GWG Holdings, Inc.
Form 424B3
June 04, 2013

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File Nos. 333-174887 and 333-174887-01

Offering Amount $250,000,000

GWG HOLDINGS, INC.

a Delaware corporation

Renewable Secured Debentures

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

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

The debentures are secured by the assets of GWG Holdings, Inc. and a pledge of all of the common stock by our largest stockholders. Importantly, GWG Holdings' most significant assets are cash and its investment in subsidiaries. Obligations under the debentures will also be guaranteed by our subsidiary GWG Life Settlements, LLC, which guarantee will involve the grant of a security interest in all of the assets of such subsidiary. The majority of our life insurance policy assets are held in our subsidiary GWG DLP Funding II, LLC (which is a direct subsidiary of GWG Life Settlements). The policies held by GWG DLP Funding II will not be collateral for obligations under the debentures although the guarantee and collateral provided by GWG Life Settlements will include its ownership interest in GWG DLP Funding II. These facts present the risk to investors that the collateral security we and our subsidiary have granted for our obligations under the debentures may be insufficient to repay the debentures upon an event of default. The security offered for the debentures will provide rights as to collateral that are pari passu with the holders of other secured debt previously issued by GWG Life Settlements. This means that claims for payment and entitlement to security among the holders of debentures and such other secured debt previously issued by GWG Life Settlements will be treated equally and without preference.

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

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

Our cash flows are restricted under our borrowing arrangement with our senior secured lender. In sum, and subject to certain exceptions, distributions from our operating subsidiaries are limited to an amount that would result in us realizing an 18% annualized rate of return on the equity funded amount attributable to our life insurance policy assets. These provisions will restrict cash flows available for payment of principal and interest on the debentures.

We are an "emerging growth company" under applicable law and will be subject to reduced public company reporting requirements. Please read the disclosures on page 14 of this prospectus for more information. Investing in our debentures may be considered speculative and involves a high degree of risk, including the risk of losing your entire investment. See "Risk Factors" beginning on page 22 to read about the risks you should consider before buying our debentures. You should carefully consider the risk factors set forth in this prospectus. An investment in our debentures is not suitable for all investors. The debentures are only suitable for persons with substantial financial resources and with no need for liquidity in this investment. See "Suitability Standards" for information on the suitability standards that investors must meet in order to purchase the debentures.

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

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

The date of this prospectus is June 4, 2013.

The debentures will be offered and sold on a best-efforts basis by Arque Capital, Ltd., a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"). Arque Capital will be an underwriter of the debentures in this offering for purposes of the Securities Act of 1933. Arque Capital may retain other dealers to act as an agent on its behalf in the course of offering and selling debentures in this offering. We will pay Arque Capital a selling commission ranging from 0.50% to 5.00% of the principal amount of debentures sold, depending on the debentures' maturity date. We will also pay Arque Capital additional underwriting compensation ranging from 1.00% to 3.00% of the principal amount of debentures sold depending on the debentures' maturity date. Such additional underwriting compensation consists of a dealer manager fee, a wholesaling fee (payable only to wholesaling dealers), and an accountable and non-accountable expense allowance. Arque Capital will share its commissions and accountable and non-accountable expense allowance with other dealers who may participate in the offering. The total amount of the selling commissions and additional underwriting compensation paid to Arque Capital and any other FINRA member in the course of offering and selling debentures will not exceed 8.00% of the aggregate amount of the debentures sold. See "Plan of Distribution" and "Use of Proceeds" for further information.

	Price to Investor	Aggregate Commissions, Fees, and Expense Allowances (1)(2)	Net Proceeds to Company	
Minimum Investment	$25,000	$ 1,812	$23,188	(3)
Offering	$250,000,000	$ 18,125,000	$230,375,000	(4)

(1) Assumes an average sales commission of 4.25%, average dealer manager fee of 0.50%, average wholesaling fees of 0.80%, and average accountable and non-accountable expense allowance of 1.70%. As explained above, actual commissions, fees and allowances will vary based on the term of the debentures sold. Nevertheless, the total amount of selling commissions and additional underwriting compensation (consisting of dealer manager fees, wholesaling fees and accountable and non-accountable expense allowances) paid to the underwriter will not exceed 8.00% of the aggregate principal amount of debentures sold.

(2) Arque Capital has agreed to offer the debentures on a "best efforts" basis.

(3) Net Proceeds to Company based on the Minimum Investment are calculated after deducting (i) selling commissions and (ii) additional underwriting compensation (consisting of a dealer manager fee, wholesaling fee, and an accountable and non-accountable expense allowance). We expect that our own offering expenses, consisting of legal, accounting, printing, mailing, registration, qualification and associated securities offering filing costs and expenses, will aggregate to approximately $1,500,000, but for purposes of illustrating the Net Proceeds to Company based on the Minimum Investment, our issuer offering expenses of $1,500,000 are not reflected.

(4) Net Proceeds to Company based on the offering of $250,000,000 in principal amount of debentures are calculated as described in fn. 3 above, but also after deducting our own expected issuer offering expenses of $1,500,000.

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

The initial interest rates for the debentures based on the applicable maturity thereof is set forth in the table below.

Maturity Term	Interest Rate (%)
6 months	4.75
1 year	5.50

2 years	7.00
3 years	8.00
4 years	8.50
5 years	9.00
7 years	9.50

We may change the interest rates applicable to unsold debentures from time to time during this offering, in which case the applicable interest rates will be set forth in an interest rate supplement to this prospectus. Once a debenture is sold, the interest rate will not change during its term (subject, however, to the extension and renewal provisions contained in such debenture).

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

IMPORTANT NOTICES

Illinois investors:

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE SECURITIES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK.

