of $10.00 per MLP Unit (the "MLP Unit Exchange Price") in exchange for (A) satisfaction in full of the Exchangeable Note (as defined in Section 2.3) and (B) aggregate Consideration to be delivered in the form of (i) the Stock Consideration, free and clear of all Liens (other than Liens arising under the Securities Act and state securities laws), and (ii) the Debt Consideration containing the terms set forth in Exhibit A hereto or as otherwise agreed by the parties, free and clear of all Liens (other than Liens arising under the Securities Act and state securities laws), each in such amount as is set forth next to such Seller Trust's name on Schedule I or, if not set forth therein, as otherwise identified in writing by the Company and agreed to by GWG. Such consideration shall be delivered to the Seller Trusts in two installments as follows: (i) the delivery of the Debt Consideration at the Initial Transfer (as defined in Section 2.5 below), and (ii) the delivery of the Stock Consideration and satisfaction of the Exchangeable Note at the Final Closing (as defined in Section 2.5 below).

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(b) The Stock Consideration and the Debt Consideration shall be issued in such amounts and proportions as GWG, the Company and the Trust Advisors on behalf of the Seller Trusts shall determine not less than five (5) Business Days prior to the respective Closing, or such other time as shall be agreed by the parties; provided, however, that in no event shall the aggregate amount of GWG Common Stock issued as Stock Consideration exceed 29.1 million shares at a price per share of $10.00 and the aggregate principal amount of GWG L Bonds issued as Debt Consideration exceed $405 million; and provided, further, that in no event shall the aggregate Consideration received by the Seller Trusts be less than $550 million nor greater than $800 million.

Section 2.2 Commercial Loan. On the Initial Transfer Date, the Company shall enter into the Loan Agreement with GWG Life in a principal amount of $200 million, containing the principal terms as set forth in Exhibit B hereto, or as such parties shall otherwise mutually agree as set forth in the definitive Loan Agreement. The parties agree that entry into the Loan Agreement shall be in consideration for GWG and GWG Life entering into this Agreement and consummating transactions contemplated hereby and neither GWG Life or nor any of its Affiliates shall provide any cash proceeds or advances in connection with the Loan Agreement.

Section 2.3 Exchangeable Note. On the Initial Transfer Date, the Company shall deliver to GWG a promissory note (the "Exchangeable Note") in the principal amount of $162,911,379. The Exchangeable Note shall accrue interest at a rate of 12.40% per annum, calculated on the basis of a 360-day year, and compounded annually on each anniversary of the Initial Transfer Date. At the earlier of the maturity date (as set forth in the Exchangeable Note) or the Final Closing, the outstanding principal balance of the Exchangeable Note (the "Exchanged Amount"), shall be satisfied in full by (a) the transfer by the Company to GWG of Common Units in an amount equal to the Exchanged Amount divided by the MLP Unit Exchange Price (the "Exchangeable Note MLP Units") and (b) the payment in cash of all accrued interest from the Initial Transfer Date to the date of such payment (the "Accrued Interest"). The Company, GWG and GWG Life agree that, in lieu of payment of the Accrued Interest at the Final Closing Date (or if, earlier, the maturity date of the Exchangeable Note), the Company may, at its option, add an amount equal to such Accrued Interest to the then outstanding principal balance due under the Loan Agreement. The parties agree that the Exchangeable Note shall be in consideration for GWG entering into this Agreement and consummating transactions contemplated hereby and neither GWG or nor any of its Affiliates shall provide any cash proceeds or advances in connection with the Exchangeable Note.

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Section 2.4 Additional Consideration.

(a) The Company shall issue to GWG the Additional Consideration on the Final Closing Date, free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws). The Additional Consideration shall be an amount of securities or other instruments, containing the same rights, preferences and privileges as the NPC-A Unit Accounts, equivalent to seven percent (7%) of the total NPC-A Unit Accounts attributable to the Company Holdings' founders and to Hicks Holdings Operating, LLC, based upon the estimated allocation of such Unit Accounts as of the preliminary third party valuation of Company Holdings, and subject to adjustment following the issuance of the Final Valuation (as defined below) or prior to the Final Closing Date and made on a pro rata basis with the NPC-A Unit Accounts held by Hicks Holdings Operating, LLC.

(b) The Company agrees to purchase $50 million of GWG's convertible preferred stock ("Convertible Preferred Stock"), payable in cash, on the Initial Transfer Date. The Convertible Preferred Stock will be non-voting, have no dividend rights, and shall convert into GWG Common Stock (the "Conversion Shares") at a conversion price of $10.00 per share immediately following the Final Closing. GWG shall take such action as is necessary to obtain the requisite approval from its Board of Directors for the terms as set out herein of the Convertible Preferred Stock and the issuance to the Company or, at the direction of the Company, to the Seller Trusts, as contemplated hereby.

Section 2.5 Closings; Deliverables.

(a) Upon the terms and subject to the conditions of this Agreement, the "Initial Transfer" of the transactions contemplated by this Agreement will take place as soon as practicable after the date hereof at 10:00 a.m., New York time, on such date, place and time as the parties shall mutually agree in writing (the "Initial Transfer Date"), provided that such date shall not be later than August 10, 2018, and the "Final Closing" of the transactions contemplated hereunder will take place at 10:00 a.m., New York time, on such date, place and time subsequent to the Initial Transfer as GWG and the Company shall mutually agree in writing (the "Final Closing Date"), provided that such date shall be as soon as practicable following the expiration of the 20-day period provided for in Rule 14c-2(b) under the Securities Exchange Act of 1934, as amended, following the mailing of the Information Statement to be prepared and delivered to GWG Stockholders in accordance with Section 7.3 hereof, it being understood that a definitive Information Statement shall be filed with the SEC and mailed to GWG Stockholders by GWG as soon as practicable following the delivery to GWG by the Company of the Company Financial Statements (as defined in Section 6.6(a) hereof). The Initial Transfer and the Final Closing may be referred to herein together as the "Closings" and, individually, as a "Closing," as the context requires. References in the Agreement to the Closing Date shall mean the Initial Transfer Date or the Final Closing Date, as the context requires. Without limiting the generality of the foregoing, (i) for purposes of Articles III, IV and V, the term "Closing" shall mean each of the Initial Transfer and the Final Closing, (ii) for purposes of Section 6.1, the term "Closing Date" shall mean the Final Closing Date, (iii) for purposes of Section 6.2(a), the term "Closing Date" shall mean the Initial Transfer Date and the term "Closing" shall mean the Initial Transfer, (iv) for purposes of Section 6.2(b) and (c), the term "Closing" shall mean the Initial Transfer (for the restrictions on any issuance and redemptions that occur on or prior to the Final Closing Date) and the Final Closing (for redemptions that

occur on or after the Final Closing Date), (v) for purposes of Section 6.4(b), the term “Closing” shall mean the Final Closing, (vi) for purposes of Section 7.5, the term “Closing Date” shall mean the Final Closing Date, (vii) for purposes of Section 7.6, the term “Closing” shall mean the Final Closing, (viii) for purposes of Section 8.2, the term “Closing” shall mean the Final Closing, (xi) for purposes of Sections 8.4 and 8.8, the term “Closing Date” shall mean each of the Initial Transfer Date and the Final Closing Date and the term “Closing” (for purposes of Section 8.4) shall mean each of the Initial Transfer and the Final Closing, and (x) for purposes of Sections 8.6 and 11.14, the term “Closing” shall mean the Final Closing.

(b) At the Initial Transfer:

(i) (A) The Seller Trusts shall deliver, pro rata, to GWG a duly executed Assignment and Assumption of MLP Units, substantially in the form attached hereto as Exhibit C, evidencing the transfer of an aggregate of 4,032,349 MLP Units by the Seller Trusts, pro rata, to GWG, free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws); (B) in connection therewith, GWG shall execute and deliver to the Company a joinder to the Amended and Restated Limited Partnership Agreement; and (C) the Company shall record in its books and records the ownership of such MLP Units in the name of GWG;

(ii) GWG Life and the Company shall execute and deliver the Loan Agreement;

(iii) The Company shall execute and deliver the Exchangeable Note to GWG;

(iv) GWG shall deliver to each Seller Trust, pro rata, a duly executed certificate, registered in such name or names and in such amounts as shall be designated by the Trust Advisors on behalf of the Seller Trusts not less than two (2) Business Days prior to the Initial Transfer, evidencing the pro rata Debt Consideration issuable thereto;

(v) GWG shall issue the Convertible Preferred Stock to the Company or, at the Company's direction, to the Seller Trusts, and deliver a duly executed certificate, registered in the name or names as directed by the Company;

(vi) GWG shall record in its books and records the ownership of the Debt Consideration in such name or names as specified pursuant to Section 2.5(b)(iv); and

(vii) The appropriate parties shall deliver the items required to be delivered pursuant to Article IX.

(c) At the Final Closing:

(i) (A) The Seller Trusts shall deliver, pro rata, to GWG a duly executed Assignment and Assumption of MLP Units, substantially in the form attached hereto as Exhibit C, evidencing the transfer of an aggregate of 40,485,230 MLP

Units by the Seller Trusts, pro rata, to GWG, free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws); and (B) the Company shall record in its books and records the ownership of such MLP Units in the name of GWG;

(ii) The Company shall transfer to GWG the Exchangeable Note MLP Units in full satisfaction of the Exchanged Amount, free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws); (B) the Company shall record in its books and records the ownership of such Exchangeable Note MLP Units in the name of GWG, and shall credit GWG's capital account associated therewith in an amount equal to the Exchanged Amount; and (C) the Company shall satisfy its obligation to pay to GWG the Accrued Interest in accordance with the terms set forth in the Exchangeable Note;

(iii) GWG shall confirm in writing the satisfaction in full by the Company of the Exchangeable Note and the cancellation thereof by GWG;

(iv) GWG shall deliver to each Seller Trust, pro rata, a duly executed stock certificate, registered in such name or names and in such amounts as shall be designated by the Trust Advisors on behalf of the Seller Trusts not less than two (2) Business Days prior to the Final Closing, and dated the Final Closing Date, evidencing the pro rata Stock Consideration issuable thereto, free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws);

(v) GWG shall record in its books and records the ownership of the Stock Consideration in such name or names as specified pursuant to Section 2.5(c)(iv);

(vi) The Company shall issue to GWG the Additional Consideration pursuant to Section 2.4(a);

(vii) The appropriate parties shall deliver the items required to be delivered pursuant to Article IX; and

(viii) Immediately following the Final Closing, GWG shall (A) deliver to each holder of Convertible Preferred Stock a duly executed stock certificate, registered in such holder's name evidencing the Conversion Shares issuable thereto, free and clear of all Liens (other than Liens arising under the Securities Act and applicable state securities laws); and (B) cancel the corresponding shares of Convertible Preferred Stock."

4. Section 3.2 of the Agreement is hereby amended by adding the following:

"(c) The Exchangeable Note has been duly and validly authorized and approved by the general partner of the Company and, when executed and delivered as contemplated therein, will have been duly and validly executed and delivered by it, will constitute a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject (i) to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally and (ii) as to enforceability, to general principles of equity."

5. Section 3.6(a) of the Agreement is hereby deleted in its entirety and replaced with the following:

"(a) (i) The partnership interests/units authorized for issuance by the Company are an unlimited number of common units under the Amended & Restated Limited Partnership Agreement, of which 74,670,839 common units are outstanding as of the Initial Transfer Date. All of such outstanding common units have been (A) duly authorized, validly issued, fully paid and nonassessable, (B) issued in compliance in all material respects with applicable Laws and (C) issued without breach or violation of any preemptive rights or any Contract. (ii) The Company is the general partner of Company Holdings and all of Company Holdings' classes of partnership interests/units (A) have been duly authorized and validly issued and are fully paid and non-assessable, (B) were issued in compliance in all material respects with applicable Law and (C) were not issued in breach or violation of any preemptive rights or any Contract. The NPC-A Unit Accounts to be issued to GWG as Additional Consideration shall be, as of the date of such issuance, (X) duly authorized, validly issued, fully paid and non-assessable, (Y) issued in compliance with applicable Laws, and (Z) issued without breach or violation of any preemptive rights or Contract.

6. Section 3.10 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Section 3.10. Financial Information. The certain unaudited financial information, including models, forecasts and projections as included in the electronic data room under the heading "August 4-5 Financial Information" (the "August 4 Information"), and as furnished to GWG, (i) fairly present in all material respects the historical, pro forma and projected financial condition and results of operations of the Company and its consolidated Subsidiaries, as the case may be, as of and for the dates thereof and the periods then ended, (ii) to the extent based on historical financial information, such historical financial information was prepared consistent with GAAP, (iii) with respect to pro forma financial information, have been properly presented consistent with GAAP and give effect to assumptions used in the preparation thereof on a reasonable basis and in good faith and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein and (iv) with respect to projected financial information, have been prepared consistent with GAAP and in good faith on the basis of the assumptions stated therein, which assumptions were believed to be reasonable at the time made; provided, however that the August 4 Information may be subject to adjustment as a result of the Company's final enterprise valuation to be prepared by a third-party valuation firm (the "Final Valuation"). The only material adjustments to the August 4 Information in the Final Valuation will be to (a) intangible assets and (b) NPC Unit Accounts of Company Holdings."

7. Section 3.17 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Section 3.17. Disclosure Documents; Acknowledgment. All written disclosure documentation furnished by or on behalf of the Company to GWG in the electronic data room in connection with the transactions contemplated by this Agreement (including documentation which amends or supersedes previously furnished information) is materially accurate as of the respective date of such documentation and does not, as of such date, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Certain of the financial information in the electronic data room, including information included under the heading "August 4-5 Diligence Responses," includes and relies upon projections, estimates, pro formas, forecasts and other forward-looking information (collectively, "Forward-Looking Information") and was prepared in good faith as of its respective date in reliance upon such Forward-Looking Information. The representation and warranty set forth in this Section 3.17 with respect to financial information that includes and relies upon Forward-Looking Information shall be deemed made only as of the Initial Transfer Date and shall not apply to any such financial information if an updated version of such financial information is placed into the electronic data room prior to the Initial Transfer Date (in which case the representation and warranty shall be made solely with respect to the updated version of such financial information). The Company acknowledges and agrees that GWG and GWG Life have not made and are not making any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Article V."

8. A new Section 3.18 of the Agreement is hereby added as follows:

"Section 3.18. MLP Units. As of the Initial Transfer Date, there have been no material changes in the terms of the MLP Units or securities of Company Holdings from the terms reflected in the Private Placement Memorandum.

9. A new Section 3.19 of the Agreement is hereby added as follows:

"Section 3.19. MLP Unit Tax Basis. The aggregate MLP Units to be transferred to GWG (i) in exchange for the GWG L Bonds, should have a tax basis determined with reference to the issue price of the GWG L Bonds, (ii) in exchange for GWG Common Stock, should have a tax basis determined with reference to the tax basis of such MLP Units in the hands of the Seller Trusts, and (iii) upon settlement of the instrument to acquire MLP Units as Additional Consideration, should have a tax basis equal to the sum of the amount paid by GWG and any amount includible in income with respect to such instrument. There is no built-in unrealized gain attributable to any property underlying the MLP Units being transferred to GWG. "

10. Section 5.2(b) of the Agreement is hereby deleted in its entirety and replaced with the following:

"(b) The affirmative vote or consent of holders of a majority of the outstanding shares of GWG Common Stock to approve the issuance of the shares (including shares issuable upon conversion of the Convertible Preferred Stock) for purposes of NASDAQ Rules 5635(a) and (b) is the only vote or consent of any of GWG's capital stock necessary in connection with the entry into this Agreement by GWG and the consummation of the transactions contemplated hereby, including the Closing (the "GWG Stockholder Approval")."

11. Section 5.5 of the Agreement is hereby revised to replace the term "Proxy Statement" where it appears in such section with the term "Information Statement."

12. Section 5.6(a) of the Agreement is hereby amended to add the following sentence at the end of such section:

"Notwithstanding the foregoing, GWG and GWG Life make no representation or warranty regarding the information regarding the Company, the Seller Trusts or MHT Financial SPV, LLC included or incorporated by reference in the GWG Reports."

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13. Section 5.6(f) of the Agreement is hereby deleted in its entirety and replaced with the following:

"(f) There are no material Liabilities of GWG that would be required to be reflected on a balance sheet of GWG prepared in accordance with GAAP, except for Liabilities (a) disclosed, reflected or reserved for in GWG's consolidated balance sheet as of December 31, 2017 (or the notes thereto) included in the GWG Reports, (b) that have arisen since the date of the most recent balance sheet included in the GWG Reports in the ordinary course of the financing and operation of the business of GWG or (c) arising under any Contract, other than as a result of a breach thereof by GWG."

14. Sections 5.8(f) and (g) of the Agreement are hereby deleted in their entirety and replaced with the following:

"(f) The shares of GWG Common Stock to be issued to the Seller Trusts, pro rata in accordance with this Agreement, shall be (i) duly authorized and validly issued and are fully paid and nonassessable, (ii) issued in compliance with applicable Law, (iii) not issued in breach or violation of any preemptive rights or Contract, (iv) fully vested and not otherwise subject to a substantial risk of forfeiture and (v) free and clear of all Liens (other than Liens arising under the Securities Act and state securities laws).

(g) The GWG L Bonds to be issued to the Seller Trusts, pro rata in accordance with this Agreement, shall (i) be duly authorized and validly issued, (ii) be issued in compliance with the GWG Indenture and applicable Law, including the requisite approval of the Supplemental Indenture by the Indenture Trustee, (iii) entitle the registered holders to the rights and entitlements set forth therein (y) be issued free and clear of all Liens (other than Liens arising under the Securities Act and state securities laws), and (iv) constitute valid and binding obligations of GWG, enforceable in accordance with their terms subject (A) to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar Laws affecting creditors' rights generally, (B) as to enforceability, to general principles of equity."

15. Section 6.1 is hereby amended by (i) replacing the words "Closing Date" the first time such words appear in such section with the words "Initial Transfer Date," and (ii) deleting the words "during the Interim Period" at the end of such section and in their place inserting the words "prior to the Final Closing Date."

16. A new Section 6.6 of the Agreement is hereby added as follows:

"Section 6.6. The Company Financial Statements.

"(a) All financial statements of the Company provided by the Company or its Representatives for inclusion in the GWG Reports, including the definitive Information Statement (the "Company Financial Statements"), to the extent the same shall be required under the applicable rules and regulations of the SEC in the absence of any waiver relating thereto, shall be prepared in accordance with GAAP and comply with the SEC requirements for such SEC Report, shall fairly present (subject, in the case of the unaudited interim financial statements included therein, to normal year-end adjustments the impact of which is not material and the absence of complete footnotes) in all material respects the financial position of the Company as of the respective dates thereof and the results of its operations and cash flows for the respective periods then ended, and shall be provided to GWG as soon as practicable after the date hereof; provided that, in the event such Company Financial Statements to be included in the definitive Information Statement or the Opening Balance Sheet (as defined below) are not delivered to GWG on or before October 31, 2018, an amount equal to $50,000 per calendar day shall accrue commencing November 1, 2018 and be payable by the Company to GWG in cash upon demand by wire transfer of immediately available funds to an account designated in writing by GWG until such Company Financial Statements or Opening Balance Sheet have been delivered. The Company agrees that the actual damages likely to result from the failure of the Company to provide such Company Financial Statements or Opening Balance Sheet are difficult to estimate as of the date of this Agreement and would be difficult for GWG to prove. Accordingly, such amounts shall be deemed liquidated damages for any such failure to compensate GWG for such failure and not a penalty and shall be nonrefundable by GWG.