Michigan investors:

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE CORPORATION AND SECURITIES BUREAU, MICHIGAN DEPARTMENT OF COMMERCE. THE DEPARTMENT HAS NOT UNDERTAKEN TO PASS UPON THE VALUE OF THESE SECURITIES NOR TO MAKE ANY RECOMMENDATIONS AS TO THEIR PURCHASE.

THE USE OF THE PROSPECTUS IS CONDITIONED UPON ITS CONTAINING ALL MATERIAL FACTS AND THAT ALL STATEMENTS CONTAINED THEREIN ARE TRUE AND CAN BE SUBSTANTIATED. THE DEPARTMENT HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.

NO BROKER-DEALER, SALESMAN, AGENT OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, IN CONNECTION WITH THE OFFERING HEREBY MADE, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS OR EFFECTIVE LITERATURE.

THIS IS A BEST EFFORTS OFFERING, AND THE ISSUER RESERVES THE RIGHT TO ACCEPT OR REJECT ANY SUBSCRIPTION AND WILL PROMPTLY NOTIFY THE SUBSCRIBER OF ACCEPTANCE OR REJECTION. THERE IS NO ASSURANCE THAT THIS OFFERING WILL ALL BE SOLD. THERE ARE NO ASSURANCES AS TO WHAT SIZE THE ISSUER MAY REACH.

THERE IS NO ASSURANCE THAT OUR OPERATIONS WILL BE PROFITABLE OR THAT LOSSES WILL NOT OCCUR.

IT IS NOT THE POLICY OF THE ISSUER TO REDEEM THESE SECURITIES.

ANY REPRESENTATIONS CONTRARY TO ANY OF THE FOREGOING SHOULD BE REPORTED FORTHWITH TO THE LANSING OFFICE OF THE BUREAU AT 6546 Mercantile Way, Lansing, Michigan 48909, or TELEPHONE (517) 334-6200.

ABOUT THIS PROSPECTUS

We have prepared this prospectus as part of a registration statement that we filed with the SEC for our continuous offering of debentures. Periodically, as we make material investments or have other material developments, we will provide a prospectus supplement that may add, update or change information contained in this prospectus. We will endeavor to avoid interruptions in the continuous offering of our debentures. Nonetheless, our continuous offering may be suspended while the SEC or FINRA reviews any amendment to our registration statement, until it is declared effective.

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

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

No information contained herein, nor in any prior, contemporaneous or subsequent communication should be construed by a prospective investor as legal or tax advice. Each prospective investor should consult its, his or her own legal, tax and financial advisors to ascertain the merits and risks of the transactions described herein prior to purchasing the debentures. This written communication is not intended to be issued as a “reliance opinion” or a “marketed opinion,” as defined under Section 10.35 of Circular 230 published by the U.S. Treasury Department, so as to avoid any penalties that could be assessed under the Internal Revenue Code of 1986, as amended (the “Code”) or its applicable Treasury Regulations. Accordingly, (a) any information contained in this written communication is not intended to be used, and cannot be used or relied upon for purposes of avoiding any penalties that may be imposed on a prospective investor by the Code or applicable Treasury Regulations; (b) this written communication has been written to support the promotion or marketing of the transactions or matters addressed by this written communication; and (c) each prospective investor should seek advice based on the prospective investor’s particular circumstances from an independent tax advisor.

The debentures will be issued under an indenture. This prospectus is qualified in its entirety by the terms of that indenture filed with SEC as an exhibit to the registration statement of which this prospectus is a part. All material terms of the indenture are summarized in this prospectus. You may obtain a copy of the indenture upon written request to us or online at www.sec.gov.

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

SUITABILITY STANDARDS

The following are our suitability standards for investors in connection with our continuous offering of debentures under this registration statement.

Pursuant to applicable state securities laws, debentures offered through this prospectus are suitable only as a long-term investment for persons of adequate financial means who have no need for liquidity in their investment. There is not expected to be any public market for the debentures, which means that it may be difficult or impossible for you to resell the debentures. As a result, we have established general suitability standards that are applicable to all investors in all states. In addition, we have established additional suitability standards (discussed in more detail below) in the following states—Arizona, Idaho, Iowa, Kansas, Kentucky, Maine, Massachusetts, Nebraska, New Jersey, New Mexico, North Dakota, Oklahoma, Oregon, South Carolina and Washington.

In all cases, our general suitability standards require that investors have either (i) a net worth (not including home, furnishings, and personal automobiles) of at least $70,000 and an annual gross income of at least $70,000, or (ii) a net worth (not including home, furnishings, and personal automobiles) of at least $250,000. Our general suitability standards also require that a potential investor (1) can reasonably benefit from an investment in us based on such investor's overall investment objectives and portfolio structuring; (2) is able to bear the economic risk of the investment based on the prospective debenture holder's overall financial situation; and (3) has apparent understanding of (a) the fundamental risks of the investment, (b) the risk that such investor may lose his or her entire investment, (c) the lack of liquidity of the debentures, (d) the qualifications of any advisor in our selling group who is recommending an investment in the debentures, and (e) the tax consequences of the investment.

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

State	Suitability Requirements
Arizona and North Dakota	Investors must have either (i) a minimum of $150,000 (or $200,000 when combined with a spouse) in gross income during the prior year and a reasonable expectation that the investor will have at least such income in the current year, or (ii) a minimum net worth of $350,000 (or $400,000 when combined with a spouse), exclusive of home, home furnishings and automobiles, with the investment in debentures offered hereby not exceeding 10% of the net worth of the investor (together with a spouse, if applicable).
Idaho	It is recommended by the Idaho Department of Finance that Idaho investors not invest, in the aggregate, more than 10% of their liquid net worth in this and similar investments which may be considered speculative. Liquid net worth is defined as that portion of net worth consisting of cash, cash equivalents and readily marketable securities.
Iowa, Maine, Nebraska, New Jersey, Oregon, South Carolina and Washington	Investors must be "accredited investors" as that term is defined in Rule 501(a) under the Securities Act of 1933.

Kansas	It is required by the Office of the Kansas Securities Commissioner that Kansas investors limit their aggregate investment in the securities of the company and other similar programs to not more than 10% of their liquid net worth. For these purposes, liquid net worth shall be defined as that portion of total net worth (total assets minus total liabilities) that is comprised of cash, cash equivalents and readily marketable securities, as determined in conformity with Generally Acceptable Accounting Principles.
Kentucky	Investors are required to have either (i) a minimum gross annual income of $100,000 and a minimum net worth (excluding the value of homes, furnishings, and personal automobiles) of $150,000, or (ii) a minimum net worth (excluding the value of homes, furnishings, and personal automobiles) of $250,000.

Massachusetts and New Mexico	Investors must be "accredited investors" as that term is defined in Rule 501(a) under the Securities Act of 1933, and must limit their aggregate investment in the securities of the company and other similar programs to not more than 10% of their liquid net worth. For this purpose, "liquid net worth" shall be defined as that portion of total net worth (i.e., total assets minus total liabilities) that consists of cash, cash equivalents and readily marketable securities, as determined in conformity with Generally Accepted Accounting Principles.
Oklahoma	Purchases by investors should not exceed 10% of their net worth. For this purpose, "net worth" is determined exclusive of the value of a home, home furnishings and automobiles.

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

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

These suitability standards are intended to help ensure that, given the long-term nature of an investment in our debentures, our investment objectives and the relative illiquidity of our debentures, the debentures are an appropriate investment for prospective purchasers. Those selling debentures on our behalf must make every reasonable effort to determine that the purchase of our debentures is a suitable and appropriate investment for each debenture holder based on information known to selling group members and provided by the debenture holder in the Subscription Agreement. Each selected broker-dealer is required to maintain for six years records of the information used to determine that an investment in our debentures is suitable and appropriate for a debenture holder.

The investor suitability requirements stated above represent minimum suitability requirements we establish for prospective debenture holders. However, satisfaction of these requirements will not necessarily mean that the debentures are a suitable investment for a prospective investor, or that we will accept the prospective investor's Subscription Agreement. Furthermore, as appropriate, we may modify such requirements in our sole discretion, and such modifications may raise (but not lower) the suitability requirements for prospective debenture holders. If you do not meet the requirements described above, do not read further and immediately return this prospectus. In the event you do not meet such requirements, this prospectus does not constitute an offer to sell debentures to you.

INDUSTRY AND MARKET DATA

The industry, market and data used throughout this prospectus have been obtained from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. We believe that each of these studies and publications is reliable.

HOW TO PURCHASE DEBENTURES

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

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

Wire Instructions
GWG Holdings, Inc.—Indenture Account
Account: 4809888371
Routing: 071000288
Bank Name: BMO Harris Bank

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

Upon receipt of the signed Subscription Agreement, verification that the Subscription Agreement contains the appropriate representations and warranties respecting your investment qualifications, and our acceptance of your purchase (in our sole discretion), we will notify you of receipt and acceptance of your purchase. During such time as our offering is active (i.e., other than during such time as any post-effective amendment remains subject to review by regulatory authorities), we may, in our sole discretion, accept or reject any purchase, in whole or in part, for a period of 15 days after receipt of the Subscription Agreement; and any purchase not expressly accepted within 15 days of receipt shall be deemed rejected. In the event we do not accept a your purchase of debentures for any reason, we will promptly return your payment. We may terminate or suspend this offering at any time, for any reason or no reason, in our sole discretion.

PROSPECTUS SUMMARY

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

Our Company

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

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

According to the American Council of Life Insurers Fact Book 2011 (ACLI), individuals owned over $10.48 trillion of face value of life insurance policies in the United States in 2010. This figure includes all types of policies, including term and permanent insurance known as whole life, universal life, variable life, and variable universal life. The secondary market for life insurance has developed around individuals aged 65 years or older owning either permanent insurance or term insurance convertible into permanent insurance. According to the ACLI, the average annual lapse rate and surrender rate of life insurance policies for the ten years ending 2010 was 7.2%, or over $712 billion in face value of policy benefits in 2010 alone. These figures do not include group-owned life insurance, such as employer-provided life insurance, the market for which totaled over $7.83 trillion of face value of life insurance policies in the United States in 2010, and the policies of which exhibit similar lapse and surrender rates according to the ACLI.

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

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

We were formed in 2006. Since then, we have acquired over $1.4 billion in face value of life insurance policy benefits and have become an active purchaser and financier of life insurance policies in the secondary market. In 2008, after selling approximately $1 billion in face value of life insurance policy benefits, we adopted our current buy-and-hold strategy of investing in life insurance policies. As of December 31, 2012, we owned approximately $572 million in face value of life insurance policy benefits with an aggregate cost basis of approximately $156 million. Aggregate cost basis includes our acquisition costs and ongoing maintenance and carrying costs. To date, we have financed the acquisition of this portfolio through the issuance of secured notes by our direct wholly owned subsidiary GWG Life Settlements, LLC, and the use of a senior revolving credit facility, our “revolving credit facility,” benefitting our indirect wholly owned subsidiary GWG DLP Funding II, LLC, which subsidiary owns title to substantially all of our life insurance policy assets. For more information on our corporate structure, please refer to the caption “—Corporate Organization” below.

A summary of our portfolio of life insurance policies as of March 31, 2013 is set forth in the table below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$	639,755,000
Average face value per policy	$	2,722,000
Average face value per insured life	$	2,990,000
Average age of insured (yrs.) *		81.5
Average life expectancy estimate (yrs.) *		7.62
Total number of policies		235
Demographics		66% Males; 34% Females
Number of smokers		No insureds are smokers
Largest policy as % of total portfolio		1.56%
Average policy as % of total portfolio		0.43%
Average Annual Premium as % of face value		3.26%

* Averages presented in the table are weighted averages.