(b) The Company shall deliver to GWG (A) audited annual financial statements within sixty (60) days of the Company's fiscal year end of each year (for the prior years' financial statements) and (B) unaudited quarterly financial statements within twenty-five (25) days of each of the Company's quarter end (other than the fourth quarter), until the later of (i) the repayment in full of the Commercial Loan and (ii) the absence of any requirement under Regulation S-X of the Exchange Act to include Company financial information in GWG Reports. In addition, the Company shall provide GWG with an audited opening balance sheet dated as of May 31, 2018 and prepared in accordance with GAAP (the "Opening Balance Sheet") on or before the earlier of the Final Closing Date and October 31, 2018, and shall provide audited annual financial statements for the year ended December 31, 2018 on or before the date that is sixty (60) days following such year end."

17. A new Section 6.7 of the Agreement is hereby added as follows:

"Section 6.7. Limitations on Issuances of Equity Securities. Unless consented to by GWG (which consent will not be unreasonably withheld) and except as otherwise provided in this Agreement, until the earlier of (a) the transfer, sale or conveyance of more than eighty percent (80%) of the MLP Units owned by GWG as of the Initial Transfer or, if the Final Closing has occurred, as of the Final Closing, and (b) such time as the Company completes at least one Qualified Public Offering which on its own or together with any other public offering results in the Borrower receiving aggregate net proceeds (after underwriting discounts and commissions and offering expenses) of at least $100 million, the Company will not (and will cause each of its Affiliates not to) (i) issue any securities possessing terms that are materially different from the terms of the securities proposed to be offered under the Private Placement Memorandum, or (ii) incur bank debt on terms that are other than commercially reasonable."

18. The last sentence of Section 7.2 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Notwithstanding any provision in this Agreement to the contrary, in no event shall GWG or GWG Life issue any debt or encumbrance of any nature or kind senior to the GWG L Bonds issued under this Agreement unless and until the earlier of (i) the refinancing in full of the aggregate principal amount outstanding of the GWG L Bonds issued under this Agreement and (ii) the resale of all such GWG L Bonds by each of the Seller Trusts."

19. Section 7.3 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Section 7.3 Preparation of SEC Documents.

(a) GWG shall prepare and file with the SEC an information statement on Schedule 14C under the Exchange Act (as the same is amended or supplemented in both its preliminary and definitive forms from time to time, the "Information Statement"), to be sent in its definitive form to the GWG Stockholders in connection with the GWG Stockholder Approval. GWG shall use its reasonable best efforts to cause the Information Statement to comply with the rules and regulations promulgated by the SEC. As promptly as practicable after the Information Statement shall have become finalized and filed in its definitive form, GWG shall use its reasonable best efforts to cause the Information Statement to be mailed to its stockholders. No filing of, or amendment or supplement to, the Information Statement will be made (in each case including documents incorporated by reference therein) by GWG without providing the Company with a reasonable opportunity to review and comment thereon and each party shall give reasonable and good faith consideration to any comments made by any other party and their counsel. The Company will be given a reasonable opportunity to provide comment on or for the response to any SEC comments (to which reasonable and good faith consideration shall be given), including by participating with GWG or their counsel in any discussions or meetings with the SEC.

(d) If at any time prior to the Final Closing any information relating to GWG or any of its respective Affiliates, directors or officers, should be discovered by GWG which should be set forth in an amendment or supplement to the Information Statement, so that the Information Statement would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, GWG shall promptly notify the other parties hereto and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent required by Law, disseminated to the GWG stockholders.

(e) GWG will advise the other parties hereto promptly after it receives any oral or written request by the SEC for amendment of the Information Statement, or comments thereon and responses thereto or requests by the SEC for additional information, and GWG will promptly provide the other parties with copies of any written communication between it or any of its Representatives, on the one hand, and the SEC, on the other hand, with respect to the Information Statement. GWG shall use its reasonable best efforts, after consultation with each of the other parties, to resolve all such requests or comments with respect to the Information Statement, as applicable, as promptly as reasonably practicable after receipt thereof. GWG shall notify the other parties hereto promptly of the time when the Information Statement has cleared comments and has been mailed to the GWG stockholders.

(f) All of the fees, costs and expenses incurred or payable to any other Person (other than legal fees and expenses, which shall be subject to Section 11.5) in connection with the preparation and filing of the Information Statement, including all of the fees, costs and expenses of the financial printer and other Persons for the printing and mailing of the Information Statement, as applicable, shall be paid by GWG."

20. Section 7.4 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Section 7.4. GWG Stockholder Approval. Prior to the Initial Transfer, GWG shall have obtained the GWG Stockholder Approval as contemplated by Section 5.2(b) of this Agreement."

21. Section 7.6 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Section 7.6. Resale Registration.

(a) In connection with the Initial Transfer, GWG and the Seller Trusts will enter into a registration rights agreement in customary and negotiated form but in any event containing (i) demand registration rights affording the assigns of the Seller Trusts rights in respect to the resale registration of all of the L Bonds issued pursuant to this Agreement (subject, however, to limitations that may be imposed by any regulatory agency), and (ii) piggyback registration rights affording the assigns of the Seller Trusts the right to include (subject to customary cutback provisions) any L Bonds not otherwise included in the registration contemplated by Section 7.6(a)(i). The Seller Trusts and their assigns shall be named express third-party beneficiaries of such registration rights agreement.

(b) In connection with the Final Closing, GWG and the Seller Trusts will enter into a registration rights agreement in customary and negotiated form but in any event containing (i) demand registration rights affording the assigns of the

Seller Trusts rights in respect to the resale registration of all of the shares of GWG Common Shares issued pursuant to this Agreement (subject, however, to limitations set forth in the Orderly Marketing Agreement entered into pursuant to Section 8.6, and subject further to limitations that may be imposed by any regulatory agency), and (ii) piggyback registration rights affording the assigns of the Seller Trusts the right to include (subject to customary cutback provisions) any shares of GWG Common Stock not otherwise included in the registration contemplated by Section 7.6(b)(i). The Seller Trusts and their assigns shall be named express third-party beneficiaries of such registration rights agreement."

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22. Section 8.1(a) of the Agreement is hereby deleted in its entirety and replaced with the following:

"Section 8.1 Consents and Approvals. Upon the terms and subject to the conditions set forth in this Agreement, each of the parties agrees to use commercially reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, as soon as possible following the date hereof and prior to the Initial Transfer or Final Closing, as the case may be and as provided herein, the transactions contemplated by this Agreement, including using commercially reasonable best efforts to (i) obtain all necessary actions, nonactions, waivers, consents, approvals and other authorizations from Governmental Authorities prior to the Initial Transfer for the consummation of the actions contemplated herein to occur at the Initial Transfer, or the Final Closing for the consummation of the actions contemplated herein to occur at the Final Closing, (ii) avoid an Action or proceeding by any Governmental Authority, (iii) obtain all necessary consents, approvals or waivers from third parties, (iv) execute and deliver any additional instruments necessary to consummate the transactions contemplated by this Agreement and (v) refrain from taking any action that would reasonably be expected to impede, interfere with, prevent or materially delay the consummation of the transactions contemplated by this Agreement."

23. The lead-in portion of the first sentence of Section 8.2 of the Agreement immediately prior to clause (a) thereto is hereby deleted in its entirety and replaced with the following:

"Each of the Trust Advisors with respect to the Seller Trusts and GWG agree to enter into a shareholders' agreement (the "Stockholders' Agreement"), subject to and conditioned upon the Closing of this Agreement, relating to certain matters in connection with such Seller Trusts' shareholding in GWG. Such agreement shall remain in effect for Trust Advisors for the benefit of each of the Seller Trusts up until the termination of the Orderly Marketing Agreement, as contemplated by Section 8.6 below, and shall contain provisions pursuant to which the Seller Trusts, and their respective assignees or transferees will agree as follows:"

24. Section 8.9 of the Agreement is hereby deleted in its entirety.

25. Section 9.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Section 9.1 Conditions to the Obligations of Each Party. The obligations of the Company, the Seller Trusts, GWG and GWG Life to consummate, or cause to be consummated, the transactions contemplated hereby, are subject to the satisfaction of the following conditions, any one or more of which may be waived (if legally permitted) in writing by all of such parties:

(a) Immediately prior to the Initial Transfer:

(i) There shall not be in force any Governmental Order or Law enjoining or prohibiting the consummation of the other transactions contemplated hereby.

(ii) The HSR waiting period (and any extension thereof) shall have expired or been terminated.

(iii) There shall not have been commenced any Action against any of the parties relating to the transactions contemplated hereby.

(iv) The GWG Stockholder Approval shall have been obtained.

(b) Immediately prior to the Final Closing:

(i) The Initial Transfer shall have occurred.

(ii) There shall not be in force any Governmental Order or Law enjoining or prohibiting the consummation of the other transactions contemplated hereby.

(iii) There shall not have been commenced any Action against any of the parties relating to the transactions contemplated hereby.

(iv) The waiting period under Rule 14c-2(b) for taking action by written consent shall have expired."

26. Section 9.2 of the Agreement shall be deleted in its entirety and replaced with the following:

"Section 9.2 Conditions to the Obligation of GWG and GWG Life. The obligation of GWG and GWG Life to consummate, or cause to be consummated, the transactions contemplated hereby is subject to the satisfaction of the following additional conditions, any one or more of which may be waived in writing by GWG (on behalf of both GWG and GWG Life) which conditions for the Initial Transfer shall be subject to satisfaction or waiver of the conditions set forth in Section 9.2(a), (b) and (c) and, with respect to the Final Closing, shall be subject to the satisfaction or waiver of the conditions set forth in Section 9.2(a), (b) and (d):

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(a) Representations and Warranties.

(i) Each of the representations and warranties of (A) the Company contained in the first sentence of Section 3.1 (Organization), Section 3.2 (Due Authorization) and Section 3.16 (Brokers' Fees), and (B) the Seller Trusts and MHT SPV contained in Section 4.1 (Organization), Section 4.2 (Due Authorization) and Section 4.10 (Brokers' Fees) (collectively, the "Company Specified Representations") shall be true and correct (without giving any effect to any limitation as to "materiality" or "Material Adverse Effect" or any similar limitation set forth therein) in all material respects as of the respective Closing Date (which shall mean, as of the Initial Transfer, the Initial Transfer Date and, as of the Final Closing, the Final Closing Date) as though made on such Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case, they shall be true and correct on and as of such earlier date).

(ii) The representations and warranties of the Company contained in Section 3.6 (Capitalization) shall be true and correct as of the respective Closing Date as though made on such Closing Date.

(iii) Each of the representations and warranties of the Company and the Seller Trusts contained in this Agreement (other than the Company Specified Representations, and the representations and warranties of the Company contained in Section 3.6 (Capitalization)) shall be true and correct (without giving any effect to any limitation as to "materiality" or "Material Adverse Effect" or any similar limitation set forth therein) as of the respective Closing Date as though made on such Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case, they shall be true and correct on and as of such earlier date, or as otherwise expressly provided in Section 3.17), except, in either case, where the failure of such representations and warranties to be so true and correct would not have a Material Adverse Effect on the Company or its Subsidiaries, as a whole.

(b) The Company and the Seller Trusts shall have complied, in all material respects, with all covenants required to be performed by them as of or prior to such Closing.

(c) On the Initial Transfer Date:

(i) GWG shall have obtained the following written consents or approvals for the transactions contemplated hereby: (A) a consent from the senior lender to GWG DLP Funding IV, LLC; (B) a consent from the holders of a majority in principal amount of outstanding GWG L Bonds to effect an amendment to the GWG Indenture for the purpose of amending the manner in which the debt-coverage ratio contained therein is calculated; (C) an approval from Bank of Utah, as trustee under the GWG Indenture, for a supplemental indenture relating to the GWG L Bonds to be issued under this Agreement, and (D) confirmation from the GWG Board, not to be unreasonably withheld or delayed, that

all conditions to Closing have been reasonably satisfied.

(ii) GWG Life and the Company shall have entered into and delivered the Loan Agreement as contemplated by Section 2.2 and the Company shall have executed and delivered to GWG Life the Note (as such term is defined in the Loan Agreement).

(iii) The Company shall have executed and delivered to GWG the Exchangeable Note.

(iv) GWG and the Company shall have entered into a registration rights agreement in customary and negotiated form reasonably acceptable to the parties, but in any event containing (a) piggyback registration rights affording GWG the right to include the MLP Units (including those acquired at the Initial Transfer and those to be acquired at the Final Closing) for resale on any initial registration statement that the Company files with the SEC under the Securities Act for an initial offering, if any, of Company partnership interests/units (subject to customary cutback provisions) (the "Initial Registration"), and (b) demand registration rights with respect to any MLP Units the resale registration of which is not obtained through the Initial Registration.

(v) The GWG Board shall have received a fairness opinion from a nationally recognized valuation firm chosen by GWG to the effect that the transactions contemplated by this Agreement are fair, from a financial point of view, to GWG and its stockholders.

(vi) GWG shall have received a reasoned legal opinion of Willkie Farr & Gallagher LLP, special counsel to the Company, dated as of the Initial Transfer Date and in form and substance reasonably satisfactory to GWG, to the effect that the Company is not, and as a result of the consummation of the Initial Transfer will not be, required to register as an investment company under the Investment Company Act.

(vii) GWG shall have received the written opinion of Mayer Brown LLP, special tax counsel to the Company, dated as of the Initial Transfer Date and in form and substance reasonably satisfactory to GWG, to the effect that the Company will be taxed as a partnership for federal income-tax purposes after giving effect to the transactions effected at the Initial Transfer.

(viii) The Company shall have delivered to GWG a true copy of the resolutions of its respective governing board or authority, as the case may be, authorizing the execution of this Agreement and the consummation of the transactions contemplated herein, certified by the respective secretary or similar officer thereof.

(ix) Each of the Company and the Trust Advisors with respect to the Seller Trusts shall have delivered to GWG a certificate signed by a respective officer of such entity (or trustee, as the case may be), dated as of the Initial Transfer Date, certifying that the conditions applicable to it specified in Section 9.2(a) and Section 9.2(b) have been fulfilled.

(x) The Company shall have delivered to GWG a USB drive containing a copy of the contents of the electronic data room made available to GWG in connection with the transactions contemplated by this Agreement (the “Data Room”) as of the Initial Transfer Date.

(d) On the Final Closing Date:

(i) GWG and the Trust Advisors for the benefit of the Seller Trusts (together with one or more investment banks selected by and reasonably acceptable to the parties thereto) shall have entered into the Orderly Marketing Agreement respecting the resale of GWG Common Stock in final negotiated form reasonably acceptable to the parties.

(ii) GWG and the Seller Trusts shall have entered into a Stockholders’ Agreement containing, among others, the terms set forth in Section 8.2.

(iii) GWG shall have received a bring-down of the legal opinion of Willkie Farr & Gallagher LLP delivered at the Initial Transfer pursuant to Section 9.2(c)(vi), dated as of the Final Closing Date, and in form and substance reasonably satisfactory to GWG.

(iv) GWG shall have received a bring-down of the written opinion of Mayer Brown LLP delivered at the Initial Transfer pursuant to Section 9.2(c)(vii), dated as of the Final Closing Date, and in form and substance reasonably satisfactory to GWG.

(v) The Company shall have delivered to GWG an officer’s certificate confirming that there has been no change, amendment or repeal of the authorizing resolutions certified pursuant to Section 9.2(c)(viii).

(vi) Each of the Company and the Trust Advisors with respect to the Seller Trusts shall have delivered to GWG a certificate signed by a respective officer of such entity (or trustee, as the case may be), dated as of the Final Closing Date, certifying that the conditions applicable to it specified in Section 9.2(a) and Section 9.2(b) have been fulfilled.

(vii) The Company shall have delivered to GWG a USB drive containing a copy of the contents of the Data Room as of the Final Closing Date."

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27. Section 9.3 of the Agreement is hereby deleted in its entirety and replaced with the following:

"Section 9.3 Conditions to the Obligations of Company and the Seller Trusts. The obligations of the Company and the Seller Trusts to consummate the transactions contemplated hereby are subject to the satisfaction of the following additional conditions, any one or more of which may be waived in writing by the Company and the Seller Trusts which conditions for the Initial Transfer shall be subject to satisfaction or waiver of the conditions set forth in Section 9.3(a), (b) and (c) and, with respect to the Final Closing, shall be subject to the satisfaction or waiver of the conditions set forth in Section 9.3(a), (b) and (d):

(a) Representations and Warranties.

(i) Each of the representations and warranties of GWG and GWG Life contained in the first and third sentences of Section 5.1 (Corporate Organization), Section 5.2 (Due Authorization) and Section 5.19 (Brokers' Fees) (the "GWG Specified Representations") shall be true and correct (without giving any effect to any limitation as to "materiality" or "Material Adverse Effect" or any similar limitation set forth therein) in all material respects as of the respective Closing Date as though made on such Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case, they shall be true and correct on and as of such earlier date).

(ii) Each of the representations and warranties of GWG and GWG Life contained in Section 5.8 (Capitalization) shall be true and correct as of the respective Closing Date as though made on such Closing Date.

(iii) Each of the representations and warranties of GWG and GWG Life contained in this Agreement (other than the GWG Specified Representations, the representations and warranties of GWG contained in Section 5.8 (Capitalization)) shall be true and correct (without giving any effect to any limitation as to "materiality" or "Material Adverse Effect" or any similar limitation set forth therein) as of the respective Closing Date (which shall mean, as of the Initial Transfer, the Initial Transfer Date and, as of the Final Closing, the Final Closing Date) as though made on such Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case, they shall be true and correct on and as of such earlier date), except, in either case, where the failure of such representations and warranties to be so true and correct would not a Material Adverse Effect on GWG and its Subsidiaries, as a whole.

(b) GWG and GWG Life shall have complied, in all material respects, with all covenants required to be performed by them as of or prior to such Closing.

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(c) On the Initial Transfer Date:

(i) Each of GWG and GWG Life shall have delivered to each of the Company and the Seller Trusts a certificate signed by an officer of GWG and GWG Life, respectively, dated as of the Initial Transfer Date, certifying that the conditions specified in Section 9.3(a), Section 9.3(b) and Section 9.2(c)(i)(B) and (C) have been fulfilled and Section 9.2(c)(i)(A) is not applicable.

(ii) GWG shall have delivered to each of the Company and the Seller Trusts a true copy of the resolutions of the GWG Board authorizing the execution of this Agreement, the designation and issuance of the Convertible Preferred Stock, and the consummation of the transactions contemplated herein, certified by the secretary or similar officer of GWG.

(iii) GWG Life shall have delivered to each of the Company and the Seller Trusts a true copy of the resolutions of the board of managers of GWG Life authorizing the execution of this Agreement and the consummation of the transactions contemplated herein, certified by the secretary or similar officer of GWG Life.

(iv) GWG Life and the Company shall have entered into the Loan Agreement as contemplated by Section 2.2.

(v) GWG shall have executed and delivered to the Company a joinder to the Amended & Restated Limited Partnership Agreement.

(vi) GWG and the Seller Trusts shall have entered into a registration rights agreement in customary and negotiated form reasonably acceptable to the parties, but in any event containing demand and piggyback registration rights affording the Seller Trusts the right to have the GWG L Bonds registered for resale with the SEC under the Securities Act.

(vii) GWG Life shall remain a wholly owned subsidiary of GWG as of such Closing Date.

(viii) The Company shall have received a reasoned legal opinion of Mayer Brown LLP, counsel to GWG, dated as of the Initial Transfer Date and in form and substance reasonably satisfactory to the Company, to the effect that, GWG is not, and as a result of the consummation of the transaction contemplated by this Agreement will not be, required to register as an investment company under the Investment Company Act.

(ix) The GWG Stockholder Approval granted June 14, 2018, shall be in full force and effect and shall not have been rescinded, repealed or voided in any respect.