We generally purchase life insurance policies through secondary market transactions directly from the policy owner who originally purchased the life insurance in the primary market. Historically, we have purchased policies in the secondary market through a network of life insurance agents, life insurance brokers, and licensed providers who assist policy owners in accessing the secondary market.

Before we purchase a life insurance policy, we conduct an underwriting review that includes obtaining life expectancy estimates on each insured from third party medical actuarial firms. We base our life expectancy estimates on the average of those two estimates. In the case of small face policies, which we define as life insurance policies with less than $250,000 in face value of policy benefits, we may choose not to obtain life expectancies from third party medical actuarial firms, but rather use standard mortality tables to develop our own life expectancy of an insured. The policies we purchase are universal life insurance policies issued by rated life insurance companies. Universal life insurance is a type of permanent life insurance in which premium payments above the cost of insurance are credited to the "cash value" of the policy. The cash value is credited each month with interest based on the terms of the insurance policy agreement. If a universal life insurance policy were to lapse, the insured or other owner of the policy would nonetheless have a right to receive the cash value of the policy. Universal life insurance is different from "term" life insurance in that "term" life insurance does not have a cash value associated with it. We seek to purchase life insurance policies issued by rated life insurance companies with investment grade credit ratings by Standard & Poor's (AAA through BBB), Moody's (Aaa through Baa3), or A.M. Best Company (aaa through bbb). As of December 31, 2012, over 89.8% of life insurance policies in our portfolio were issued by companies rated "A" or better under the Standard & Poor's rating system.

The price we are willing to pay for the policy in the secondary market is primarily a function of: (i) the policy's face value; (ii) the life expectancy of the individual insured by the policy; (iii) the premiums expected to be paid over the life of the insured; (iv) market competition from other purchasers; and (v) the particular underwriting characteristics of the policy, relative to the characteristics of our portfolio of life insurance policies.

We seek to earn profits by purchasing policies at discounts to the face value of the insurance benefit. We purchase policies at discounts that are expected to exceed the costs necessary to pay premiums and financing and servicing costs through the date of the insured's mortality. We rely on the actuarial life expectancy assumptions to estimate the expected mortality of the insureds within our portfolio. We seek to finance our life insurance policy purchases and payment of premiums and financing costs, until we receive policy benefits, through the sale of the Renewable Secured Debentures and the use of our revolving line of credit. In the past, we have also relied on the sale of our Series A preferred stock and Series I subsidiary secured notes.

We believe the socio-economic and demographic trends strongly support the long-term development of our market opportunity and that our business model provides significant advantages to both owners of life insurance policies and investors. For owners of life insurance, selling in the secondary market often provides significant value over that offered by the insurance carrier. For investors, our earnings from life insurance policies are not correlated to traditional markets such as real estate, equity markets, fixed income markets, currency or commodities. We believe that by acquiring a large portfolio of well diversified life insurance policies, we will offer value to both owners of life insurance and investors seeking returns derived from non-correlated assets. We believe our financing strategy of offering Renewable Secured Debentures positions us as a leader in the secondary market of life insurance.

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

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

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

Industry Experience: We have actively participated in the development of the secondary market of life insurance as a principal purchaser and financier since 2006. Our position within the marketplace has allowed us to evaluate over 30,000 life insurance policies for possible purchase, thereby gaining a deep understanding of the variety of issues involved when purchasing life insurance policies in the secondary market. We have participated in the leadership of various industry associations and forums, including the Life Insurance Settlement Association and the Insurance Studies Institute. Our experience gives us confidence in building a portfolio of life insurance policies that will perform to our expectations.

Operational Platform: We have built an operational platform and systems for efficiently tracking, processing, and servicing life insurance policies that we believe provide competitive advantages when purchasing policies in the secondary marketplace, and servicing the policies once acquired.

Origination and Underwriting Practices: We seek to purchase life insurance policies that meet published guidelines on what policies would be accepted in a rated securitization. We purchase only permanent life insurance policies we consider to be non-contestable and that meet stringent underwriting criteria and reviews. We consider a life insurance policy to be "non-contestable" once applicable state law prohibits the insurer from challenging the validity of the policy due to fraud. In this regard, state non-contestability laws generally require a period of one to two years to elapse after the initial issuance of the policy before that policy is considered non-contestable under state law. Non-contestability laws do not, however, prevent an insurer from challenging the validity of a policy procured by fraud for lack of an insurable interest (such as is the case with stranger-originated life insurance policies).

Origination Relationships: We have established origination relationships with over 300 life insurance policy brokers and insurance agents who submit policies for our purchase or financing. Our referral base knows our underwriting standards for purchasing life insurance policies in the secondary market, which provides confidence in our bidding and closing process and streamlines our own due-diligence process.

Life Expectancy Methodology: We generally rely on at least two life expectancy reports from independent third-party medical actuary underwriting firms such as 21st Services, AVS Underwriting, Fasano Associates, and ISC Services to develop our life expectancy estimate.

Pricing Software and Methodology: We use actuarial pricing methodologies and software tools that are built and supported by leading independent actuarial service firms such as Modeling Actuarial Pricing Systems, Inc. ("MAPS") for calculating our expected returns.

Diversified Funding: We have actively developed diversified sources for accessing capital markets in support of our buy and hold strategy for our portfolio of life insurance policies, ranging from institutional bank financing and global capital markets, to a network of broker-dealers registered with the Financial Industry Regulatory Authority ("FINRA"), many of whom have participated in our Series I subsidiary secured notes financing.