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(d) On the Final Closing Date:

(i) GWG and the Trust Advisors with respect to the Seller Trusts (together with one or more investment banks selected by and reasonably acceptable to the parties thereto) shall have entered into the Orderly Marketing Agreement respecting the resale of GWG Common Stock in final negotiated form reasonably acceptable to the parties.

(ii) GWG and the Trust Advisors with respect to the Seller Trusts shall have entered into a Stockholders' Agreement containing, among others, the terms set forth in Section 8.2.

(iii) GWG and the Seller Trusts shall have entered into a registration rights agreement in customary and negotiated form reasonably acceptable to the parties, but in any event containing demand and piggyback registration rights affording the Seller Trusts the right to have the Stock Consideration registered for resale with the SEC under the Securities Act.

(iv) GWG shall have delivered to the Company the cancelled Exchangeable Note.

(v) Each of GWG and GWG Life shall have delivered to each of the Company and the Seller Trusts a certificate signed by an officer of GWG and GWG Life, respectively, dated as of the Final Closing Date, certifying that the conditions specified in Section 9.3(a) and Section 9.3(b) have been fulfilled.

(vi) GWG shall have delivered to each of the Company and the Seller Trusts an officer's certificate confirming that there has been no change, amendment or repeal of the authorizing resolutions certified pursuant to Section 9.3(c)(ii) and confirming that all actions have been taken for the conversion of the Convertible Preferred Stock in accordance with its terms immediately subsequent to the Final Closing.

(vii) GWG Life shall have delivered to each of the Company and the Seller Trusts an officer's certificate confirming that there has been no change, amendment or repeal of the authorizing resolutions certified pursuant to Section 9.3(c)(iii).

(viii) The GWG Common Stock issuable as Stock Consideration to the Seller Trusts and the Conversion Shares shall have been approved for listing on NASDAQ, subject to official notice of issuance.

(ix) GWG Life shall remain a wholly owned subsidiary of GWG as of such Closing Date.

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(x) The Company shall have received a bring-down of the legal opinion of Mayer Brown LLP delivered pursuant to Section 9.3(c)(viii), counsel to GWG, dated as of the Final Closing Date and in form and substance reasonably satisfactory to the Company.

(xi) The GWG Stockholder Approval granted June 14, 2018, shall be in full force and effect and shall not have been rescinded, repealed or voided in any respect."

28. Section 10.1(b) of the Agreement is hereby deleted in its entirety and replaced with the following:

"(b) by either the Company, the Trust Advisors on behalf of the Seller Trusts, or by GWG if this Agreement shall have failed to receive the GWG Stockholder Approval, or such has been rescinded, repealed or withdrawn prior to the Initial Transfer;"

Section 2. No Further Changes; Ratification. All other terms and provisions of the Agreement are hereby ratified in full and incorporated by reference herein, except to the extent that defined terms used throughout the Agreement shall be modified or replaced consistent with the provisions and intent of this Third Amendment.

Section 3. No Third-Party Beneficiary. This Third Amendment shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person, any legal or equitable right, benefit or remedy of any nature whatsoever, including, without limitation, any rights of employment for any specified period, under or by reason of the Agreement or this Third Amendment.

Section 4. Entire Agreement. This Third Amendment constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof. Except as amended by this Third Amendment, the Agreement shall continue in full force and effect.

Section 5. Counterparts. This Third Amendment may be executed in counterparts (and delivered by facsimile or electronic transmission), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 6. Governing Law. This Third Amendment, and all claims or causes of action based upon, arising out of, or related to this Third Amendment or the transactions contemplated hereby, shall be governed by, and construed in accordance with, the Laws of the State of Delaware, without giving effect to principles or rules of conflict of laws to the extent such principles or rules would require or permit the application of Laws of another jurisdiction.

Section 7. Seller Trusts and Trust Advisors. It is expressly understood and agreed that (a) this document is executed and delivered by Delaware Trust Company, not individually or personally, but solely as Trustee, pursuant to direction from the Trust Advisors and in the exercise of the powers and authority conferred and vested in Delaware Trust Company as Trustee pursuant to the Trust Agreements of the Seller Trusts (the "Trust Agreements") and the Trustee is governed by and subject to the Trust Agreements and entitled to the protections, rights and benefits contained therein, (b) each of the representations, undertakings and agreements herein made on the part of the Seller Trusts and Trust Advisors is made and intended not as personal representations, undertakings and agreements by Delaware Trust Company but is made and intended for the purpose for binding only the Seller Trusts and respective trust estates (the "Seller Trust Assets"), (c) nothing herein contained shall be construed as creating any liability on Delaware Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and (d) under no circumstances shall Delaware Trust Company be personally liable for the payment of any indebtedness or expenses of the Seller Trusts or Trust Advisors or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Seller Trusts or Trust Advisors under this Agreement or any other related documents, and (e) under no circumstances shall the Trust Advisors be personally liable for the payment of any indebtedness or expenses or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken under this Agreement, all such recourse being strictly to the Seller Trust Assets.

[Signature Page Follows]

IN WITNESS WHEREOF the parties have hereunto caused this Third Amendment to be duly executed as of the date first set forth above.

GWG HOLDINGS, INC.

By: Jon Sabes
Name: Jon Sabes
Title: Chief Executive Officer

GWG LIFE, LLC

By: Jon Sabes
Name: Jon Sabes
Title: Chief Executive Officer

[Signature Page to Third Amendment to Master Exchange Agreement]

IN WITNESS WHEREOF the parties have hereunto caused this Third Amendment to be duly executed as of the date first set forth above.

THE BENEFICIENT COMPANY GROUP, L.P.

By: Brad K. Heppner
Name: Brad K. Heppner
Title: Chief Executive Officer

MHT FINANCIAL SPV, LLC

By: Murray T. Holland
Name: Murray T. Holland
Title: Manager

THE LT-1 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-2 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

[Signature Page to Third Amendment to Master Exchange Agreement]

IN WITNESS WHEREOF the parties have hereunto caused this Third Amendment to be duly executed as of the date first set forth above.

THE LT-3 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-4 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-5 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-6 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

[Signature Page to Third Amendment to Master Exchange Agreement]

IN WITNESS WHEREOF the parties have hereunto caused this Third Amendment to be duly executed as of the date first set forth above.

THE LT-7 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-8 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-9 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

THE LT-12 EXCHANGE TRUST,

By: DELAWARE TRUST COMPANY, not in its individual capacity but solely as Trustee

By: Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

[Signature Page to Third Amendment to Master Exchange Agreement]

MURRAY T. HOLLAND, as Trust Advisor

Murray T. Holland

JEFFREY S. HINKLE, as Trust Advisor

Jeffrey S. Hinkle

Annex F

FINANCIAL INFORMATION FOR BENEFICIENT

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Notes to Consolidated Financial Statements F-34

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Partners

The Beneficient Company Group, L.P. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The Beneficient Company Group, L.P. and Subsidiaries (the "Company") as of June 1, 2018 (Successor), December 31, 2017, and December 31, 2016, and the related consolidated statements of operations, comprehensive income, changes in equity (deficit), and cash flows for the period from January 1, 2018 through May 31, 2018 and the years ended December 31, 2017 and 2016, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 1, 2018, December 31, 2017, and December 31, 2016, and the results of their operations and their cash flows for the period and years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also include evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Whitley Penn LLP

We have served as the Company’s auditor since 2018.

Dallas, Texas

October 18, 2018

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THE BENEFICIENT COMPANY GROUP, L.P.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	Successor	Predecessor	
	As of June 1,	As of December 31,	
	2018	**2017**	2016
ASSETS			
Cash and cash equivalents	$7,813,216	$554,837	$7,731,234
Fees receivable	37,803,959	46,110,290	-
Loan receivables, net of deferred fees	581,863,529	370,107,146	-
Less: allowance for loan losses	-	(679,651)	-
Net loans	581,863,529	369,427,495	-
Investment in unconsolidated affiliates	29,907	29,272	21
Due from unconsolidated affiliates	911,177	744,215	13,005,751
Other assets	4,340,259	339,869	29,998
Premises and equipment, net	146,927	50,771	79,808
Intangibles, net			
Trust platform	882,000,000	-	-
Technology related	62,446,674	-	-
Other intangibles	3,100,000	-	-
Goodwill	567,497,274	-	-
Assets of discontinued operations	-	-	62,094,032
Total assets	$2,147,952,922	$417,256,749	$82,940,843
LIABILITIES			
Accounts payable and accrued expenses	$5,420,109	$7,193,008	$1,949,940
Due to unconsolidated affiliates	294,594	42,528	87,055,743
Other liabilities	36,402,195	6,546,188	9,122
Deferred income	1,652,592	-	-
Debt due to related party	126,850,582	151,770,410	49,370,185
Liabilities of discontinued operations	-	-	212,459
Total liabilities	170,620,071	165,552,133	138,597,449
Redeemable noncontrolling interest	1,093,799,961	(390,068,686)	-
EQUITY			
Partners' capital (deficit):			
Common units	746,708,390	505,786,367	-
General partner	-	-	(557,005)
Limited partner	-	-	(55,194,685)
Accumulated other comprehensive income	-	254,904	95,084
	746,708,390	506,041,271	(55,656,606)

Total The Beneficient Company Group, L.P. owners' equity (deficit)			
Noncontrolling interest	136,824,500	135,732,032	-
Total equity (deficit)	883,532,890	641,773,303	(55,656,606)
Total liabilities and equity (deficit)	$2,147,952,922	$417,256,749	$82,940,843

See accompanying notes to consolidated financial statements.

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THE BENEFICIENT COMPANY GROUP, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Predecessor Five Months Ended May 31,	Years Ended December 31,	
	2018	**2017**	2016
Interest, fee and dividend income			
Interest and fee income	$42,063,430	$21,514,552	$1,350
Dividend income	-	93,985	343,572
Total interest, fee, and dividend income	42,063,430	21,608,537	344,922
Interest expense	3,625,682	4,126,921	2,163,254
Net interest, fee, and dividend income (loss) before provision for loan losses	38,437,748	17,481,616	(1,818,332)
Provision for loan losses	1,359,080	679,651	-
Net interest, fee and dividend income (loss) after provision for loan losses	37,078,668	16,801,965	(1,818,332)
Non-interest revenues			
Third party administration revenues	12,732	1,222,497	2,049,114
Trust services revenues	8,611,480	5,320,316	-
Total non-interest revenues	8,624,212	6,542,813	2,049,114
Total interest and non interest revenues, net	45,702,880	23,344,778	230,783
Non-interest expenses			
Salaries and employee benefits	3,839,278	1,495,525	1,620,455
Professional services	10,015,466	5,918,356	3,079,529
Trust establishment costs	3,664,569	7,536,064	-
Other expenses	901,705	748,678	539,709
Total non-interest expenses	18,421,019	15,698,623	5,239,694
Income (loss) from continuing operations before income taxes	27,281,861	7,646,155	(5,008,911)
Income tax expense (benefit)	-	800	(977)
Income (loss) from continuing operations	27,281,861	7,645,355	(5,007,934)
Loss from discontinued operations	-	(3,761,543)	(6,047,845)
Net income (loss)	27,281,861	3,883,812	(11,055,779)
Less: Net income attributable to noncontrolling interests	(13,846,836)	(8,270,747)	-
Net income (loss) attributable to The Beneficient Company Group, L.P.	13,435,025	(4,386,935)	(11,055,779)
Less: Net loss attributable to general and limited partner(s)	-	7,769,019	11,055,779
Net income allocated to common unitholders	$13,435,025	$3,382,085	$-

See accompanying notes to consolidated financial statements.

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THE BENEFICIENT COMPANY GROUP, L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Predecessor Five Months Ended May 31, 2018	**Year ended December 31,**	
		2017	**2016**
Net income (loss) attributable to The Beneficient Company Group, L.P.	$13,435,025	$(4,386,935)	$(11,055,779)
Other comprehensive income (loss):			
Unrealized gain/(loss) on investments	(8,019)	159,820	95,084
Total comprehensive income (loss)	$13,427,006	$(4,227,115)	$(10,960,695)

See accompanying notes to consolidated financial statements.

THE BENEFICIENT COMPANY GROUP, L.P.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

	The Beneficient Company Group, L.P.							
	Common units	**Common units ($)**	**General partner**	**Limited partner**	**Other Comprehensive income (loss)**	**Noncontrolling interest**	**Total equity (deficit)**	**Redeem noncon interes**
Balance, December 31, 2015 (Predecessor)	-	$-	$(446,447)	$(44,198,270)	$-	$-	$(44,644,717)	$-
Net loss	-	-	(110,558)	(10,945,221)	-	-	(11,055,779)	-
Other comprehensive income	-	-	-	-	95,084	-	95,084	-
Capital distribution	-	-	-	(51,194)	-	-	(51,194)	-
Balance, December 31, 2016 (Predecessor)	-	-	(557,005)	(55,194,685)	95,084	-	(55,656,606)	-
Net income (loss)	-	3,382,085	(77,690)	(7,691,329)	-	932,032	(3,454,902)	7,338
Other comprehensive income	-	-	-	-	159,820	-	159,820	-
Transfer of interest for discontinued operations and other	-	-	634,695	62,886,014	-	-	63,520,709	(234,
Tax distribution payable	-	-	-	-	-	-	-	(2,51
Non cash issuance of (Note 14):								
shares of Common Units	50,240,428	502,404,282	-	-	-	-	502,404,282	-
shares of Class S Units	-	-	-	-	-	134,800,000	134,800,000	-

Dilution of NPC-Series A	-	-	-	-	-	-	-	(394,
Balance, December 31, 2017 (Predecessor)	50,240,428	505,786,367	-	-	254,904	135,732,032	641,773,303	(390,
Net income	-	13,435,025	-	-	-	3,693,363	17,128,388	10,15
Other comprehensive loss	-	-	-	-	(8,019)	-	(8,019)	-
Non cash issuance of Common Units (Note 14)	24,430,411	244,304,106	-	-	-	-	244,304,106	-
Non cash issuance of Class S Units (Note 14)	-	-	-	-	-	2,024,500	2,024,500	-
Dilution of NPC-Series A	-	-	-	-	-	-	-	(56,1
Fair value adjustment (Note 5)	-	(16,817,108)	-	-	(246,885)	(4,625,395)	(21,689,388)	1,529
Balance, June 1, 2018 (Successor)	74,670,839	746,708,390	$-	$-	$-	$136,824,500	$883,532,890	$1,093

See accompanying notes to consolidated financial statements.

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THE BENEFICIENT COMPANY GROUP, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Predecessor Five Months Ended May 31, 2018	Year Ended December 31, 2017	2016
Cash flows from operating activities:			
Net income (loss) attributable to the Beneficient Company Group , L.P.	$13,435,025	$(4,386,935)	$(11,055,779)
Adjustments to arrive at net income (loss) from continuing operations:			
Net income attributable to noncontrolling interests	13,846,836	8,270,747	-
Net income (loss) from continuing operations	27,281,861	3,883,812	(11,055,779)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) operating activities:			
Depreciation and amortization	48,257	3,030,196	4,336,650
Amortization of loan origination fees	(11,911,815)	(6,769,605)	-
Interest income paid-in-kind	(30,114,370)	(14,743,934)	-
Non cash interest expense	3,169,432	4,126,922	2,162,960
Non cash trust establishment costs	3,664,569	7,536,064	-
Provision for loan losses	1,359,080	679,651	-
Amortization of debt issue costs	456,250	365,000	-
Changes in assets and liabilities:			
Changes in due from affiliates & other	(362,618)	592,711	(2,104,965)
Changes in fees receivable	25,490,112	(5,332,816)	-
Changes in other assets	(521,462)	(261,224)	(42,018)
Changes in accounts p ay able and accrued expenses	(2,380,993)	3,235,680	(158,395)
Changes in other liabilities and deferred income	26,419,981	1,577,239	(6,538)
Net cash provided by (used in) operating activities	42,598,284	(2,080,304)	(6,868,085)
Cash flows from investing activities:			
Purchase of premises and equipment	(106,147)	(196,137)	(1,883,744)
Loan to third party	(3,479,929)	-	-
Net cash assumed in L.P. transfers with founder	-	437,985	-
Net cash provided by (used in) investing activities	(3,586,076)	241,848	(1,883,744)
Cash flows from financing activities:			
Cash distribution to owners	-	-	(51,194)
Payments on other borrowings	(6,753,829)	-	-
Payments on related party debt	(25,000,000)	(5,337,941)	(675,000)
Net cash used financing activities	(31,753,829)	(5,337,941)	(726,194)
Net increase (decrease) in cash and cash equivalents	7,258,380	(7,176,397)	(9,478,023)
Cash and cash equivalents related to discontinued operations	-	-	(138,772)

Cash and cash equivalents at beginning of period	554,837	7,731,234	17,348,029
Cash and cash equivalents at end of period	$7,813,216	$554,837	$7,731,234

Supplemental disclosure of non-cash investing and financing activities is included in Note 14.

See accompanying notes to consolidated financial statements.

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THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Overview of the Business

The Beneficient Company Group, L.P. (“BEN”, “our” or “we”), a Delaware limited partnership, is a holding company of capital and financial services companies (collectively the “Company”). BEN’s capital companies are in the process of applying for trust charters from the Texas Department of Banking to merge into newly organized limited trust associations. Beneficient Management, L.L.C. (“BMLLC”), a Delaware limited liability company, is the general partner of BEN. BMLLC is governed by a board of directors. BEN is controlled by, and the exclusive and complete authority to manage the operations and affairs of BEN is granted to, BMLLC’s board of directors. BEN, formerly known as Highland Consolidated Business Holdings, L.P., was formed September 16, 2003. BEN is the general partner to Beneficient Company Holdings, L.P. (“BCH”) and owns 100% of the Class A Units of BCH.

BCH, formerly known as Beneficient Holdings, L.P., is a Delaware limited partnership formed on July 1, 2010. BCH is the holding company that directly or indirectly receives all active and passive income of the Company and allocates that income among the units issued by BCH. As of June 1, 2018, BCH has issued general partnership Class A Units, Class S Ordinary Units, FLP Units (Subclass 1 and Subclass 2) and Non-Participating Convertible (“NPC”) Series A Units.

BEN markets to alternative asset investors an array of loans and liquidity products and retirement fund products for mid-to-high net worth individuals having a net worth of between $5 million and $30 million (“MHNW”) and small-to-midsize institutional investors and family offices with less than $1 billion in investable assets (“STMIs”), and in addition to these product offerings, BEN offers a variety of services to its clients, including servicing of alternative assets, fund and trust administration and online alternative asset portals (collectively, “BEN’s Current Products and Services”). In the future, BEN plans to market retirement funds, custody and clearing of alternative assets, and trustee and insurance services for covering risks attendant to owning or managing alternative assets as well as online portals for the trading of alternative assets (collectively, “BEN’s Future Products and Services”). BEN plans to offer these future services through BEN’s U.S.-based subsidiaries, including trust companies which BEN is in the process of applying to charter in Texas, and (subject to capitalization) through its Bermuda-regulated insurance companies, including PEN Indemnity Insurance Company, LTD and its subsidiaries (collectively, “PEN”). The two anticipated trust companies will exist to provide loans and liquidity products to clients, to serve as custodian and trustee to certain trusts required for loan and liquidity product transactions, and to provide trustee services to BEN’s clients.

BEN operates primarily through its subsidiaries, which provide, or will provide, BEN’s Current and Future Products and Services. These subsidiaries include: (i) Beneficient Capital Company, LLC (“BCC”), which offers loans and liquidity products in the future; (ii) Beneficient Administrative and Clearing Company, LLC (“BACC”), which provides

services for fund and trust administration and plans to administer retirement funds; (iii) PEN, which will offer insurance services; and (iv) ACE Portal, L.L.C. ("ACE Portal"), acquired in 2018, an online portal with related financial technologies; and (v) other non-operating entities.

BEN's primary operations that commenced on September 1, 2017 pertain to its loans and liquidity products where BEN, through its subsidiaries, extend loans collateralized by cash flows from illiquid alternative assets and provide services to the trustees who administers the collateral. BEN's core business products are its ExchangeTrust and LiquidTrust. BEN's clients establish an ExchangeTrust or a LiquidTrust by contributing their alternative asset into the trust. At the same time, BEN, through a subsidiary, extends a loan to a supporting trust structure. The proceeds of that loan are paid to the client from the trust structure. The cash flows from the client's alternative asset support the repayment of the loan, interest, and related fees.

Prior to the commencement of commercial operations on September 1, 2017, as discussed in Note 3, the majority of BEN's operations were primarily related to the establishment and capitalization of the business, development of BEN's Current and Future Products and Services and discontinued operations unrelated to business.

THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of BEN include the accounts of BEN and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation, and the portion of income allocated to owners other than the Company is included in “Net income attributable to noncontrolling interests” in the Consolidated Statements of Operations. All accounts related to divested affiliates are included within the results of discontinued operations for all periods presented.

In addition, BEN consolidates all variable interest entities (“VIE”) in which it is the primary beneficiary. An enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity’s economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (a) whether an entity in which BEN holds a variable interest is a VIE and (b) whether BEN’s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. BEN has a variable interest in certain VIEs included in the trust structure but is not required to consolidate these VIEs as BEN does not have power to direct the activities of the VIEs that most significantly impact the VIE’s economic performance.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States (“U.S.”) (“GAAP”).

Use of Estimates

In preparing the consolidated financial statements, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Statement of Financial Position and revenues and expenses for the period. Actual results could differ from those estimates. Material estimates that are

particularly susceptible to change, in the near term, relate to the determination of the allowance for loan losses and evaluation of potential impairment of long-lived assets.

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand, cash held in banks, and/or money market funds with original maturities of three months or less. Interest income from cash and cash equivalents is recorded in Interest and Fee Income in the Consolidated Statements of Operations.

Loans Receivable

Loans are carried at the principal amount outstanding, net of deferred fees. Loans are demand loans with a maturity date of 12 years. Loans bear contractual interest at the greater of 14% or 1-month LIBOR plus 10% compounded daily. The primary source of repayment for the loans and related fees is cash flows from the alternative assets collateralizing the loans. Interest income on loans is accrued on the principal amount outstanding. Loan origination fees and costs are capitalized and recognized as an adjustment to the yield of the related loan over its estimated life using the retrospective approach of the interest method. The amounts and timing of prepayments are anticipated based on the projected cash flows from the collateral. The effective yield is adjusted as differences between anticipated prepayments and actual prepayments received occur. Interest income is recognized only on the portion of stated interest and amortized fees that are expected to be collected based on current estimates of the amount and timing of the cash flows from the collateral. This could result in recognition of interest income at less than the stated contractual rate.

Allowances for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses in the portfolio. Management's determination of the allowance is based upon an evaluation of the loan portfolio, impaired loans, economic conditions, volume, growth and composition of the collateral to the loan portfolio, and other risks inherent in the portfolio. Management applies risk factors to categories of loans and individually reviews all impaired loans above a de minimis threshold. Management relies heavily on statistical analysis, current net asset value ("NAV") and distribution performance of the underlying alternative asset collateral and industry trends related to alternative asset investments to estimate losses. Management evaluates the adequacy of the allowance by reviewing relevant internal and external factors that affect credit quality.

THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Trust Service and Third Party Administration Fees

BEN earns a portion of its revenues from services provided to the trusts that administer the loan collateral described in Note 1 and administrative fees for the administration of client accounts. Both amounts are generally calculated as a percentage of net asset values of the assets subject to those services and such fees are recorded as revenue as services are performed. See impact of new accounting standard adopted on January 1, 2018 under "Revenue Recognition" below. The below table sets forth the trust service fees and third party administration fees as a percent of total interest and noninterest revenues, net:

	Five Months Ended May 31,	Years Ended December 31,	
	2018	2017	2016
Third party administration revenues	$12,732	$1,222,497	2,049,114
Trust services revenues	8,611,480	5,320,316	
Total fee revenues	8,624,212	6,542,813	2,049,114
Total interest and non interest revenues, net	45,702,880	23,344,778	230,783
Percentage	18.9 %	28.0 %	*NM

* Not Meaningful

Premises and Equipment, net

** Not Meaningful*

Premises and Equipment, net

Premises and equipment, including leasehold improvements, are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, or the terms of the associated operating leases. Gains or losses on disposition are reflected in current income. Normal costs of maintenance and repairs are treated as current expenses in the Consolidated Statement of Operations.

Goodwill, Intangibles and Long-Lived Assets

BEN accounts for goodwill and intangible assets in accordance with ASC 350, Intangibles – Goodwill and Other. The amount of goodwill initially recorded is based on the fair value of the acquired entity at the time of acquisition. Management will perform goodwill and intangible asset impairment testing annually, during the fourth quarter, or when events occur, or circumstances change that would more likely than not reduce the fair value of the acquisition or investment.

Intangible assets are recorded at fair value at the time of acquisitions. Intangible assets include BEN's trust platform, insurance licensing, technology related intangibles, and non-compete agreements. Finite-lived intangibles are stated at cost less accumulated amortization. Amortization is recorded using the straight-line method, which approximates the expected pattern of economic benefit, over the estimated lives of the assets.

The technology related intangibles are projected to be amortized over the estimated useful lives of the assets ranging from five-to-ten years and are evaluated for impairment annually. The trust platform and insurance license intangibles have indefinite lives and are evaluated for impairment annually.

The Company reviews the carrying value of its finite-lived intangible and long-lived tangible assets whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. Factors that would require an impairment assessment include, among other things, a significant change in the extent or manner in which an asset is used, a continual decline in the Company's operating performance, or as a result of fundamental changes in a subsidiary's business condition.

Recoverability of long-lived assets is measured by comparing their carrying amount to the projected undiscounted cash flows the assets are expected to generate. If such assets are considered to be impaired, the impairment loss recognized, if any, is the amount by which the carrying amount of the finite-lived intangible assets exceeds fair value. There were no impairments of finite-lived intangible or long-lived assets during the five months ended May 31, 2018 or the years ended December 31, 2017 and 2016.

THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Discontinued Operations

We record discontinued operations when the disposal of a separately identified component of the entity constitutes a strategic shift that has or will have a major effect on an entity's operations and financial results, as defined in Accounting Standards Codification ("ASC") Topic 205-20, Discontinued Operations ("ASC Topic 205-20").

Income Taxes

The Company and most of its subsidiaries operate in the U.S. as partnerships for U.S. federal income tax purposes. Non-U.S. jurisdictions and certain U.S. entities are corporations for tax purposes. In addition, certain of the wholly owned subsidiaries of the Company will be subject to federal, state, and local corporate income taxes at the entity level and the related tax provision attributable to the Company's share of this income tax is reflected in the consolidated financial statements.

Income taxes are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current and deferred tax liabilities, if any, are recorded within Accounts Payable and Accrued Expenses and Other Liabilities in the Consolidated Statements of Financial Condition.

The Company analyzes its tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. The Company records uncertain tax positions on the basis of a two-step process: (a) determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (b) those tax positions that meet the more likely than not threshold are recognized as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company recognizes accrued interest and penalties related to uncertain tax positions in Other expenses within the Consolidated Statements of Operations.

As of June 1, 2018, December 31, 2017 and 2016 and for the periods then ended, we do not have any deferred tax assets (liabilities), income tax expenses (benefits), or income taxes receivable (payable).

Noncontrolling interest – Redeemable and Non-redeemable

Noncontrolling interests represent the portion of certain consolidated subsidiaries limited partnership interests that are held by third parties. Amounts are adjusted by the noncontrolling interest holder's proportionate share of the subsidiaries' earnings or losses each period and any distributions that are paid. Noncontrolling interests are reported as a component of equity, unless the noncontrolling interest is considered redeemable, in which case the noncontrolling interest is recorded between liabilities and equity (mezzanine or temporary equity) in our Consolidated Statements of Financial Condition. The redeemable noncontrolling interest is adjusted at each balance sheet date to its maximum redemption value if the amount is greater than the carrying value. Changes in our redeemable noncontrolling interests are presented in our Consolidated Statements of Changes in Equity.

Advertising Cost

The Company expenses advertising costs as incurred, which are included in Professional Services. Advertising expenses were de minimis for the five months ended May 31, 2018 and years ended December 31, 2017 and 2016, respectively.

THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue Recognition

On January 1, 2018, BEN adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which was subsequently amended by additional ASUs, including ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) and ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, collectively, "ASU 2014-09 et al." The ASU was adopted using the modified retrospective transition method.

The implementation of the new standard did not have a material impact on the measurement or recognition of revenue; as such, a cumulative effect adjustment to opening retained earnings was not deemed necessary. Results for reporting periods beginning on January 1, 2018 are presented under ASC 606, Revenue from Contracts with Customers, while prior period amounts were not adjusted and continue to be reported in accordance with our historic accounting under ASC 605, Revenue Recognition.

ASC 606 does not apply to revenue associated with financial instruments, including interest income on loans. In addition, certain noninterest income such as fees associated with mortgage servicing rights, late fees, and derivatives are also not in scope of the new guidance. ASC 606 is applicable to noninterest income such as trust service fees and third-party administration fees. However, the recognition of this revenue did not change upon adoption of ASC 606. Substantially all of the Company's revenue is generated from contracts with customers. Noninterest income considered in-scope of ASC 606 is discussed below.

Third Party Administration Fees

Third party administration fees are earned for the administration of third party client accounts. The Company's performance obligation is satisfied over time and the resulting fees are recognized monthly, based generally upon the beginning-of quarter (in advance) net asset value under management and the applicable fee rate, depending on the terms of the contract. Third Party administration fee receivables are recorded on the Consolidated Statements of Financial Condition in the fees receivable line item.

Trust Services Fees

Trust service fees are earned for providing administrative services to trustees for existing liquidity solution clients. The Company's performance obligation under these agreements is satisfied over time as the administration and management services are provided. Fees are recognized monthly based upon the beginning of quarter (in advance) net asset value and the applicable fee rate of the account as outlined in the agreement. Payment frequency is defined in the individual contracts which primarily stipulate billings on a quarterly basis in advance. Trust services fee receivables are recorded on the Consolidated Statements of Financial Condition in the fees receivable line item.

All third party administration and trust services fees on the Consolidated Statements of Operations for the five months ended May 31, 2018 are considered in-scope of ASC 606.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on investments carried at fair value, which are reported as a separate component of equity.

Due from and Due to Affiliates

BEN considers its founder and related entities to be affiliates for accounting purposes. Receivables from and payables to affiliates are recorded at their current settlement amount.

THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Financial Instruments

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*, defines fair value as the exchange prices that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. In accordance with FASB ASC Topic 820, *Fair Value Measurement*, these two types of inputs have created the following fair value hierarchy:

Level 1: quoted prices in active markets for identical assets;

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument; and

Level 3: inputs to the valuation methodology are unobservable for the asset or liability.

This hierarchy requires the use of observable market data when available.

Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Standards Not Yet Adopted

ASU 2016-02, Leases (Topic 842). This standard requires substantially all leases to be recognized by lessees on their balance sheets as a right- of-use asset and a corresponding lease liability but recognize expenses in their income statements in a manner similar to current practice. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The amendments of this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. Although an estimate of the impact of the leasing standard has not yet been determined, BEN does not expect any significant new lease assets and related lease liabilities on the balance sheet due to the limited number of leased assets that BEN currently has that are accounted for under current operating lease guidance.

ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This standard broadens the information that an entity must consider in developing its expected credit loss estimate for loans and other financial assets measured either collectively or individually. This standard becomes effective for annual periods beginning after December 15, 2020.

Current U.S. GAAP delays recognition of credit losses until it is probable a loss has occurred, generally only considering past events and current conditions in measuring the incurred loss. Once implemented, this new standard will eliminate the probable initial recognition threshold and instead, will require the measurement of expected credit losses based on historical experience, current conditions, and reasonable and supportable forecasts covering the entire term of the instrument through contractual maturity. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. This standard requires enhanced disclosures around significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the portfolio. BEN is currently evaluating the provisions of this ASU to determine the potential impact the new standard will have on BEN's consolidated financial statements, once it becomes effective for periods beginning after December 15, 2020.

ASU 2017-04, Goodwill (Topic 350). This standard simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. ASU 2017-04 is effective for annual periods beginning after December 15, 2019 including interim periods within those periods. Management does not expect the adoption of this ASU to have a material impact on our consolidated financial statements and related disclosures.

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3. Initial Capitalization and Organizational Transactions

BEN commenced commercial operations on September 1, 2017, when BEN and MHT Financial, L.L.C. (“MHT Financial”) consummated agreements to lend against the economic rights to several portfolios of alternative assets (collectively, the “Transactions”). The primary closing condition consisted of MHT Financial entering into a Purchase and Sale Agreement with owners of alternative asset funds (family offices, fund-of-funds, and institutions, collectively the “Sellers”) for the acquisition of portfolios of alternative assets (“Exchange Portfolio”) and the subsequent contribution of the Exchange Portfolio by MHT Financial to certain exchange trusts (“Exchange Trusts”) in exchange for common units of BEN of a like value.

The Transactions included:

(i) MHT Financial purchased the Exchange Portfolio at purchase prices set out in schedules to the various Purchase and Sale Agreements (each such agreement, the “PSA”). The purchase price calculations in the PSAs used December 31, 2016 reported net asset values for the Exchange Portfolio and adjusted for cash flows (capital calls and distributions) through the day before the signing of the PSA. In addition, the PSAs included mark-to-market securities, which were valued at the end of business on the day prior to the PSA date. MHT Financial’s aggregate purchase price for the Exchange Portfolio was $489.2 million (the “Exchange Portfolio Purchase Price”);

(ii) BEN extended loans to a supporting trust structure equal to 77% of the Exchange Portfolio Purchase Price with such loans having the cash flows from the Exchange Portfolio as collateral;

(iii) Transfers to the Exchange Trusts of MLP Units issued by BEN in return for loan proceeds equal to 77% of the Exchange Portfolio Purchase Price;

(iv) The contribution of substantially all the remaining tangible and intangible assets held by BEN to its subsidiaries;

(v) An agreement for new notes/loans of approximately $141 million to refinance an existing loan from the founder of BEN; and

(vi)

The distribution by the Company to its founding investor of assets related to certain legacy business activities that would not be involved in the continuing BEN business.

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THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Loans

Loans held by the Company as of June 1, 2018 and December 31, 2017 were originated principally by the initial capitalization transactions discussed in Note 3. These loans are collateralized by the Exchange Portfolio. As described in Note 5, the loans were adjusted to fair value due to push down of purchase accounting as of June 1, 2018. Accordingly, there was no carryover related deferred fees and allowance for loan losses. Components of the carrying value of the loans were as follows for the periods presented below.

	Successor As of June 1, 2018	Predecessor As of May 31, 2018	As of December 31, 2017	As of December 31, 2016
Loans receivable	$581,863,529	$623,182,096	$404,121,509	$ —
Deferred fees	—	(39,279,836)	(34,014,363)	—
Allowance for loan losses	—	(2,038,731)	(679,651)	—
Loans receivable, net	$581,863,529	$581,863,529	$369,427,495	$ —

The following table summarizes activity related to the loans held by the Company for the five months ended May 31, 2018 and for the years ended December 31, 2017 and 2016, respectively:

	Five Months Ended May 31, 2018	Years Ended December 31, 2017	Years Ended December 31, 2016
Beginning balance	$404,121,509	$—	$ —
Originations	188,946,217	389,377,575	—
Interest - paid in kind	36,061,316	18,410,821	—
Adjustments to interest	(5,946,946)	(3,666,887)	—
Principal collections	—	—	—
Ending balance	$623,182,096	$404,121,509	$ —

The changes in the allowance for loan losses are as follows:

	Five Months Ended May 31,	Years Ended December 31,	
	2018	2017	2016
Beginning balance	$679,651	$—	$ —
Provision	1,359,080	679,651	—
Charge-offs and other, net	—	—	—
Ending balance	$2,038,731	$679,651	$ —

BEN recognizes the charge-off in the period in which it arises for its collateral dependent loans. Therefore, impaired collateral dependent loans are written-down to their estimated net realizable value, based on disposition value.

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5. Acquisitions

Through the initial capitalization transactions described in Note 3, a third party institutional investor held an indirect interest in all or substantially all of the outstanding Common Units of BEN through the Exchange Trusts. On May 31, 2018, the limited liability company agreement of BMLLC was amended and certain proxies were granted that reduced certain rights of our founder, including removing the right to appoint a majority of the board of directors, finalizing a change-of-control event. BEN applied pushdown accounting under ASC 805-50-25-8 due to the acquisition of BMLLC.

In connection with the change-of-control event, the enterprise value and the estimated fair value of identifiable assets acquired and liabilities assumed as of the date of the change-of-control transaction are summarized in the following table:

Equity Value Allocated To:	
Common Units	$746,708,390
Class S Units	136,824,500
Non-Participating Convertible Series A	1,093,799,961
Total equity value	1,977,332,851
Assets:	
Trust platform	882,000,000
Technology platform	60,500,000
Insurance licenses	3,100,000
Loans receivable	581,863,529
Fees receivable	37,803,959
Due from unconsolidated affiliates	911,177
Cash and cash equivalents	7,813,216
Other receivables and other assets	11,345,312
Total assets	1,585,337,193
Liabilities:	
Accounts payable and accrued expenses	5,420,109
Due to unconsolidated affiliates	294,594
Other liabilities and deferred income	38,054,786
Related party debt	126,850,582
Total liabilities	170,620,071
Net assets	1,414,717,122
Goodwill resulting from the change of control	$562,615,729

Methods Used to Determine Equity Value and to Fair Value Assets and Liabilities

The following is a description of the valuation methodologies used to estimate the fair value of equity and the fair values of major categories of assets acquired and liabilities assumed. In many cases, determining the fair value of equity and the acquired assets and assumed liabilities required management to estimate cash flows expected from those assets and liabilities and to discount those cash flows at appropriate rates of interest. This required the utilization of significant estimates and management judgment in accounting for the transaction.

Equity: The values for each equity component were calculated after determination of an overall enterprise value for the Company. The enterprise value of the Company was determined using the OPM Backsolve approach under the market method. The OPM Backsolve approach uses a Black-Scholes option pricing model to calculate the implied equity value of the firm. Once an overall equity value was determined, amounts were allocated to the various classes of equity based on the security class preferences.

Cash and cash equivalents: The estimated fair values of cash and cash equivalents approximate their stated value.

Loans receivable: The loan portfolio was valued based on current guidance which defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Level 3 inputs were utilized to value the loan portfolio and included the use of present value techniques employing cash flow estimates and incorporated assumptions that marketplace participants would use in estimating fair values, specifically market interest rate and general credit fair value assumptions. In instances where reliable market information was not available, management used assumptions in an effort to determine reasonable fair value. There was no carryover related allowance for loan losses.

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Trust platform: The trust platform was valued using the excess earnings approach under the income method. Under this methodology, projected cash flows associated with the trust platform were discounted back to present value using a discount rate consistent with that market participants would use in estimating fair value. Level 3 inputs were utilized in estimating the projected cash flows and in developing the appropriate discount rate.

Technology related: The technology asset was valued using the royalty saving approach under the income method. Under this methodology the value of the technology is estimated by capitalizing the royalties saved because of the ownership of the technology. Level 3 inputs were utilized in estimating the projected cash flows and in developing the appropriate discount rate.

Insurance license: The insurance license asset was valued using the guideline transactions approach under the market method. The recent transactions approach indicates the value of an asset by deriving multiples from recent transactions involving similar assets.