On the other hand, our business involves a number of challenges and risks described in more detail elsewhere in this prospectus, including the following:

Relatively New Market: The purchase and ownership of life insurance policies acquired in the secondary market is a relatively new and evolving market. Our ability to source and purchase life insurance policies at attractive discounts materially depends on the continued development of the secondary market for life insurance. This includes the solvency of life insurance companies to pay the face value of the life insurance benefits, the accuracy of mortality assumptions, and other factors beyond our control.

Assumptions About Valuation of Our Assets: The valuation of our portfolio of life insurance policies, which is the principal asset on our balance sheet, requires us to make material assumptions that may ultimately prove to be incorrect. These assumptions include appropriate discount rates, cash flow projections, and actuarial life expectancies, which may not prove to be accurate.

Ability to Expand Our Portfolio: Our business model relies on achieving actual results that are in line with the results we expect to attain from our investments in life insurance policy assets. In this regard, we believe that the larger portfolio of life insurance policies we own, the greater likelihood we will achieve actuarial results that match our expected results. Although we plan to expand the number of life insurance policies we own using proceeds raised from the sale of our Renewable Secured Debentures, we may be unable to meet this goal. And, even if we attain the goal, we may not achieve the actuarial results we expect.

Reliance on Financing: We have chosen to finance our business almost entirely through the issuance of debt, including the sale of Renewable Secured Debentures, Series I subsidiary secured notes, and our revolving credit facility. Our business model expects that we will have continued access to financing in order to purchase a large and diversified portfolio of life insurance policies, and thereafter pay the attendant premiums and servicing costs of maintaining the portfolio. Our strategy is to build a profitable and larger portfolio of policies that is diversified in terms of insurance carriers and the medical conditions of insureds. We believe that diversification among insurers and medical conditions will lower our overall exposure risk, and that a larger number of policies (diversification in overall number) will provide our portfolio with greater actuarial stability. We will be required to rely on our access to financing until such time as we experience a significant amount of mortality within our portfolio and begin receiving revenues from the receipt of insurance policy benefits.

Risk of Investment in Life Insurance Policies: Our investments in life insurance policies have inherent risks, including fraud and legal challenges to the validity of the policies, as well as the possibility of misleading information provided by the seller of the policy.

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

Our business also involves certain other challenges and risks described in the "Risk Factors" section of this prospectus.

Implications of Being an "Emerging Growth Company"

As a public reporting company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" under the Jumpstart our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of certain reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. In particular, as an emerging growth company we:

- are not required to obtain an attestation and report from our auditors on our management's assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;

- are not required to provide a detailed narrative disclosure discussing our compensation principles, objectives and elements and analyzing how those elements fit with our principles and objectives (commonly referred to as "compensation discussion and analysis");

- are not required to obtain a non-binding advisory vote from our stockholders on executive compensation or golden parachute arrangements (commonly referred to as the "say-on-pay," "say-on-frequency" and "say-on-golden-parachute" votes);

- are exempt from certain executive compensation disclosure provisions requiring a pay-for-performance graph and CEO pay ratio disclosure;

- may present only two years of audited financial statements and only two years of related Management's Discussion & Analysis of Financial Condition and Results of Operations, or MD&A;

- are eligible to claim longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act; and

- are exempt from any PCAOB rules relating to mandatory audit firm rotation and any requirement to include an auditor discussion and analysis narrative in our audit report.

We intend to take advantage of all of these reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act. Our election to use the phase-in periods may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the phase-in periods under §107 of the JOBS Act. Please see "Risk Factors," page 34 ("We are an 'emerging growth company' . . .").

Certain of these reduced reporting requirements and exemptions were already available to us due to the fact that we also qualify as a "smaller reporting company" under SEC rules. For instance, smaller reporting companies are not required to obtain an auditor attestation and report regarding management's assessment of internal control over financial reporting; are not required to provide a compensation discussion and analysis; are not required to provide a pay-for-performance graph or CEO pay ratio disclosure; and may present only two years of audited financial statements and related MD&A disclosure. In addition, we presently file reports under the Securities Exchange Act of 1934 by virtue of Section 15(d) of that Act. As a filer of reports under Section 15(d), we are not required to file proxy statements under Section 14 of that Act and, as a result, we are currently not subject to the "say-on-pay," "say-on-frequency" and "say-on-golden-parachute" advisory voting requirements under SEC Rule 14a-21. We will remain a filer under Section 15(d) of the Securities Exchange Act of 1934 until such time as we file a registration statement under that Act on Form 8-A or Form 10.

Under the JOBS Act, we may take advantage of these reduced reporting requirements and exemptions for up to five years after our initial sale of common equity pursuant to a registration statement declared effective under the Securities Act of 1933, or such earlier time that we no longer meet the definition of an emerging growth company. In this regard, the JOBS Act provides that we would cease to be an "emerging growth company" if we have more than $1.0 billion in annual revenues, have more than $700 million in market value of our common stock held by non-affiliates, or issue more than $1.0 billion of non-convertible debt over a three-year period. Furthermore, under current SEC rules we will continue to qualify as a "smaller reporting company" for so long as we (1) have a public float (i.e., the market value of common equity held by non-affiliates) of less than $75 million as of the last business day of our most recently completed second fiscal quarter, or (2) have a public float of zero and annual revenues of less than $50 million during our most recently completed fiscal year.

Corporate Organization

Our business was organized in February 2006. As a parent holding company, GWG Holdings was incorporated on March 19, 2008 as a limited liability company. Our principal executive offices are located at 220 South Sixth Street, Suite 1200, Minneapolis, Minnesota 55402 and our telephone number is (612) 746-1944. Our website address is www.gwglife.com. The information on or accessible through our website is not part of this prospectus.

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

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

The Offering

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

may offer higher rates of interest to investors with larger aggregate debenture portfolios, as set forth in the then-current interest rate supplement.