Related Party Debt: The fair value of the related party debt approximates the carrying value of the debt based on the recent issuance of the debt, its variable interest rate, and the short remaining term.

As of June 1, 2018, the accounting for the estimates of fair value of loans and intangibles was incomplete. BEN is in the process of finalizing information that will allow management to better estimate fair values that existed as of June 1, 2018. When this information is obtained, management anticipates potential adjustment to the provisional fair value assigned to loans and intangibles. This adjustment will result in corresponding adjustments to goodwill. The adjustments will be recorded in the period in which the new information is obtained and reviewed.

On February 12, 2018, BCH purchased the assets and certain liabilities of ACE Portal, Inc. in exchange for $0.02 million in cash and 202,450 shares of Class S Ordinary units. In a separate and concurrent transaction, BCH also acquired the personal goodwill of a certain key executive from ACE Portal, Inc. for consideration including earnout payments of up to 200,063 Class S Ordinary units based primarily on the achievement of certain revenue targets over the next 5 years, contingent payments of up to 803,185 Class S Ordinary units based primarily on achievement of certain operational milestones, and conditional payments of up to 227,041 Class S Ordinary Units based primarily on the passage of time and achievement of certain milestones.

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In connection with the ACE Portal, Inc. acquisition, the following table details the consideration paid, the initial estimated fair value of identifiable assets acquired and liabilities assumed as of the date of acquisition and the resulting goodwill recorded:

Consideration Paid:	
Cash consideration	$20,000
Equity consideration	2,024,500
Contingent liability	4,010,952
Total value of consideration	6,055,452
Assets Acquired:	
Developed technology	1,328,925
Non-compete agreement	656,016
Other assets	11,996
Total assets	1,996,937
Liabilities Assumed:	
Accounts payable	131,844
Other liabilities	691,186
Total liabilities	823,030
Net assets acquired	1,173,907
Goodwill resulting from the acquisition of ACE Portal, Inc.	$4,881,545

As of June 1, 2018, the accounting for the estimates of fair value for contingent consideration and developed technology acquired in the ACE Portal, Inc. acquisition was incomplete. BEN is in the process of finalizing information that will allow management to better estimate fair values that existed as of February 12, 2018. When this information is obtained, management anticipates potential adjustment to the provisional fair value assigned to the total purchase price and to the developed technology. These adjustments will result in corresponding adjustments to goodwill. The adjustments will be recorded in the period in which the new information is obtained and reviewed.

6. Discontinued Operations

As part of the initial capitalization and organization transactions discussed in Note 3, the Company assigned certain limited partnership entities to the Company’s founder effective as of September 1, 2017. These entities were deemed unrelated to the Company’s future business operations.

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For the year ended December 31, 2017 and 2016, loss from discontinued operations is comprised of the following:

	Year Ended December 31,	
	2017	2016
Interest, fee and dividend income		
Interest and fee income	$-	$-
Dividend income	-	-
Total interest, fee, and dividend income	-	-
Interest expense	-	-
Net interest, fee, and dividend income after provision for loan losses	-	-
Provision for loan losses	-	-
Net interest, fee and dividend income after provision for loan losses	-	-
Non-interest revenues		
Third party administration revenues	4,410	-
Trust services revenues	-	-
Other revenues	6,053	9,093
Total non-interest revenues	10,463	9,093
Total interest and non interest revenues, net	10,463	9,093
Non-interest expenses		
Salaries and employee benefits	118,529	190,139
Professional services	68,979	145,961
Occupancy and equipment	3,281,004	4,981,435
Loan origination expenses	-	-
Other expenses	303,494	739,403
Total non-interest expenses	3,772,006	6,056,938
Income (loss) from discontinued operations before income taxes	(3,761,543)	(6,047,845)
Income tax expense (benefit)	-	-
Income (loss) from discontinued operations	$(3,761,543)	$(6,047,845)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The carrying amounts of assets and liabilities of discontinued operations in our Consolidated Statements of Financial Condition were as follows:

	December 31, 2016
Assets	
Cash and cash equivalents	138,772
Other assets	50,433
Investment in unconsolidated affiliates	362,249
Due from unconsolidated affiliates	597,277
Premises and equipment, net (cost of $78,460,893)	60,945,301
Total assets of discountinued operaions	$62,094,032
Liabilities	
Accounts payable	120,436
Due to unconsolidated affiliates	92,023
Total liabilities of discontinued operations	$212,459

In accordance with ASC Topic 205-20, additional disclosures relating to cash flow are required for discontinued operations. Cash flow information related to discontinued operations for the years ended December 31, 2017 and 2016 is as follows:

	Year Ended December 31,	
	2017	2016
Operating cash flow data:		
Depreciation and amortization	$2,932,514	$4,286,511
Investing cash flow data:		
Purchases of premises and equipment	-	1,877,423

7. Premises and Equipment, Net

Premises and equipment consist of the following:

	Successor	Predecessor	
	As of June 1,	As of December 31,	
	2018	2017	2016
Leasehold improvements	$-	280,863	$362,078
Furniture, fixtures, and equipment	34,045	864,919	864,919
Computer hardware and software	35,248	628,330	577,540
Other	77,634	77,634	77,634
Subtotal	146,927	1,851,747	1,882,171
Less: accumulated depreciation and amortization	-	(1,800,976)	(1,802,363)
Premises and equipment, net	$146,927	50,771	$79,808

Depreciation and amortization expense related to premises and equipment was $0.01 million, $2.9 million and $4.3 million for the five months ended May 31, 2018 and for the years ended December 31, 2017 and 2016, respectively.

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8. Related Party Debt

On September 1, 2017, the Company, through its BCC subsidiary, entered into a loan agreement (“New Loan Agreement”) to refinance its existing loans (“Old Loan Agreements”) and other payables with its founder or related entities. The aggregate principal amount borrowed was $141.0 million on a total advance commitment amount of $146.0 million. The advance commitment period expired on January 19, 2018 and no further borrowings were made by the Company. Borrowings, once repaid, cannot be reborrowed. The New Loan Agreement accrues interest at a rate of 1-month Libor plus 3.95% and is compounded on a daily basis. Interest payments are due by the 15th of the month and are paid in kind through June 30, 2018. The New Loan Agreement has a scheduled maturity of December 31, 2018. The provisions of the agreement require partial mandatory prepayments if i) the ratio of the sum of total outstanding debt plus accrued interest divided by the market value of eligible underlying investments exceeds 50%, ii) total borrowings during the commitment period exceed the total advance commitment, or iii) on the date that the first funds are received in trust related to the transactions described in Note 3 from any distribution or other amounts received from the collateral underlying the loans receivable balances, $25,000,000 is required to be repaid. The loan agreement is guaranteed by affiliates of BCC as borrower. The New Loan Agreement contains standard provisions, including customary events of default and termination. We anticipate retiring the New Loan Agreement prior to its maturity on December 31, 2018, with proceeds from another capital source. If necessary, we will refinance the New Loan Agreement with the current lender through at least December 31, 2019.

The New Loan Agreement is reported in the Consolidated Statements of Financial Condition net of unamortized deferred issuance costs of $0.6 million and $1.1 million as of June 1, 2018 and December 31, 2017, respectively. A principal payment in the amount of $25 million was required under a provision of the loan agreement in the first quarter of 2018 and the deferred issuance costs of $1.5 million were paid in July 2018.

Old Loan Agreements include a series of six loan agreements transacted with the founder or entities related to the founder between 2005 and 2007. The Old Loan Agreements were payable upon demand and did not require any periodic payments. The Old Loan Agreements accrued interest at rates between 4.19% and 4.94% and were compounded on a daily basis. Interest payments accrued to the principal balance and were payable upon demand. The Old Loan Agreements contained standard provisions, including customary events of default and termination.

The Old Loan Agreements had a balance of $49.4 million as of December 31, 2016 excluding other payables. This balance included outstanding principal and interest paid in kind. The balance of the Old Loan Agreements and other payables to the founder were refinanced into the New Loan Agreement in 2017.

9.Equity

Below is a description of the outstanding classes of equity of the Company, including quasi equity amounts that are required to be reported as temporary equity between the liabilities and equity sections on the Consolidated Statements of Financial Condition. The Company's governing documents authorize the issuance of additional classes of equity. All equity interests are limited partnership interests.

Common Units

In 2017 and 2018, BEN issued 74.67 million common units, which were all outstanding at June 1, 2018. As limited partner interests, these units are generally non-voting and do not entitle the limited partner to participate in the management of the Company's business and affairs. For each common unit issued by BEN, BCG owns one unit of the Class A issued by BCH. The Class A unit is entitled to share in the profits of the Company.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Noncontrolling Interests:

Non-Participating Convertible Series A (NPC Series A)

BCH, a consolidated subsidiary of BEN, had non-unitized shares outstanding as of June 1, 2018 with an initial nominal value of $318,355,401 on the issue date of September 1, 2017. The NPC Series A Unit accounts are non-participating, convertible units entitled to a quarterly preferred return based on a fraction (i) the numerator of which is (A) the positive percentage rate change, if any, to the seasonally adjusted CPI-U covering the period including the calculation date, as published on the calculation date, plus (B) (x) 2% prior to an initial public offering by BEN and (y) 3% thereafter, and (ii) the denominator of which is 1 minus the highest effective marginal combined U.S. federal, state and local income tax rate in effect as of the beginning of the fiscal quarter for which such determination is being made for an individual resident in New York City, New York, assuming (1) that the aggregate gross income allocable with respect to the quarterly preferred return for such fiscal year will consist of the same relative proportion of each type or character (e.g., long term or short term capital gain or ordinary or exempt income) of gross income item included in the aggregate gross income actually allocated in respect of the quarterly preferred return for the fiscal year reflected in the BEN Group Partnership's most recently filed IRS Form 1065 and (2) any state and local income taxes are not deductible against U.S. federal income tax. The weighted average preferred return rate for the period from September 1, 2017 to December 31, 2017 and for the period from January 1, 2018 to May 31, 2018, was approximately 6.9% and 7.4%, respectively. No amounts have been paid to the NPC Series A holders related to the preferred return through June 1, 2018.

Following certain events (generally, the earlier of (i) 48 months after the initial transactions described above in Note 3 are complete and (ii) the later of (x) one year after an initial public offering, and (y) the day after the date on which the last "trade" price of the Units is above $14.00) and subject to certain constraints, NPC Series A Unit accounts, in whole or in part, may be converted into Class S Ordinary units on a quarterly basis. The NPC Series A Unit accounts are subject to certain other conversion and redemption provisions.

Upon an election, a holder of NPC Series A Unit will be issued Class S Ordinary units necessary to provide the holder with a number of Class S Ordinary units that, in the aggregate, equal (a) the balance of the holder's capital account associated with the NPC Series A Unit accounts being converted divided by (b) either (x) prior to an initial public offering, the appraised per-Class A unit fair market value as determined by BEN and (y) following an initial public offering, the average price of a Unit for the thirty (30)-day period ended immediately prior to the applicable conversion date. The holder of such newly issued Class S Ordinary units may immediately convert them into

Common Units. Additionally, effective December 31, 2030, if the accounts have not been converted, they will redeem for cash in an amount equal to the then-outstanding capital account balance of the accounts. The NPC Series A Unit accounts are subject to certain other conversion and redemption provisions.

The NPC Series A units are recorded on the statement of financial condition in the redeemable noncontrolling interest line item.

Class S Ordinary Units

In 2017, BEN issued 13.48 million Class S Ordinary units, which were all outstanding at June 1, 2018. Additional Class S Ordinary units were issued as part of the consideration in the ACE acquisition discussed in Note 5. The Class S Ordinary units participate on an as-converted basis pro-rata in the share of the profits or losses of the combined business following all other allocations made by BCH and its subsidiaries. As limited partner interests, these units are generally non-voting and do not entitle participation in the management of the Company's business and affairs. The Class S Ordinary units are exchangeable for common units in BEN on a 1-for-1 basis, subject to customary conversion rate adjustments for splits, distributions and reclassifications, as well as compliance with any applicable vesting and transfer restrictions. Each conversion also results in the issuance to BEN of a Class A unit for each Unit issued.

The Class S Ordinary units are recorded on the statement of financial condition in the noncontrolling interest line item.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Class S Preferred Units

The Class S Preferred units are entitled to a quarterly preferred return based on a fraction (i) the numerator of which is (A) the positive percentage rate change, if any, to the seasonally adjusted CPI-U covering the period including the calculation date, as published on the calculation date, plus (B) 0.75 percent, and (ii) the denominator of which is 1 minus the highest effective marginal combined U.S. federal, state and local income tax rate in effect as of the beginning of the fiscal quarter for which such determination is being made for an individual resident in New York City, New York, assuming (1) that the aggregate gross income allocable with respect to the quarterly preferred return for such fiscal year will consist of the same relative proportion of each type or character (e.g., long term or short term capital gain or ordinary or exempt income) of gross income item included in the aggregate gross income actually allocated in respect of the quarterly preferred return for the fiscal year reflected in the BEN Group Partnership's most recently filed IRS Form 1065 and (2) any state and local income taxes are not deductible against U.S. federal income tax. The Class S Preferred units also participate on an as-converted basis pro-rata in the share of the profits or losses of the combined business following all other allocations made by BCH and its subsidiaries. As limited partner interests, these units are generally non-voting and do not entitle participation in the management of the Company's business and affairs. The Class S Preferred units are exchangeable for common units in BEN on a 1.2-for-1 basis, subject to customary conversion rate adjustments for splits, distributions and reclassifications, as well as compliance with any applicable vesting and transfer restrictions. Each conversion also results in the issuance to BEN of a Class A unit for each Unit issued.

No Class S Preferred Units have been issued through June 1, 2018.

FLP Unit Accounts (Subclass 1 and Subclass 2)

FLP Unit Accounts (Subclass 1 and Subclass 2) are capital accounts related to an incentive plan and are entitled to (1) a 15% profits interest on the financing and other tax pass-through businesses of BEN (BCC and PEN) and (2) a net service fee revenue interest on BEN's fee generating businesses (BACC and PEN Insurance Management Advisors, Ltd.), in each case calculated separately. The net service fee revenue interest for an entity is equal to the total revenues of the entity multiplied by the lower of (i)(x) the EBITDA of the entity divided by the total revenues of the entity (not less than zero) minus (y) 0.20 or (ii) 0.50. Amounts allocated to the FLP Unit Accounts are reinvested equally in additional Class S Ordinary units and Class S Preferred units on a quarterly basis at a price equal to the book value (if the Units are not listed on a national securities exchange) or, if the Units are listed on a national securities exchange, the closing price of the Units on such exchange on the date of allocation, thereby creating additional Class S Ordinary

units and Class S Preferred units. No income was allocated to the FLP Unit Accounts through May 31, 2018. In the event the BEN Group Partnership is sold or liquidated, following distribution of proceeds to the NPC Unit Accounts, Class S Preferred units, Class S Ordinary units and Class A Units to the extent of the balance of their capital accounts, remaining distributions will include distributions to the Subclass 1 FLP Unit Accounts reflecting in substantial economic part the profits interests and net revenue interests otherwise applicable to the FLP Unit Accounts.

10. Fair Value Measurements

Fair value is estimated based on a hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy prioritizes the inputs to valuation techniques into three broad levels whereby the highest priority is given to Level 1 inputs and the lowest to Level 3 inputs.

Level 1 - Quoted prices for identical instruments in active markets that the reporting entity has the ability to access as of the measurement date.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable market data.

THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Level 3 - Valuations for instruments with inputs that are unobservable, are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such instruments.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

BEN has no significant assets or liabilities measured at fair value on a recurring basis as of June 1, 2018, December 31, 2017 or 2016. Additionally, there were no assets or liabilities measured at fair value on a non-recurring basis as of June 1, 2018, December 31, 2017 or December 31, 2016, other than those described in Note 5.

BEN is required to disclose the estimated fair value of financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate those values. These fair value estimates are made at December 31 based on relevant market information and information about the financial instruments. Fair value estimates are intended to represent the price at which an asset could be sold or the price at which a liability could be settled. However, given there is no active market or observable market transactions for many of BEN's financial instruments, BEN's estimates of many of these fair values are subjective in nature, involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimated values. Nonfinancial instruments are excluded from disclosure requirements.

The following methods and assumptions were used by BEN in estimating its fair value disclosures for each class of financial instruments:

Cash and Cash Equivalents

The carrying amounts reported in the statements of financial condition for cash and cash equivalents approximate those assets' fair values.

Loans Receivable

Fair values of loans receivable are estimated using discounted cash flow analyses and market interest rates offered for loans with similar terms on collateral with similar underwriting characteristics.

Fees Receivable

The carrying value of fees receivable generally approximates fair value because of the relatively short period of time between their origination and realization.

Related Party Debt

The measurement of the fair value of debt is based on market prices that generally are observable for similar liabilities at commonly quoted intervals and is considered a Level 2 fair value measurement.

THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Carrying Amounts and Estimated Fair Values

The carrying amounts and estimated fair values of the Company's financial instruments at December 31 were as noted in the table below. The Company's financial instruments were recorded at fair value in the Consolidated Statements of Financial Condition as of June 1, 2018 as part of the application of pushdown accounting under ASC 805-50-25-8 as described in Note 5.

	Year ended December 31, 2017		
	Level in fair value hierarchy	**Carrying amount**	**Estimated fair value**
Financial assets:			
Cash and cash equivalents	1	$554,837	$554,837
Loans receivable, net of deferred fees and allowance for loan losses	3	369,427,495	369,427,495
Financial liabilities:			
Related party debt	2	151,770,410	151,770,410

	Year ended December 31, 2016		
	Level in fair value hierarchy	**Carrying amount**	**Estimated fair value**
Financial assets:			
Cash and cash equivalents	1	$7,731,234	7,731,234
Financial liabilities:			
Related party debt	2	49,370,185	49,370,185

11. Related Parties

Relationship with Beneficient Management Counselors, L.L.C.

The limited liability company agreement for BMLLC provides that Beneficient Management Counselors, L.L.C. ("BMC"), wholly-owned by one of several affiliated trusts related to our founder (each an "Affiliated Trust"), will determine the directors who will fill 20% of the Board seats to represent the founders. BMC is also entitled to select

(a) 50% of the membership of the general partner's Nominating Committee and Executive Committee, (b) two of the three members of the Charitable Contributions Sub-Committee of the Executive Committee, and (c) the chair of each of these three committees of the Board. Certain minority protection decisions are delegated to the Executive Committee for majority approval. Certain decisions with respect to BEN's charitable giving program are delegated to the Charitable Contributions Sub-Committee for majority vote approval. Decisions regarding appointment and removal of BMC's directors are delegated, with certain exceptions, to the Nominating Committee. Provided that a "triggering event" (as defined in BMC's limited liability company agreement) has occurred, in the event of a tie vote of the Nominating Committee, the chairman of the Nominating Committee, who is our founder, may cast the tiebreaking vote.

Services Agreement with Bradley Capital Company, L.L.C.

Bradley Capital Company, L.L.C. ("Bradley Capital") and BMC entered into an agreement with BEN and BCH effective June 1, 2017 (the "Bradley Capital Agreement"). Bradley Capital is indirectly owned by an Affiliated Trust. Under the Bradley Capital Agreement, Bradley Capital is entitled to a base fee of $375,000 per quarter for consulting services provided by an executive of Bradley Capital, which may include our founder, together with a supplemental fee of $149,375 per quarter to cover staff employment and related costs associated with the provision of such services. The base fee may be increased up to two times the initial base fee per quarter if the scope of the services is expanded. Our founder, who also serves as our CEO and Chairman of BMLLC's board of directors, receives an annual salary from the Company of $130,000. The Bradley Capital Agreement also includes a payment from BEN of $37,500 per quarter to cover on-going employee costs for retired and/or departed employees of predecessor entities prior to 2017 which on-going costs were assumed by Bradley Capital, as well as a further payment to Bradley Capital in respect of the cost of health and retirement benefits for current employees of Bradley Capital. BEN is also required to reimburse Bradley Capital for out-of-pocket expenses incurred by Bradley Capital employees, including reimbursement for travel. The Bradley Capital Agreement requires BEN to reimburse Bradley Capital or its affiliates for taxes, fees, and expenses, including legal fees and related costs, relating to the contributions by affiliates of Bradley Capital of equity or debt interests in BEN to public charitable trusts in connection with the Exchange Trusts, as well as the contribution of beneficial interests in client trusts administered by BEN. Payments by BEN to Bradley Capital and its affiliates are guaranteed and subject to enforcement by the state courts in Delaware in the event of default. The Bradley Capital Agreement extends through July 2021, with an annual one-year renewal provision thereafter. The Bradley Capital Agreement may be terminated by unanimous approval of the Board's executive committee, or without such approval if the affiliated trusts related to our founder no longer holds $10 million of BEN's securities. During the five months ended May 31, 2018 and for the year ended December 31, 2017, the Company recognized expenses totaling $625,000 and $749,166 related to this services agreement, respectively.

THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Services Agreement with Beneficient Holdings, Inc.

The Beneficient Management Group (USA), L.L.C. (“Beneficient USA”), a subsidiary of BCH, entered into a Services Agreement with Beneficient Holdings, Inc. (“BHI”) effective July 1, 2017 (the “BHI Services Agreement”). BHI is indirectly owned by an Affiliated Trust and is an affiliate of BEN. BHI pays an annual fee of $30,000 to BEN for the provision of trust administration services for an Affiliated Trust and all trusts affiliated with its family trustee as that term is defined in the governing documents for an Affiliated Trust. The term of the BHI Services Agreement extends for the longer of (i) five years past the expiration or termination of the Bradley Capital Agreement, or (ii) seven years after the family trustee of the Affiliated Trust is no longer a primary beneficiary of any trust affiliated with the family trustee. During the five months ended May 31, 2018 and for the year ended December 31, 2017, the Company recognized income totaling $15,000 and $12,500 related to this services agreement.

Administrative Services Agreement between Constitution Private Capital Company, L.L.C. (“Constitution”) and Beneficient USA.

Constitution was founded in 1986 as a registered investment advisor and acquired by an affiliate of our founder in 1996. Constitution is no longer a registered investment advisor. Constitution currently manages three private equity funds of-funds and is an affiliate of BEN. Effective January 1, 2017, Constitution entered into an Administrative Services Agreement (the “ASA”) with Beneficient USA, which is wholly owned by BACC, whereby Beneficient USA provides personnel for administering the portfolio assets advised by Constitution. Under the ASA, Constitution pays to Beneficient USA a monthly fee equal to .01% of the month-end net asset of its portfolio. The ASA automatically renews on an annual basis, but may be terminated at any time by Constitution. Beneficient USA may only terminate the ASA in the event of a breach by Constitution. During the five months ended May 31, 2018 and for the year ended December 31, 2017, the Company recognized income totaling less than $1.0 thousand related to this services agreement.

Preferred Provider Liquidity Agreement with Constitution.

BEN has entered into an agreement with Constitution (the “Preferred Provider Agreement”) under which BEN and its affiliates will charge Constitution market rates and market-based fees and expenses to underwrite investment funds managed by Constitution and fix an advance rate for those investment funds of not less than 77% of NAV. At

Constitution's option, BEN and its affiliates will provide liquidity to the previously underwritten investment funds managed by Constitution at the previously fixed advance rate. The Preferred Provider Agreement may be terminated at any time for any reason either by Constitution or by unanimous consent of BEN's executive committee. BEN and Constitution have not contracted for any liquidity under this agreement through June 1, 2018.

Relationship with The Heppner Endowment for Research Organizations, L.L.C. and Research Ranch Operating Company, L.L.C (collectively "HERO").

HERO is owned indirectly by an Affiliated Trust and advises on the recipients of research grants, and administration of the charitable contributions, made as part of a transaction establishing an ExchangeTrust or LiquidTrust. HERO, along with charitable organizations (all of which are Texas university endowments and Texas foundations), receives funding from initial contributions to trusts settled and funded by clients of BEN to fund research projects and the facilities and properties for those research projects, which are owned by a trust controlled by our founder. HERO is granted such rights and authority pursuant to each trust instrument liquidity product entered into between a client and affiliates of BEN. BEN's affiliates provide financing to the trusts established by the clients and BEN or its executives are paid trustees of the trusts and provide services to the trusts. BEN has certain outstanding payables of approximately $4.7 million as of June 1, 2018 and $7.6 million as of December 31, 2017 to HERO and the Texas university endowments and foundations. Payments of $6.7 million were made during the five months ended May 31, 2018. No amounts were paid in 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Relationship with HCLP Nominees, L.L.C. and Highland Consolidated, L.P.

BCC is the borrower of up to $146 million under Old Loan Agreements entered into December 23, 2005, and refinanced on September 1, 2017, with HCLP Nominees, L.L.C., a Delaware limited liability company affiliated with Beneficient Holdings, Inc. as noted in Note 7. As of June 1, 2018, $121.6 million of debt, including paid-in-kind interest was outstanding. During the five months ended May 31, 2018, BEN repaid a $1.5 million short term payable with HCLP Nominees, L.L.C. This payable was reflected in Other Liabilities in the Consolidated Statements of Financial Condition as of December 31, 2017.

Highland Consolidated, L.P., a Delaware limited partnership controlled by affiliates of BEN, including our founder, contributed certain of its alternative assets to BEN in return for $10,000 of Class S Ordinary Units.

Consulting Agreement between BEN and Hicks Holdings LLC.

BEN entered into a 10-month consulting agreement effective September 1, 2017 with Hicks Holdings LLC (“Hicks Holdings”), an affiliate of our board of director Thomas O. Hicks. Under the agreement, Hicks Holdings received consulting fees of $416,667 for the first three months and $250,000 per month thereafter through the termination on June 30, 2018. Hicks Holdings provided advisory and consulting services to BEN under the agreement in connection with, among other things, dispositions of investments, business and investment strategy, and portfolio performance. During the five months ended May 31, 2018 and for the year ended December 31, 2017, the Company recognized expense totaling $1.9 million and $1.5 million related to this service agreement. All amounts owed were paid in 2018.

Services provided by representatives of BEN and the trusts associated with the loans

An employee of BEN and another individual currently serve as co-trustees for the LiquidTrusts and certain of the other trusts in the associated trust structure that are created at origination for each of our loans. BEN earns trust service fee and interest income from these trusts. This employee receives no compensation for his services as co-trustee.

12. Risk and Uncertainties

The Company is subject to risks related to markets, credit, and interest rate. The Company issues loans that are subject to repayment risk and interest rate risk. The Company has underwriting procedures and utilizes market rates. As of June 1, 2018, all of the Company's loans are collateralized by the cash flows originating from alternative assets without recourse to the client. The Company mitigates repayment risk through the trust structure whereby cash flows from a collective pool of alternative assets can be utilized to repay loans when cash flows from the client's original alternative assets are not sufficient to repay the loan principal and contractual interest and fees.

13. Litigation and Contingencies

In the normal course of business, we have various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements.

Lease Commitments

We have entered into non-cancelable operating lease agreements for premises and equipment with expiration dates through the year 2021. Certain lease arrangements contain options to extend terms and are subject to escalation clauses. Our premises are used principally for administrative operations. Rental expense for our premises for five months ended May 31, 2018 and for the years ended December 31, 2017 and 2016 totaled $39.2 thousand, $96.5 thousand and $82.6 thousand, respectively.

THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future rent expense for non-cancelable operating leases for the seven months after May 31, 2018 and for the calendar years thereafter are as follows:

2018	$215,905
2019	320,580
2020	245,190
2021	144,994
Total	$926,668

Loan Commitments

The Company had $81.3 million of gross potential loan commitments as of June 1, 2018 representing potential limited partner capital funding commitments on the alternative asset fund collateral to our loans above any cash reserves. The trust holding the interest in the limited partnership for the alternative asset fund is required to fund these limited partner capital commitments per the terms of the limited partnership agreement. Capital funding commitment reserves are maintained by the associated trusts created at the origination of each loan for up to $100,000. To the extent that the associated trust cannot pay the capital funding commitment, the Company is obligated to lend sufficient funds to meet the commitment. Any amounts loaned by the Company for these limited partner capital funding commitments above the associated capital funding commitment reserves held by the associated trusts are added to the loan balance and expected to be recouped through the cash distributions from the alternative asset fund collateral.

Commitments on loans generally originate from limited partner agreements having fixed or expiring expiration dates. The total limited partner capital funding commitment amounts may not necessarily represent future cash requirements. We consider the creditworthiness on a case-by-case basis. At June 1, 2018, our reserves for losses on unused commitments to fund potential limited partner capital funding commitments was nil.

14. Supplemental Cash Flow Information

Cash paid for interest and income taxes for the five months ended May 31, 2018, and for the years ended December 31, 2017 and 2016 were de minimus.

Supplemental disclosure of noncash investing and financing activities include:

2016 - None

2017 - $502.4 million of common stock of BEN was issued in return for $386.9 million of loans receivable and a dilution to the founder's holding of NPC Series A units in the amount of $115.5 million.
- $134.8 million of Class S Ordinary units of BCH were issued in return for dilution to the founder's holdings of NPC Series A units in the amount of $134.8 million.
- Founder's holdings of NPC Series A units in the amount of $141.0 million were diluted by the transfer of debt in the amount of $141.0 million.
- Founder's holdings of NPC Series A units in the amount of $3.3 million were diluted by the assignment out of interest in a limited partnership with a deficit in partners' capital.

2018 - $244.3 million of common stock of BEN was issued in return for $188.1 million of loans receivable and a dilution to the founder's holding of NPC Series A units in the amount of $56.2 million.
- $2.0 million of Class S Ordinary units were issued in connection with the acquisition of ACE.

15. Subsequent Events

The Company evaluated the effects of events that have occurred subsequent to June 1, 2018.

On January 12, 2018, BEN entered into a Master Exchange Agreement, as amended from time to time (the "MEA"), with GWG Holdings, Inc., a Delaware corporation ("GWG"), and GWG Life, LLC, a Delaware limited liability company and wholly owned subsidiary of GWG ("GWG Life" and, collectively with GWG, the "GWG Parties"); and the Exchange Trusts (as defined in Note 3), by which the Exchange Trusts agreed to transfer the common units it held in BEN to the GWG Parties and received assets including cash, GWG stock, and GWG debt. In August 2018, BEN and the GWG Parties executed a third amended MEA and completed an initial transfer under which BEN issued debt to GWG totaling $362.9 million and purchased $50 million of GWG preferred stock. BEN used the loan proceeds, existing cash on hand, and the GWG preferred stock to redeem $512.9 million of BEN common units from the Exchange Trusts.

THE BENEFICIENT COMPANY GROUP, L.P.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	Successor As of September 30, 2018 (Unaudited)	Predecessor As of December 31, 2017
ASSETS		
Cash and cash equivalents	$ 7,458,415	$ 554,837
Fees receivable	25,666,345	46,110,290
Loan receivables, net of deferred fees	432,633,094	370,107,146
Less: allowance for loan losses	(2,029,018)	(679,651)
Net loans receivable	430,604,076	369,427,495
Investment in unconsolidated affiliates	-	29,272
Due from unconsolidated affiliates	1,125,113	744,215
Other assets	4,313,052	339,869
Premises and equipment, net	238,615	50,771
Intangibles, net		
Trust platform	882,000,000	-
Technology related	60,282,584	-
Other intangibles	3,100,000	-
Goodwill	567,497,274	-
Total Assets	$ 1,982,285,474	$ 417,256,749
LIABILITIES		
Accounts payable and accrued expenses	$ 3,738,745	$ 7,193,008
Due to unconsolidated affiliates	856,727	42,527
Other liabilities	9,591,128	6,546,188
Debt	367,273,747	-
Debt due to related parties	129,418,257	151,770,410
Total Liabilities	510,878,604	165,552,133
Redeemable noncontrolling interest	1,098,362,018	(390,068,686)
EQUITY		
Partners' capital:		
Common units	234,398,652	505,786,367
Accumulated other comprehensive income (loss)	(27,048)	254,904
Total The Beneficient Company Group, L.P. owners' equity	234,371,604	506,041,271
Noncontrolling interest	138,673,248	135,732,032
Total equity	373,044,852	641,773,303
Total liabilities and equity	$ 1,982,285,474	$ 417,256,749

See accompanying notes to unaudited consolidated financial statements.

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THE BENEFICIENT COMPANY GROUP, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor Four Months Ended September 30, 2018 (Unaudited)	Predecessor Five Months Ended May 31, 2018	Nine Months Ended September 30, 2017 (Unaudited)
Interest, fee and dividend income			
Interest and fee income	$ 27,225,769	$ 42,063,430	$ 5,238,513
Dividend income	-	-	93,984
Total interest, fee, and dividend income	27,225,769	42,063,430	5,332,497
Interest expense	7,295,043	3,625,682	2,200,627
Net interest, fee, and dividend income before provision for loan losses	19,930,726	38,437,748	3,131,870
Provision for loan losses	2,029,018	1,359,080	158,144
Net interest, fee and dividend income after provision for loan losses	17,901,708	37,078,668	2,973,726
Non-interest revenues			
Third party administration revenues	10,883	12,732	1,398,997
Trust services revenues	6,035,172	8,611,480	1,294,501
Total non-interest revenues	6,046,055	8,624,212	2,693,498
Total interest and non interest revenues, net	23,947,763	45,702,880	5,667,224
Non-interest expenses			
Salaries and employee benefits	4,814,516	3,839,278	1,188,279
Professional services	4,308,832	10,015,466	3,098,198
Trust establishment costs	-	3,664,569	7,340,963
Other expenses	3,433,741	901,705	255,682
Total non-interest expenses	12,557,089	18,421,019	11,883,122
Income (loss) from continuing operations before income taxes	11,390,674	27,281,861	(6,215,898)
Income tax expense (benefit)	-	-	800
Income (loss) from continuing operations	11,390,674	27,281,861	(6,216,698)
Loss from discontinued operations	-	-	(3,761,543)
Net income (loss)	11,390,674	27,281,861	(9,978,241)
Less: Net income (loss) attributable to noncontrolling interests	(6,410,805)	(13,846,836)	476,308
Net income (loss) attributable to The Beneficient Company Group, L.P.	4,979,869	13,435,025	(9,501,933)
Less: Net loss attributable to general and limited partner(s)	-	-	7,769,019
Net income (loss) allocated to common unitholders	$ 4,979,869	$ 13,435,025	$ (1,732,914)

See accompanying notes to unaudited consolidated financial statements.

THE BENEFICIENT COMPANY GROUP, L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	Successor	Predecessor	
	Four Months Ended September 30, 2018 (Unaudited)	Five Months Ended May 31, 2018	Nine Months Ended September 30, 2017 (Unaudited)
Net income (loss) attributable to The Beneficient Company Group, L.P.	$ 4,979,869	$ 13,435,025	$ (9,501,933)
Other comprehensive income (loss):			
Unrealized loss on investments	(27,048)	(8,019)	(141,816)
Total comprehensive income (loss)	$ 4,952,821	$ 13,427,006	$ (9,643,749)

See accompanying notes to unaudited consolidated financial statements.

THE BENEFICIENT COMPANY GROUP, L.P.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	The Beneficient Company Group, L.P.					
	Common units	**Common units ($)**	**Other comprehensive income (loss)**	**Noncontrolling interest**	**Total equity**	**Redeemable noncontrolling interests**
Balance, December 31, 2017 (Predecessor)	50,240,428	$ 505,786,367	$ 254,904	$ 135,732,032	$ 641,773,303	$ (390,068,68
Net income	-	13,435,025	-	3,693,363	17,128,388	10,153,473
Other comprehensive loss	-	-	(8,019)	-	(8,019)	-
Non cash issuance of Common Units (Note 12)	24,430,411	244,304,106	-	-	244,304,106	-
Non cash issuance of Class S Units (Note 12)	-	-	-	2,024,500	2,024,500	-
Dilution of NPC-Series A	-	-	-	-	-	(56,189,942
Fair value adjustment	-	(16,817,108)	(246,885)	(4,625,395)	(21,689,388)	1,529,905,1
Balance, June 1, 2018 (Successor)	74,670,839	746,708,390	-	136,824,500	883,532,890	1,093,799,9
Net income	-	4,979,869	-	1,848,748	6,828,617	4,562,057
Other comprehensive income (loss)	-	-	(27,048)	-	(27,048)	-
Common unit redemption (Note 12 & 13)	(51,728,961)	(517,289,607)	-	-	(517,289,607)	-
Balance, September 30, 2018 (Successor)	22,941,878	$ 234,398,652	$ (27,048)	$ 138,673,248	$ 373,044,852	$ 1,098,362,0

See accompanying notes to unaudited consolidated financial statements.

THE BENEFICIENT COMPANY GROUP, L.P.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Successor	Predecessor	
	Four Months Ended September 30, 2018 (Unaudited)	Five Months Ended May 31, 2018	Nine Months Ended September 30, 2017 (Unaudited)
Cash flows from operating activities:			
Net income (loss) attributable to The Beneficient Company Group, L.P.	$ 4,979,869	$ 13,435,025	$ (9,501,933)
Adjustments to arrive at net income (loss) from continuing operations:			
Net income (loss) attributable to noncontrolling interests	6,410,805	13,846,836	(476,308)
Net income (loss) from continuing operations	11,390,674	27,281,861	(9,978,241)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,192,743	48,257	2,962,888
Amortization of loan origination costs	-	(11,911,815)	(1,610,537)
Interest income paid-in-kind	(25,085,628)	(30,114,370)	(3,626,962)
Accretion of fair value adjustment, net	(2,140,141)	-	-
Non cash interest expense	6,930,042	3,169,432	2,109,377
Non cash trust establishment costs	-	3,664,569	7,338,648
Provision for loan losses	2,029,018	1,359,080	158,144
Amortization of debt issue costs	365,000	456,250	91,250
Changes in assets and liabilities:			
Changes in due from affiliates & other	(585,523)	(362,618)	365,817
Changes in loans receivable	176,456,205	-	-
Changes in fees receivable	12,137,615	25,490,112	(1,299,501)
Changes in other assets	401,650	(521,462)	36,179
Changes in accounts payable and accrued expenses	(2,046,364)	(2,380,993)	2,055,113
Changes in other liabilities and deferred income	(27,901,522)	26,419,980	(544,798)
Net cash provided by (used in) operating activities	154,143,769	42,598,283	(1,942,623)
Cash flows from investing activities:			
Purchases of premises and equipment	(120,341)	(106,147)	(157,393)
Investment in preferred stock	(50,000,000)	-	-
Net cash assumed in acquistion	-	-	437,985
Loan to third party	-	(3,479,929)	-
Net cash provided by (used in) investing activities	(50,120,341)	(3,586,076)	280,592
Cash flows from financing activities:			

Payment to repurchase common units	(104,378,229)	-	-
Payments on other borrowings	-	(6,753,829)	(5,337,941)
Payment on related party debt	-	(25,000,000)	-
Net cash used in financing activities	(104,378,229)	(31,753,829)	(5,337,941)
Net increase (decrease) in cash and cash equivalents	(354,801)	7,258,379	(6,999,972)
Cash and cash equivalents at beginning of period	7,813,216	554,837	7,731,234
Cash and cash equivalents at end of period	$ 7,458,415	$ 7,813,216	$ 731,262

See accompanying notes to unaudited consolidated financial statements.