Interest Payments	We will pay interest on the debentures based on the terms you choose, which may be monthly or annually. Interest will accrue from the effective date of the debenture. Interest payments will generally be made on the 15th day immediately following the last day of the month to the debenture holder of record as of the last day of that month. Interest will be paid without any compounding. Your first payment of interest will include interest for the partial month in which the purchase occurred.
Principal Payments	The maturity date for the debentures will be the last day of the month during which the debenture matures. We are obligated to pay the principal on the debenture on the 15th day of the month next following its maturity (or the first business day following such date).
Payment Method	Principal and interest payments will be made by direct deposit to the account you designate in your Subscription Agreement.
Renewal or Redemption at Maturity	Upon maturity, the debentures will be automatically renewed for the same term at the interest rate we are offering at that time to other investors with similar aggregate debenture portfolios for debentures of the same maturity, unless repaid upon maturity at our or your election. In this regard, we will notify you at least 30 days prior to the maturity date of your debentures. In the notice, we will advise you if we intend to repay the debentures or else remind you that your debentures will be automatically renewed unless you exercise your option, within 15 days, to elect to have your debentures repaid. If applicable, a new certificate will be issued. If we determine that a post-effective amendment to the registration statement covering the offer and sale of debentures must be filed during your 15-day repayment election period, we will extend your election period until ten days following the postmark date of our notice to you that the amendment has become effective. For any debentures offered hereby that mature after January 31, 2014, we expect that the renewal of such debentures will require us to file a new registration statement. In such a case, the new registration statement must be declared effective before we will be able to renew your debenture. 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. If debentures with similar terms are not being offered at the time of renewal, the interest rate upon renewal will be (a) the rate specified by us in writing on or before the maturity date or (b) if no such rate is specified, the rate of your existing debentures. Accordingly, you should understand that the interest rate offered upon renewal may differ from the interest rate applicable to your debentures prior to maturity. See “Description of the Debentures—Renewal or Redemption on Maturity.”

Call and Redemption Prior to Maturity	We may call and redeem the entire outstanding principal balance and accrued but unpaid interest of any or all of the debentures at any time without penalty or premium. Debenture holders will have no right to require us to redeem any debenture prior to maturity unless the request is due to death, bankruptcy or total disability. In our sole discretion, we may nonetheless accommodate requests to redeem any debenture prior to maturity. If we agree to redeem a debenture upon the request of a debenture holder, we will impose a redemption fee of 6% against the outstanding principal balance of the debenture redeemed, which fee will be subtracted from the amount paid.
Ranking	The renewable secured debentures will constitute secured debt of GWG Holdings. The payment of principal and interest on the debentures will be: pari passu with respect to payment and collateral securing the approximately $37.5 million in outstanding principal amount of Series I subsidiary secured notes previously issued by our subsidiary GWG Life (see the caption "—Collateral Security" below); structurally junior to the present and future obligations owed by our subsidiary DLP Funding II under the revolving credit facility with Autobahn/DZ Bank (including the approximately $79 million presently outstanding under such facility); and structurally junior to the present and future claims of other creditors of our subsidiaries, other than GWG Life, including trade creditors. "Pari passu" means that claims for payment and entitlement to security among the holders of debentures, on the one hand, and secured debt previously issued by GWG Life, on the other hand, 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 would also be treated equally and without preference in respect of the debentures. Thus, in the event of any default on the debentures (or any other debt securities pari passu with the debentures) resulting in claims for payment or collateral security, the holders of the debentures and all such other debt securities pari passu with the debentures would share in payment or collateral security in proportion to the amount of principal and interest owed on each such debt instrument. See "Description of the Debentures—Ranking" for further information.
Guarantee	The payment of principal and interest on the debentures is fully and unconditionally guaranteed by GWG Life. This guarantee (and accompanying grant of a security interest in all of the assets of GWG Life) makes the debentures pari passu, with respect to collateral, with the approximately $37.5 million in outstanding principal amount of Series I subsidiary secured notes previously issued by GWG Life.
Collateral Security	The debentures are secured by the assets of GWG Holdings, Inc. We will grant a security interest in all of our assets to the indenture trustee for the benefit of the debenture holders. Our assets consist primarily of our investments in our subsidiaries and any cash proceeds we receive from life insurance policy assets of our subsidiaries, and all other cash and

investments we hold in various accounts.

The majority of our life insurance policy assets are held in our subsidiary DLP Funding II, LLC. The debentures' security interest will be structurally subordinate to the security interest in favor of the lender under DLP Funding II's revolving credit facility. The assets of GWG Life, including proceeds it receives as distributions from DLP Funding II and derived from the insurance policies owned by DLP Funding II, are collateral for GWG Life's guarantee of the repayment of principal and interest on the debentures. This security interest will be pari passu to other debt issued and outstanding by GWG Life. The debentures are also secured by a pledge of a majority of our outstanding common stock from our largest stockholders, which pledge is pari passu with the pledge of the common stock to the holders of Series I subsidiary secured notes earlier issued by GWG Life. For a description of the meaning of the term "pari passu," please refer to the caption "Ranking" above.

Indenture Covenants	The indenture governing the debentures places restrictive covenants and affirmative obligations on us. For example:

- our debt coverage ratio may not exceed 90%; and
- our subordination ratio may not exceed 50% for the first four years after our initial sale of debentures.