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THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Overview of the Business

The Beneficient Company Group, L.P. ("BEN," "our" or "we"), a Delaware limited partnership, is a holding company of capital and financial services companies (collectively the "Company"). BEN's capital companies are in the process of applying for trust charters from the Texas Department of Banking to merge into newly organized limited trust associations. Beneficient Management, L.L.C. ("BMLLC"), a Delaware limited liability company, is the general partner of BEN. BMLLC is governed by a board of directors. BEN is controlled by, and the exclusive and complete authority to manage the operations and affairs of BEN is granted to, BMLLC's board of directors. BEN, formerly known as Highland Consolidated Business Holdings, L.P., was formed September 16, 2003. BEN is the general partner to Beneficient Company Holdings, L.P. ("BCH") and owns 100% of the Class A Units of BCH.

BCH, formerly known as Beneficient Holdings, L.P., is a Delaware limited partnership formed on July 1, 2010. BCH is the holding company that directly or indirectly receives all active and passive income of the Company and allocates that income among the units issued by BCH. As of September 30, 2018, BCH has issued general partnership Class A Units, Class S Ordinary Units, FLP Units (Subclass 1 and Subclass 2) and Non-Participating Convertible ("NPC") Series A Units. Effective June 1, 2018, the NPC Series A unitholders agreed to temporarily reduce the preferred return rate to not exceed 2.0 percent annually. The NPC Series A annual preferred return rate is 2.0 percent and 1.0 percent for the one month ended June 30, 2018 and three months ended September 30, 2018, respectively. This temporary reduction will expire no later than December 31, 2018.

BEN markets to alternative asset investors an array of loans and liquidity products and retirement fund products for mid-to-high net worth individuals having a net worth of between $5 million and $30 million ("MHNW") and small-to-midsize institutional investors and family offices with less than $1 billion in investable assets ("STMIs"), and in addition to these product offerings, BEN offers a variety of services to its clients, including servicing of alternative assets, fund and trust administration and online alternative asset portals (collectively, "BEN's Current Products and Services"). In the future, BEN plans to market retirement funds, custody and clearing of alternative assets, and trustee and insurance services for covering risks attendant to owning or managing alternative assets as well as online portals for the trading of alternative assets (collectively, "BEN's Future Products and Services"). BEN plans to offer these future services through BEN's U.S.-based subsidiaries, including trust companies which BEN is in the process of applying to charter in Texas, and (subject to capitalization) through its Bermuda-regulated insurance companies, including PEN Indemnity Insurance Company, LTD and its subsidiaries (collectively, "PEN"). The two anticipated trust companies will exist to provide loans and liquidity products to clients, to serve as custodian and trustee to certain trusts required for loan and liquidity product transactions, and to provide trustee services to BEN's clients.

BEN operates primarily through its subsidiaries, which provide, or will provide, BEN's Current and Future Products and Services. These subsidiaries include: (i) Beneficient Capital Company, LLC ("BCC"), which offers loans and liquidity products in the future; (ii) Beneficient Administrative and Clearing Company, LLC ("BACC"), which provides services for fund and trust administration and plans to administer retirement funds; (iii) PEN, which will offer insurance services; and (iv) ACE Portal, L.L.C. ("ACE Portal"), an online portal with related financial technologies; and (v) other non-operating entities.

BEN's primary operations that commenced on September 1, 2017 pertain to its loans and liquidity products where BEN, through its subsidiaries, extend loans collateralized by cash flows from illiquid alternative assets and provide services to the trustees who administers the collateral. BEN's core business products are its ExchangeTrust and LiquidTrust. BEN's clients establish an ExchangeTrust or a LiquidTrust by contributing their alternative asset into the trust. At the same time, BEN, through a subsidiary, extends a loan to a supporting trust structure. The proceeds of that loan are paid to the client from the trust structure. The cash flows from the client's alternative asset support the repayment of the loan, interest, and related fees.

Prior to the commencement of commercial operations on September 1, 2017, as discussed in Note 2, the majority of BEN's operations were primarily related to the establishment and capitalization of the business, development of BEN's Current and Future Products and Services and discontinued operations unrelated to business.

THE BENEFICIENT COMPANY GROUP, L.P.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Quarterly Financial Information

The accompanying unaudited interim consolidated financial statements of BEN do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The Consolidated Statement of Financial Condition as of December 31, 2017 and the Consolidated Statement of Operations for the five months ended May 31, 2018 are from the Company's audited financial statements. In the opinion of management, all material adjustments, consisting of normal and recurring adjustments, have been made which were considered necessary to present fairly the financial condition, results of operations and cash flows at the interim date and for the interim periods presented.

The unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes as of June 1, 2018, December 31, 2017, and December 31, 2016, and for the period from January 1, 2018 through May 31, 2018 and for the years ended December 31, 2017 and 2016, including the related Report of Independent Registered Public Accounting Firm. The accounting policies used in preparing the accompanying interim consolidated financial statements are the same as those summarized in those audited financial statements.

In conformity with accounting principles generally accepted in the United States of America, preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements, and therefore, actual results could ultimately differ from those estimates.

2. Initial Capitalization and Organizational Transactions

BEN commenced commercial operations on September 1, 2017, when BEN and MHT Financial, L.L.C. ("MHT Financial") consummated agreements to lend against the economic rights to several portfolios of alternative assets (collectively, the "Transactions"). The primary closing condition consisted of MHT Financial entering into a Purchase and Sale Agreement with owners of alternative asset funds (family offices, fund-of-funds, and institutions, collectively the "Sellers") for the acquisition of portfolios of alternative assets ("Exchange Portfolio") and the subsequent contribution of the Exchange Portfolio by MHT Financial to certain exchange trusts ("Exchange Trusts") in exchange for common units of BEN of a like value.

The Transactions included:

(i) MHT Financial purchased the Exchange Portfolio at purchase prices set out in schedules to the various Purchase and Sale Agreements (each such agreement, the “PSA”). The purchase price calculations in the PSAs used December 31, 2016 reported net asset values for the Exchange Portfolio and adjusted for cash flows (capital calls and distributions) through the day before the signing of the PSA. In addition, the PSAs included mark-to-market securities, which were valued at the end of business on the day prior to the PSA date. MHT Financial’s aggregate purchase price for the Exchange Portfolio was $489.2 million (the “Exchange Portfolio Purchase Price”);

(ii) BEN extended loans to a supporting trust structure equal to 77% of the Exchange Portfolio Purchase Price with such loans having cash flows provided by the Exchange Portfolio as collateral;

(iii) Transfers to the Exchange Trusts of MLP Units issued by BEN in return for loan proceeds equal to 77% of the Exchange Portfolio Purchase Price;

(iv) The contribution of substantially all the remaining tangible and intangible assets held by BEN to its subsidiaries;

(v) An agreement for new notes/loans of approximately $141 million to refinance an existing loan from the founder of BEN; and

(vi) The distribution by the Company to its founding investor of assets related to certain legacy business activities that would not be involved in the continuing BEN business.

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3. Acquisitions

Through the initial capitalization transactions described in Note 2, a third-party institutional investor held an indirect interest in all or substantially all the outstanding Common Units of BEN through the Exchange Trusts. On May 31, 2018, the limited liability company agreement of BMLLC was amended and certain proxies were granted that reduced certain rights of our founder, including removing the right to appoint a majority of the board of directors, finalizing a change-of-control event. BEN applied pushdown accounting under ASC 805-50-25-8 due to the acquisition of BMLLC.

In connection with the change-of-control event, the enterprise value and the estimated fair value of identifiable assets acquired and liabilities assumed as of the date of the change-of-control transaction are summarized in the following table:

Equity Value Allocated To:	
Common units	$ 746,708,390
Class S Ordinary units	136,824,500
Non-participating convertible series A	1,093,799,961
Total equity value	1,977,332,851
Assets:	
Trust platform	882,000,000
Technology platform	60,500,000
Insurance licenses	3,100,000
Loans receivable	581,863,529
Fees receivable	37,803,959
Due from unconsolidated affiliates	911,177
Cash and cash equivalents	7,813,216
Other receivables and other assets	11,345,312
Total assets	1,585,337,193
Liabilities:	
Accounts payable and accrued expenses	5,420,109
Due to unconsolidated affiliates	294,594
Other liabilities and deferred income	38,054,786
Related party debt	126,850,582
Total liabilities	170,620,071
Net assets	1,414,717,122
Goodwill resulting from the change of control	$ 562,615,729

Methods Used to Determine Equity Fair Value and to Fair Value Assets and Liabilities

The following is a description of the valuation methodologies used to estimate the fair value of equity and the fair values of major categories of assets acquired and liabilities assumed. In many cases, determining the fair value of equity and the acquired assets and assumed liabilities required management to estimate cash flows expected from those assets and liabilities and to discount those cash flows at appropriate rates of interest. This required the utilization of significant estimates and management judgment in accounting for the transaction.

Equity: The values for each equity component were calculated after determination of an overall enterprise value for the Company. The enterprise value of the Company was determined using the OPM Backsolve approach under the market method. The OPM Backsolve approach uses a Black-Scholes option pricing model to calculate the implied equity value of the firm. Once an overall equity value was determined, amounts were allocated to the various classes of equity based on the security class preferences.

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Cash and cash equivalents: The estimated fair values of cash and cash equivalents approximate their stated value.

Loans receivable: The loan portfolio was valued based on current guidance which defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Level 3 inputs were utilized to value the loan portfolio and included the use of present value techniques employing cash flow estimates and incorporated assumptions that marketplace participants would use in estimating fair values, specifically market interest rate and general credit fair value assumptions. In instances where reliable market information was not available, management used assumptions in an effort to determine reasonable fair value. There was no carryover related allowance for loan losses.

Trust platform: The trust platform was valued using the excess earnings approach under the income method. Under this methodology, projected cash flows associated with the trust platform were discounted back to present value using a discount rate consistent with that market participants would use in estimating fair value. Level 3 inputs were utilized in estimating the projected cash flows and in developing the appropriate discount rate.

Technology related: The technology asset was valued using the royalty saving approach under the income method. Under this methodology, the value of the technology is estimated by capitalizing the royalties saved because of the ownership of the technology. Level 3 inputs were utilized in estimating the projected cash flows and in developing the appropriate discount rate.

Insurance license: The insurance license asset was valued using the guideline transactions approach under the market method. The recent transactions approach indicates the value of an asset by deriving multiples from recent transactions involving similar assets.

Related Party Debt: The fair value of the related party debt approximates the carrying value of the debt based on the recent issuance of the debt, its variable interest rate, and the short remaining term.

As of September 30, 2018, the accounting for the estimates of fair value of loans and intangibles was incomplete. BEN is in the process of finalizing information that will allow management to better estimate fair values that existed

as of June 1, 2018. When this information is obtained, management anticipates potential adjustment to the provisional fair value assigned to loans and intangibles. This adjustment will result in corresponding adjustments to goodwill. The adjustments will be recorded in the period in which the new information is obtained and reviewed.

On February 12, 2018, BCH purchased the assets and certain liabilities of ACE Portal, Inc. in exchange for $0.02 million in cash and 202,450 shares of Class S Ordinary units. In a separate and concurrent transaction, BCH also acquired the personal goodwill of a certain key executive from ACE Portal, Inc. for consideration including earnout payments of up to 200,063 Class S Ordinary units based primarily on the achievement of certain revenue targets over the next 5 years, contingent payments of up to 803,185 Class S Ordinary units based primarily on achievement of certain operational milestones, and conditional payments of up to 227,041 Class S Ordinary Units based primarily on the passage of time and achievement of certain milestones.

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In connection with the ACE Portal, Inc. acquisition, the following table details the consideration paid, the initial estimated fair value of identifiable assets acquired and liabilities assumed as of the date of acquisition and the resulting goodwill recorded:

Consideration Paid:	
Cash consideration	$ 20,000
Equity consideration	2,024,500
Contingent liability	4,010,952
Total value of consideration	6,055,452
Assets Acquired:	
Developed technology	1,328,925
Non-compete agreement	656,016
Other assets	11,996
Total assets	1,996,937
Liabilities Assumed:	
Accounts payable	131,844
Other liabilities	691,186
Total liabilities	823,030
Net assets acquired	1,173,907
Goodwill resulting from the acquisition of ACE Portal, Inc	$ 4,881,545

As of September 30, 2018, the accounting for the estimates of fair value for contingent consideration and developed technology acquired in the ACE Portal, Inc. acquisition was incomplete. BEN is in the process of finalizing information that will allow management to better estimate fair values that existed as of February 12, 2018. When this information is obtained, management anticipates potential adjustment to the provisional fair value assigned to the total purchase price and to the developed technology. These adjustments will result in corresponding adjustments to goodwill. The adjustments will be recorded in the period in which the new information is obtained and reviewed.

4. Loans

Loans held by the Company as of September 30, 2018 and December 31, 2017, were originated principally by the initial capitalization transactions discussed in Note 2. These loans are collateralized by the Exchange Portfolio. As described in Note 3, the loans were adjusted to fair value due to push down of purchase accounting as of June 1, 2018. Accordingly, there was no carryover related deferred fees and allowance for loan losses as of June 1, 2018. Components of the carrying value of the loans were as follows for the periods presented below.

	As of September 30, 2018	As of December 31, 2017
Loans receivable	$ 432,633,094	$ 404,121,509
Deferred fees	-	(34,014,363)
Allowance for loan losses	(2,029,018)	(679,651)
Loans receivable, net	$ 430,604,076	$ 369,427,495

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The following table summarizes activity related to the loans held by the Company for the four months ended September 30, 2018, the five months ended May 31, 2018 and the nine months ended September 30, 2017:

	Successor Four Months Ended September 30, 2018	Predecessor Five Months Ended May 31, 2018	Nine Months Ended September 30, 2017
Beginning balance	$ 581,863,530	$ 404,121,509	$ —
Originations	—	188,946,217	378,234,491
Interest - paid in kind	25,085,628	36,061,316	4,421,670
Accrection	2,140,141	—	—
Adjustments to interest	—	(5,946,946)	(794,708)
Principal collections	(176,456,205)	—	—
Ending balance	$ 432,633,094	$ 623,182,096	$ 381,861,453

The changes in the allowance for loan losses are as follows:

	Successor Four Months Ended September 30, 2018	Predecessor Five Months Ended May 31, 2018	Nine Months Ended September 30, 2017
Beginning balance	$ —	$ 679,651	$ —
Provision	2,029,018	1,359,080	158,144
Charge-offs and other, net	—	—	—
Ending balance	$ 2,029,018	$ 2,038,731	$ 158,144

BEN recognizes the charge-off in the period in which it arises for its collateral dependent loans. Therefore, impaired collateral dependent loans are written-down to their estimated net realizable value, based on disposition value.

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5. Goodwill and Other Intangibles

The following table presents activity in the Company’s goodwill and finite-lived and indefinite-lived intangible assets from December 31, 2017 to September 30, 2018:

	As of December 31, 2017	Additions	Amortization	**As of September 30, 2018**	Amortization Period
Goodwill	$ —	$ 567,497,274	$ —	$ 567,497,274	Indefinite
Trust platform	—	882,000,000	—	882,000,000	Indefinite
Technology platform	—	60,500,000	(2,016,797)	58,483,203	10 Years
Developed technology	—	1,328,925	(83,058)	1,245,867	5 Years
Non-compete agreement	—	656,016	(102,502)	553,514	4 Years
Insurance license	—	3,100,000	—	3,100,000	Indefinite
Total goodwill and intangible assets	$ —	$ 1,515,082,215	$ (2,202,357)	$ 1,512,879,858	

We expect that amortization expense for our existing intangibles subject to amortization for the remainder of 2018 and the succeeding five years and thereafter will approximate the following:

2018	$ 1,619,947
2019	6,479,789
2020	6,479,789
2021	6,479,789
2022	6,336,286
2023 and thereafter	32,886,984

Barring a triggering event that suggests possible impairment, management intends to conduct impairment tests for goodwill and indefinite-lived assets during the fourth quarter each year, using generally accepted valuation methods. Through September 30, 2018, management determined there were no events that would necessitate impairment testing of goodwill or indefinite-lived intangible assets.

6. Discontinued Operations

We record discontinued operations when the disposal of a separately identified component of the entity constitutes a strategic shift that has or will have a major effect on an entity's operations and financial results, as defined in Accounting Standards Codification ("ASC") Topic 205-20, Discontinued Operations ("ASC Topic 205-20").

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For the nine months ended September 30, 2017, loss from discontinued operations is comprised of the following:

	Nine Months Ended September 30, 2017
Interest, fee and dividend income	
Interest and fee income	$ -
Dividend income	-
Total interest, fee, and dividend income	-
Interest expense	-
Net interest, fee, and dividend income after provision for loan losses	-
Provision for loan losses	-
Net interest, fee and dividend income after provision for loan losses	-
Non-interest revenues	
Third party administration revenues	4,410
Other revenues	6,053
Total non-interest revenues	10,463
Total interest and non interest revenues, net	10,463
Non-interest expenses	
Salaries and employee benefits	118,529
Professional services	68,979
Occupancy and equipment	3,281,004
Other expenses	303,494
Total non-interest expenses	3,772,006
Loss from discontinued operations before income taxes	(3,761,543)
Income tax expense (benefit)	-
Loss from discontinued operations	$ (3,761,543)

As the assets and liabilities of the discontinued operations were disposed of prior to December 31, 2017, there are no amounts presented in our Consolidated Statements of Financial Condition.

In accordance with ASC Topic 205-20, additional disclosures relating to cash flow are required for discontinued operations. Cash flow information related to discontinued operations for the nine months ended September 30, 2017 is

as follows:

	Nine Months Ended September 30, 2017
Operating cash flow data:	
Depreciation and amortization	$ 2,932,514
Investing cash flow data:	
Purchase of premises and equipment	-

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7. Premises and Equipment, Net

Premises and equipment consist of the following:

	Successor **As of September 30, 2018**	Predecessor **As of December 31, 2017**
Leasehold improvements	$ 9,510	$ 280,863
Furniture, fixtures, and equipment	36,011	864,919
Computer hardware and software	144,113	628,331
Other	77,634	77,634
Subtotal	267,268	1,851,747
Less: accumulated depreciation and amortization	(28,653)	(1,800,976)
Premises and equipment, net	$ 238,615	$ 50,771

Depreciation and amortization expense related to premises and equipment was de minimis for the four-month ended September 30, 2018 and the five months ended May 31, 2018. Depreciation and amortization expense related to premises and equipment was $3.0 million for the nine months ended September 30, 2017.

8. Fair Value Measurements

Fair value is estimated based on a hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy prioritizes the inputs to valuation techniques into three broad levels whereby the highest priority is given to Level 1 inputs and the lowest to Level 3 inputs.

Level 1 - Quoted prices for identical instruments in active markets that the reporting entity has the ability to access as of the measurement date.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable market data.

Level 3 - Valuations for instruments with inputs that are unobservable, are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such instruments.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

BEN has no significant assets or liabilities measured at fair value on a recurring or non-recurring basis as of September 30, 2018 or December 31, 2017.

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BEN is required to disclose the estimated fair value of financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate those values. These fair value estimates are made at September 30, 2018 and December 31, 2017, based on relevant market information and information about the financial instruments. Fair value estimates are intended to represent the price at which an asset could be sold or the price at which a liability could be settled. However, given there is no active market or observable market transactions for many of BEN’s financial instruments, BEN’s estimates of many of these fair values are subjective in nature, involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimated values. Nonfinancial instruments are excluded from disclosure requirements.

The following methods and assumptions were used by BEN in estimating its fair value disclosures for each class of financial instruments:

Cash and Cash Equivalents

The carrying amounts reported in the statements of financial condition for cash and cash equivalents approximate those assets’ fair values.

Loans receivable

Fair values of loans are estimated using discounted cash flow analyses and market interest rates offered for loans with similar terms on collateral with similar underwriting characteristics.