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

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

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

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

Use of Proceeds	If all the debentures are sold, we would expect to receive up to approximately $230 million of net proceeds from this offering after paying estimated offering and related expenses and after paying our estimated average selling commissions, dealer manager fees, accountable and non-accountable expense allowances, wholesale commissions and our offering expenses. If the maximum offering were sold and the maximum commissions, fees and allowances were paid, the proceeds to us would be approximately $228.5 million. There is no minimum amount of debentures that must be sold before we access investor funds. The exact amount of proceeds we receive may vary considerably depending on a variety of factors, including how long the debentures are offered. We intend to use a substantial majority of the net proceeds from this offering to purchase life insurance policies in the secondary market. We intend to use the remaining balance of the net proceeds from this offering for certain other expenditures we anticipate incurring in connection with this offering and in connection with our business. See "Use of Proceeds" for additional information.
No Market for Debentures and Restrictions on Transfers	There is no existing market for the debentures and we do not anticipate that a secondary market for the debentures will develop. We do not intend to apply for listing of the debentures on any securities exchange or for quotation of the debentures in any automated dealer quotation system. You will be able to transfer or pledge the debentures only with our prior written consent. See "Description of the Debentures—Transfers."
Book Entry	The debentures will generally be issued in book entry or uncertificated form only and will not be evidenced by certificates or negotiable instruments. Exceptions will be made for debentures purchased through, held in, or transferred to accounts at custodial firms, and for certain other circumstances. See "Description of the Debentures—Book Entry Registration and Exchange.
Risk Factors	An investment in the debentures involves significant risks, including the risk of losing your entire investment, and may be considered speculative. Importantly, our cash flows are restricted under our borrowing arrangement with our senior secured lender. In sum, and subject to certain exceptions, distributions from our operating subsidiaries are limited to an amount that would result in us realizing an 18% annualized rate of return on the equity funded amount attributable to our life insurance policy assets. These provisions will restrict cash flows available for payment of principal and interest on the debentures. For a summary of risks relating to this offering and our Company and business, please see "Risk Factors," page 22.

RISK RELATING TO FORWARD-LOOKING STATEMENTS

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

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

Some of the statements in this prospectus that are not historical facts are “forward-looking” statements. Forward-looking statements can be identified by the use of words like “believes,” “could,” “possibly,” “probably,” “anticipates,” “estimates,” “projects,” “expects,” “may,” “will,” “should,” “seek,” “intend,” “plan,” “expect,” or “consider” or the negative of these expres other variations, or by discussions of strategy that involve risks and uncertainties. We base these forward-looking statements on current expectations and projections about future events and the information currently available to us. Although we believe that the assumptions for these forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Consequently, no representation or warranty can be given that the estimates, opinions, or assumptions made in or referenced by this prospectus will prove to be accurate. Some of the risks, uncertainties and assumptions are identified in the discussion entitled “Risk Factors” in this prospectus. We caution you that the forward-looking statements in this prospectus are only estimates and predictions. Actual results could differ materially from those anticipated in the forward-looking statements due to risks, uncertainties or actual events differing from the assumptions underlying these statements. These risks, uncertainties and assumptions include, but are not limited to, those discussed in this prospectus.

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

RISK FACTORS

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

Risks Related to Our Company and Our Industry

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

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

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

We are a company with a limited history, which makes it difficult to accurately forecast our earnings and cash flows. During the year ended December 31, 2012, we incurred a net loss of $(1,013,000), and in the year ended December 31, 2011, we incurred a net loss of $(2,827,000). Our net income for the three-month period ended March 31, 2013 was $67,134. Our common equity (deficit) as of December 31, 2012 and December 31, 2011 was $(1,262,000) and $949,000, respectively, and our common equity (deficit) as of March 31, 2013 was $(1,452,418). The carrying value of our Series A preferred stock as of December 31, 2012 and December 31, 2011 was $23,906,000 and $12,661,000, respectively. The carrying value of our Series A preferred stock as of March 31, 2013 was $24,061,000. Our lack of a significant history and the evolving nature of our market make it likely that there are risks inherent in our business and the performance characteristics for portfolios of life insurance policies that are as yet recognized by us or others, or not fully appreciated, and that could result in earning less on our life insurance policies than we anticipate or even suffering further losses. As a result of the foregoing, an investment in the debentures necessarily involves uncertainty about the stability of our earnings, cash flows and, ultimately, our ability to service and repay our debt. Accordingly, there is a risk that you could lose your entire investment.

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

Our principal asset is a portfolio of life insurance policies purchased in the secondary market, comprising approximately 80.1% of our total assets. Those assets are considered “Level 3” fair value measurements under ASC 820, Fair Value Measurements and Disclosures, as there is currently no active market where we are able to observe quoted prices for identical assets. As a result, our valuation of those assets incorporates significant inputs that are not observable. Fair value is defined as an exit price representing the amount that would be received if assets were sold or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

A Level 3 fair value measurement is inherently uncertain and creates additional volatility in our financial statements that are not necessarily related to the performance of the underlying assets. As of December 31, 2012, we estimate the fair value discount rate for our portfolio to be 12.08%. If we determine in the future that a higher discount rate is required to ascribe fair value to a similarly situated portfolio of life insurance policies, we would experience significant losses materially affecting our results of operations. It is also possible that significant losses of this nature could at some point cause us to fall out of compliance with certain borrowing covenants contained in our revolving credit facility.

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

For further disclosure relating to the risks associated with the valuation of our assets, see the risk factor below "If actuarial assumptions we obtain from third-party providers . . . ." on page 27.

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

Our business model relies on achieving actual results that are in line with the results we expect to attain from our investments in life insurance policy assets. In this regard, we believe that the larger portfolio we own, the greater likelihood we will achieve our expected results. To our knowledge, rating agencies generally suggest that portfolios of life insurance policies be diversified enough to achieve actuarial stability in receiving expected cash flows from underlying mortality. For instance, in a study published in 2009, A.M. Best concluded that at least 300 lives are necessary to achieve actuarial stability, while Standard & Poor's has indicated that stability is unlikely to be achieved with a pool of less than 1,000 lives. As of March 31, 2013, we own approximately $639.8 million in face value of life insurance policies covering 235 lives. Accordingly, while there is risk with any portfolio of policies that our actual yield may be less than expected, we believe that the risk we face is presently more significant given the relative lack of diversification in our current portfolio as compared to rating agency recommendations.