Fees receivable

The carrying value of fees receivable generally approximates fair value because of the relatively short period between their origination and realization.

Related Party Debt

The measurement of the fair value of related party debt is based on market prices that generally are observable for similar liabilities at commonly quoted intervals and is considered a Level 2 fair value measurement.

Carrying Amounts and Estimated Fair Values

The carrying amounts and estimated fair values of the Company's financial instruments at September 30, 2018 and December 31, 2017 were as follows:

	As of September 30, 2018 (Successor)		
	Level in fair value hierarchy	**Carrying amount**	**Estimated fair value**
Financial assets:			
Cash and cash equivalents	1	$ 7,458,415	$ 7,458,415
Loans receivable, net of deferred fees and allowance for loan losses	3	430,604,077	430,604,077
Financial liabilities:			
Related party debt	2	129,418,257	129,418,257

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

	As of December 31, 2017 (Predecessor)		
	Level in fair value hierarchy	**Carrying amount**	**Estimated fair value**
Financial assets:			
Cash and cash equivalents	1	$ 554,837	$ 554,837
Loans receivable, net of deferred fees and allowance for loan losses	3	369,427,495	369,427,495
Financial liabilities:			
Related party debt	2	151,770,410	151,770,410

9. Related Parties

Relationship with Beneficient Management Counselors, L.L.C.

The limited liability company agreement for BMLLC provides that Beneficient Management Counselors, L.L.C. ("BMC"), wholly-owned by one of several affiliated trusts related to our founder (each an "Affiliated Trust"), will determine the directors who will fill 20% of the Board seats to represent the founders. BMC is also entitled to select (a) 50% of the membership of the general partner's Nominating Committee and Executive Committee, (b) two of the three members of the Charitable Contributions Sub-Committee of the Executive Committee, and (c) the chair of each of these three committees of the Board. Certain minority protection decisions are delegated to the Executive Committee for majority approval. Certain decisions with respect to BEN's charitable giving program are delegated to the Charitable Contributions Sub-Committee for majority vote approval. Decisions regarding appointment and removal of BMC's directors are delegated, with certain exceptions, to the Nominating Committee. Provided that a "triggering event" (as defined in BMC's limited liability company agreement) has occurred, in the event of a tie vote of the Nominating Committee, the chairman of the Nominating Committee, who is our founder, may cast the tiebreaking vote.

Services Agreement with Bradley Capital Company, L.L.C.

Bradley Capital Company, L.L.C. ("Bradley Capital") and BMC entered into an agreement with BEN and BCH effective June 1, 2017 (the "Bradley Capital Agreement"). Bradley Capital is indirectly owned by an Affiliated Trust.

Under the Bradley Capital Agreement, Bradley Capital is entitled to a base fee of $375,000 per quarter for consulting services provided by an executive of Bradley Capital, which may include our founder, together with a supplemental fee of $149,375 per quarter to cover staff employment and related costs associated with the provision of such services. The base fee may be increased up to two times the initial base fee per quarter if the scope of the services is expanded. Our founder, who also serves as our CEO and Chairman of BMLLC's board of directors, receives an annual salary from the Company of $130,000. The Bradley Capital Agreement also includes a payment from BEN of $37,500 per quarter to cover on-going employee costs for retired and/or departed employees of predecessor entities prior to 2017 which on-going costs were assumed by Bradley Capital, as well as a further payment to Bradley Capital in respect of the cost of health and retirement benefits for current employees of Bradley Capital. BEN is also required to reimburse Bradley Capital for out-of-pocket expenses incurred by Bradley Capital employees, including reimbursement for travel. The Bradley Capital Agreement requires BEN to reimburse Bradley Capital or its affiliates for taxes, fees, and expenses, including legal fees and related costs, relating to the contributions by affiliates of Bradley Capital of equity or debt interests in BEN to public charitable trusts in connection with the Exchange Trusts, as well as the contribution of beneficial interests in client trusts administered by BEN. Payments by BEN to Bradley Capital and its affiliates are guaranteed and subject to enforcement by the state courts in Delaware in the event of default. The Bradley Capital Agreement extends through July 2021, with an annual one-year renewal provision thereafter. The Bradley Capital Agreement may be terminated by unanimous approval of the Board's executive committee, or without such approval if the affiliated trusts related to our founder no longer holds $10 million of BEN's securities. During the four months ended September 30, 2018, the five months ended May 31, 2018 and the nine months ended September 30, 2017, the Company recognized expenses totaling $500,000, $625,000 and $500,000 related to this services agreement, respectively.

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Services Agreement with Beneficient Holdings, Inc.

The Beneficient Management Group (USA), L.L.C. ("Beneficient USA"), a subsidiary of BCH, entered into a Services Agreement with Beneficient Holdings, Inc. ("BHI") effective July 1, 2017 (the "BHI Services Agreement"). BHI is indirectly owned by an Affiliated Trust and is an affiliate of BEN. BHI pays an annual fee of $30,000 to BEN for the provision of trust administration services for an Affiliated Trust and all trusts affiliated with its family trustee as that term is defined in the governing documents for an Affiliated Trust. The term of the BHI Services Agreement extends for the longer of (i) five years past the expiration or termination of the Bradley Capital Agreement, or (ii) seven years after the family trustee of the Affiliated Trust is no longer a primary beneficiary of any trust affiliated with the family trustee. During the four months ended September 30, 2018, the five months ended May 31, 2018 and the nine months ended September 30, 2017, the Company recognized income totaling $10,000, $15,000 and $7,500 related to this services agreement.

Administrative Services Agreement between Constitution Private Capital Company, L.L.C. ("Constitution") and Beneficient USA.

Constitution was founded in 1986 as a registered investment advisor and acquired by an affiliate of our founder in 1996. Constitution is no longer a registered investment advisor. Constitution currently manages three private equity funds-of-funds and is an affiliate of BEN. Effective January 1, 2017, Constitution entered into an Administrative Services Agreement (the "ASA") with Beneficient USA, which is wholly owned by BACC, whereby Beneficient USA provides personnel for administering the portfolio assets advised by Constitution. Under the ASA, Constitution pays to Beneficient USA a monthly fee equal to .01% of the month-end net asset of its portfolio. The ASA automatically renews on an annual basis but may be terminated at any time by Constitution. Beneficient USA may only terminate the ASA in the event of a breach by Constitution. During the four months ended September 30, 2018, the five months ended May 31, 2018 and the nine months ended September 30, 2017, the Company recognized income totaling less than $1.0 thousand related to this services agreement.

Preferred Provider Liquidity Agreement with Constitution.

BEN has entered into an agreement with Constitution (the "Preferred Provider Agreement") under which BEN and its affiliates will charge Constitution market rates and market-based fees and expenses to underwrite investment funds

managed by Constitution and fix an advance rate for those investment funds of not less than 77% of NAV. At Constitution's option, BEN and its affiliates will provide liquidity to the previously underwritten investment funds managed by Constitution at the previously fixed advance rate. The Preferred Provider Agreement may be terminated at any time for any reason either by Constitution or by unanimous consent of BEN's executive committee. BEN and Constitution have not contracted for any liquidity under this agreement through September 30, 2018.

Relationship with The Heppner Endowment for Research Organizations, L.L.C. and Research Ranch Operating Company, L.L.C (collectively "HERO").

HERO is owned indirectly by an Affiliated Trust and advises on the recipients of research grants, and administration of the charitable contributions made as part of a transaction establishing an ExchangeTrust or LiquidTrust. HERO, along with charitable organizations (all of which are Texas university endowments and Texas foundations), receives funding from initial contributions to trusts settled and funded by clients of BEN to fund research projects and the facilities and properties for those research projects, which are owned by a trust controlled by our founder. HERO is granted such rights and authority pursuant to each trust instrument liquidity product entered into between a client and affiliates of BEN. BEN's affiliates provide financing to the trusts established by the clients and BEN or its executives are paid trustees of the trusts and provide services to the trusts. BEN has certain outstanding payables of approximately $4.8 million as of September 30, 2018 and $7.6 million as of December 31, 2017 to HERO and the Texas university endowments and foundations. In 2018, payments of $6.7 million were made through September 30, 2018. No amounts were paid in 2017.

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Relationship with HCLP Nominees, L.L.C. and Highland Consolidated, L.P.

BCC is the borrower of up to $146 million under Old Loan Agreements entered into December 23, 2005, and refinanced on September 1, 2017, with HCLP Nominees, L.L.C., a Delaware limited liability company affiliated with Beneficient Holdings, Inc. As of September 30, 2018, $124.1 million of debt, including paid-in-kind interest was outstanding. In the first quarter of 2018, BEN repaid a $1.5 million short-term payable with HCLP Nominees, L.L.C. This payable was reflected in Other Liabilities in the Consolidated Statements of Financial Condition as of December 31, 2017.

Highland Consolidated, L.P., a Delaware limited partnership controlled by affiliates of BEN, including our founder, contributed certain of its alternative assets to BEN in return for $10,000 of Class S Ordinary Units.

Consulting Agreement between BEN and Hicks Holdings LLC.

BEN entered into a 10-month consulting agreement effective September 1, 2017 with Hicks Holdings LLC ("Hicks Holdings"), an affiliate of our board of director Thomas O. Hicks. Under the agreement, Hicks Holdings received consulting fees of $416,667 for the first three months and $250,000 per month thereafter through the termination on June 30, 2018. Hicks Holdings provided advisory and consulting services to BEN under the agreement in connection with, among other things, dispositions of investments, business and investment strategy, and portfolio performance. During the four months ended September 30, 2018, the five months ended May 31, 2018 and the nine months ended September 30, 2017, the Company recognized expense totaling $0.3 million, $1.5 million and $0.3 million, respectively, related to this service agreement. All amounts owed were paid in 2018.

Services provided by representatives of BEN and the trusts associated with the loans

An employee of BEN and another individual currently serve as co-trustees for the LiquidTrusts and certain of the other trusts in the associated trust structure that are created at origination for each of our loans. BEN earns trust service fee and interest income from these trusts. This employee receives no compensation for his services as co-trustee.

10. Risk and Uncertainties

The Company is subject to risks related to markets, credit, and interest rate. The Company issues loans that are subject to repayment risk and interest rate risk. The Company has underwriting procedures and utilizes market rates. As of September 30, 2018, all of the Company's loans are collateralized by the cash flows originating from alternative assets without recourse to the client. The Company mitigates repayment risk through the trust structure whereby cash flows from a collective pool of alternative assets can be utilized to repay loans when cash flows from the client's original alternative assets are not sufficient to repay the loan principal and contractual interest and fees.

11. Litigation and Contingencies

In the normal course of business, we have various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements.

Lease Commitments

We have entered into non-cancelable operating lease agreements for premises and equipment with expiration dates through the year 2021. Certain lease arrangements contain options to extend terms and are subject to escalation clauses. Our premises are used principally for administrative operations. Rental expense for our premises for the four months ended September 30, 2018, the five months ended May 31, 2018 and the nine months ended September 30, 2017, totaled $150.8 thousand, $32.9 thousand, and $69.2 thousand, respectively.

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Future rent expense for the non-cancelable operating leases for the remainder of 2018 and for the calendar years thereafter are as follows:

2018	$ 107,953
2019	320,580
2020	245,190
2021	144,994
Total	$ 818,717

Loan Commitments

The Company had $81.3 million of gross potential loan commitments as of September 30, 2018 representing potential limited partner capital funding commitments on the alternative asset fund collateral to our loans above any cash reserves. The trust holding the interest in the limited partnership for the alternative asset fund is required to fund these limited partner capital commitments per the terms of the limited partnership agreement. Capital funding commitment reserves are maintained by the associated trusts created at the origination of each loan for up to $100,000. To the extent that the associated trust cannot pay the capital funding commitment, the Company is obligated to lend sufficient funds to meet the commitment. Any amounts loaned by the Company for these limited partner capital funding commitments above the associated capital funding commitment reserves held by the associated trusts are added to the loan balance and expected to be recouped through the cash distributions from the alternative asset fund collateral.

Commitments on loans generally originate from limited partner agreements having fixed or expiring expiration dates. The total limited partner capital funding commitment amounts may not necessarily represent future cash requirements. We consider the creditworthiness on a case-by-case basis. At September 30, 2018, our reserves for losses on unused commitments to fund potential limited partner capital funding commitments was nil.

12. Supplemental Cash Flow Information

Cash paid for interest and income taxes for the four months ended September 30, 2018, the five months ended May 31, 2018, and the nine months ended September 30, 2017, were de minimus.

Supplemental disclosure of noncash investing and financing activities include:

Four Months Ended September 30, 2018:

- $412.9 million of common stock of BEN was redeemed in return for the issuance of a $200.0 million commercial loan, a $162.9 million exchange note and the contribution of $50.0 million of convertible preferred stock of GWG Holdings, Inc. held by BEN.

Five Months Ended May 31, 2018:

- $244.3 million of common stock of BEN was issued in return for $188.1 million of loans receivable and a dilution to the founder's holding of NPC Series A units in the amount of $56.2 million.
- $2.0 million of Class S Ordinary units were issued in connection with the acquisition of ACE.

Nine Months Ended September 30, 2017:

- $489.2 million of common stock of BEN was issued in return for $376.7 million of loans receivable and a dilution to the founder's holding of NPC Series A units in the amount of $112.5 million.
    - $134.8 million of Class S Ordinary units of BCH were issued in return for dilution to the founder's holdings of NPC Series A units in the amount of $134.8 million.
- Founder's holdings of NPC Series A units in the amount of $141.0 million were diluted by the transfer of debt in the amount of $141.0 million.
- Founder's holdings of NPC Series A units in the amount of $3.3 million were diluted by the assignment out of interest in a limited partnership with a deficit in partners' capital.

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13. GWG Holdings, Inc. Transaction

On January 12, 2018, BEN entered into a Master Exchange Agreement, as amended from time to time (the "MEA"), with GWG Holdings, Inc., a Delaware corporation ("GWG"), and GWG Life, LLC, a Delaware limited liability company and wholly owned subsidiary of GWG ("GWG Life" and, collectively with GWG, the "GWG Parties"); and the Exchange Trusts (as defined in Note 2), by which the Exchange Trusts agreed to transfer the common units it held in BEN to the GWG Parties and received assets including cash, GWG stock, and GWG debt. On August 10, 2018 ("Initial Transfer Date"), BEN and the GWG Parties executed a third amended MEA and completed an initial transfer under which:

BEN, as borrower, entered into a commercial loan agreement (the "Commercial Loan Agreement) with GWG Life, as a lender, in a principal amount of $200.0 million, with the loan proceeds used to redeem $200.0 million in BEN common units held by the Exchange Trusts;
BEN delivered to GWG a promissory note (the "Exchangeable Note") in the principal amount of $162.9 million, in exchange for $162.9 million in BEN common units held by the Exchange Trusts;
BEN purchased 5,000,000 shares of GWG's Series B Convertible Preferred Stock, par value $0.001 per share and having a stated value of $10 per share (the "Convertible Preferred Stock"), for cash consideration of $50.0 million, after which BEN transferred such Convertible Preferred Stock to the Exchange Trusts on August 13, 2018 in exchange for $50.0 million in BEN common units held by the Exchange Trusts;
the Exchange Trusts delivered to GWG 4,032,349 common units of BEN in exchange for L bonds due 2023 in an aggregate principal amount of $403.2 million; and
BEN and GWG entered into a registration rights agreement (the "Registration Rights Agreement") with respect to the BEN common units received and to be received by GWG.

Under the MEA, at a proposed final closing (the "Final Closing" and the date on which the final closing occurs, the "Final Closing Date"):

the Exchange Trusts will transfer to GWG an aggregate of 40,485,230 common units of BEN inclusive of 16.3 million units in full satisfaction of the Exchangeable Note;
BEN will issue additional MLP units to the Exchange Trusts as needed to complete the transfer of common units to GWG;
BEN will issue to GWG an amount of securities or other instruments, containing the same rights, preferences and privileges as the NPC Series A Units of BCH, in an initial amount equivalent to seven percent (7%) of the total NPC Series A Units, subject to pro rata adjustments, attributable to certain of BEN's founders; and
GWG will deliver to the Exchange Trusts up to 29.1 million shares of GWG common stock.

The Final Closing Date is expected to take place as soon as practicable following the expiration of the 20-day period provided for in Rule 14c-2(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), following the mailing of GWG’s information statement on Schedule 14C (the “Information Statement”) relating to the written consent of GWG’s stockholders approving the issuance of the GWG common stock at the Final Closing.

Commercial Loan Agreement

On August 10, 2018, GWG Life, as a lender, and BEN, as borrower, entered into the Commercial Loan Agreement. The principal amount of $200.0 million under the Commercial Loan Agreement is due on August 9, 2023; provided that (a) in the event BEN completes at least one public offering of its common units raising at least $50 million which on its own or together with any other public offering of BEN’s common units results in BEN raising at least $100 million, then the maturity date will be extended to August 9, 2028; and (b) in the event that BEN (i) completes at least one public offering of its common units raising at least $50 million which on its own or together with any other public offering of BEN’s common units results in BEN raising at least $100 million and (ii) at least 75% of BCH’s total outstanding NPC Series B Units, if issued, have been converted to shares of BEN’s common units, then the maturity date will be extended to August 9, 2033.

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Repayment of the balance under the Commercial Loan Agreement is subordinated in right of payment to any of BEN's commercial bank debt and to BEN's obligations which may arise in connection with its NPC Series B Units. BEN's obligations under the Commercial Loan Agreement are unsecured.

The principal amount under the Commercial Loan Agreement bears interest at 5.00% per year, compounded annually; provided that the accrued interest from the Initial Transfer Date to the Final Closing Date will be added to the principal balance under the Commercial Loan Agreement. From and after the Final Closing Date, one-half of the interest, or 2.50% per year, will be due and payable monthly in cash, and (ii) one-half of the interest, or 2.50% per year, will accrue and compound annually on each anniversary date of the Final Closing Date and become due and payable in full in cash on the maturity date.

As of September 30, 2018, the outstanding principal, including interest paid in kind, was $201.4 million on the Commercial Loan Agreement.

Exchangeable Note

On August 10, 2018, BEN issued to GWG the Exchangeable Note in the principal amount of $162.9 million. The Exchangeable Note accrues interest at a rate of 12.40% per year, compounded annually. Interest is payable in cash on the earlier to occur of the maturity date or the Final Closing Date; provided that BEN may, at its option, add to the outstanding principal balance under the Commercial Loan Agreement the accrued interest in lieu of payment in cash of such accrued interest thereon at the Final Closing Date (or, if earlier, the maturity date of the Exchangeable Note). The principal amount of the Exchangeable Note is payable in cash on August 9, 2023. In the event the Final Closing Date occurs on or prior to the maturity date, the principal amount of the Exchangeable Note is payable in BEN common units at a price equal to $10.00 per common unit. In the event the Final Closing Date occurs prior to the maturity date, BEN may, at its option, pay the accrued interest on the Exchangeable Note in the form of BEN common units or in the form of a promissory note providing for a term of up to two years and cash interest payable semi-annually at the rate of 5.00% per year.

As of September 30, 2018, the outstanding principal, including interest paid in kind, was $165.8 million on the Exchangeable Note.

Registration Rights Agreement

On August 10, 2018, BEN and GWG entered into the Registration Rights Agreement related to BEN's common units providing GWG with certain customary registration rights with respect to the BEN common units received and to be received by GWG pursuant to the MEA. Pursuant to this Registration Rights Agreement, GWG is entitled to certain customary demand registration, shelf takedown and piggyback registration rights with respect to the BEN common units, subject to certain customary limitations (including with respect to minimum offering size and maximum number of demands and underwritten shelf takedowns within certain periods).

14. Subsequent Events

The Company evaluated the effects of events that have occurred subsequent to September 30, 2018 and found no events that warranted disclosure.