Although we plan to expand the number of life insurance policies we own using proceeds raised from the sale of debentures, we may be unable to meet this goal if we do not sell enough debentures and financing from other capital sources is available only on unfavorable or unacceptable terms. In this regard, we have become aware that FINRA is investigating the sales practices of members of our selling group, and this investigation may impede our ability to grow our portfolio as we have planned (see the risk factor immediately below, "We critically rely on debt financing . . . .," for more information). Furthermore, even if our portfolio reaches the size we desire, we still may experience differences between the actuarial models we use and actual mortalities.

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

We critically rely on debt financing for our business. Any inability to borrow could adversely affect our business operations, our ability to satisfy our obligations under the debentures, and ultimately our viability.

To date, we have chosen to finance our business almost entirely through the issuance of debt, including debt incurred by our subsidiary DLP Funding II under a senior revolving credit facility provided by Autobahn/DZ Bank (which we refer to throughout this prospectus as our "revolving credit facility"). This revolving credit facility is secured by all of the assets of DLP Funding II, has a maximum amount of $100 million, and had an outstanding balance at March 31, 2013 of approximately $79 million. Obligations under the revolving credit facility have a scheduled maturity date of December 31, 2014. Our other important source of financing is presently this offering of debentures. Together, our revolving credit facility and this debenture offering comprise our most important sources of financing on which we critically rely to grow and maintain our portfolio of life insurance policies.

Our business model expects that we will have continued access to financing in order to purchase a large and diversified portfolio of life insurance policies and pay the attendant premiums and costs of maintaining the portfolio, all while satisfying our current interest and principal repayment obligations under our revolving credit facility, our other indebtedness and the debentures. We expect to refinance our revolving credit facility, either through renewal or replacement, when it comes due December 31, 2014. Pending the due date or refinancing of our revolving credit facility, we expect that proceeds from our life insurance policies will first be used to satisfy our obligations under that facility, as required by the revolving loan agreement. Accordingly, until we achieve cash flows derived from the portfolio of life insurance policy benefits, we expect to rely on debt to satisfy our ongoing financing and liquidity needs, including the costs associated with the ongoing offer and sale of the debentures. Nevertheless, continued access to financing and liquidity under the revolving credit facility or otherwise is not guaranteed. For example, general economic conditions could limit our access to financing, as could regulatory or legal pressures exerted on us, our financiers or those involved in our general plan of financing such as brokers, dealers and registered investment advisors. Recently, there has been an increased regulatory focus on the sale of alternative-asset investment products offering investors the opportunity to earn higher yields than otherwise available in traditional stocks and bonds—i.e., securities such as our debentures. In this regard, we have become aware that FINRA is investigating the sales practices of our selling group members. At this time, we do not believe that any significant selling group members have committed material violations of FINRA rules in their efforts to sell our debentures. Nevertheless, we are concerned about the manner in which FINRA has conducted its investigation and the possibility that the investigation could have a negative effect on our debenture offering by slowing sales of our debentures. Any such negative effect will likely impede our ability to grow our portfolio and thereby obtain greater actuarial stability, and could impact our ability to finance our current interest and principal repayment obligations under our revolving credit facility, our other indebtedness and the debentures.

If we are unable to borrow under the revolving credit facility or otherwise (including, without limitation, obtaining financing from this offering) for any reason, or to renew or replace the revolving credit facility when it comes due in December 2014, our business would be adversely impacted as well as our ability to service and repay our obligations.

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

When we purchase a life insurance policy, we underwrite the purchase of the policy to mitigate risks associated with insurance fraud and other legal challenges to the validity of the life insurance policy. To the extent that the insured is not aware of the existence of the policy, the insured him or herself does not exist, or the insurance company does not recognize the policy, the insurance company may cancel or rescind the policy thereby causing the loss of an investment in a policy. In addition, if medical records have been altered in such a way as to shorten a related life expectancy report, this may cause us to overpay for the related policy. Finally, we may experience legal challenges from insurance companies claiming that the insured failed to have an insurable interest at the time the policy was originally purchased or that the policy owner made fraudulent disclosures to the insurer at the time the policy was purchased (e.g., disclosures pertaining to the health status of the insured or the existence or sources of premium financing), or challenges from the beneficiaries of an insurance policy claiming the sale was invalid upon mortality of the insured.

To mitigate these risks, we require a current verification of coverage from the insurance company, complete thorough due diligence on the insured and accompanying medical records, review the life insurance policy application, require a policy to have been in force for at least two years before purchasing, and require a legal review of any premium financing associated with the life insurance policy to insure insurable interest existed. Nevertheless, we do not expect that these steps will eliminate the risk of fraud or legal challenges to the life insurance policies we purchase. Furthermore, changes in laws or regulations, or the interpretation of existing laws or regulations, may prove our current due-diligence and risk-mitigation efforts inadequate for us to have confidence that our portfolio of life insurance policies are unlikely to be successfully challenged or to purchase new policies with such confidence. If a significant face amount of policies were invalidated for reasons of fraud or any other reason, our results of operations would be adversely affected, perhaps materially.

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

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

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

When we purchase a life insurance policy, we are subject to state insurance regulations. Over the past three years, we have seen a dramatic increase in the number of states that have adopted legislation and regulations from a model law promulgated by either the National Association of Insurance Commissioners (NAIC) or by the National Conference of Insurance Legislators (NCOIL). These laws are essentially consumer protection statutes responding to abuses that arose early in the development of our industry. Today, almost every state has adopted some version of either the NAIC or NCOIL model laws, which generally require the licensing of purchasers of and brokers for life insurance policies, the filing and approval of purchase agreements, and disclosure of transaction fees. These laws also require various periodic reporting requirements and prohibit certain business practices deemed to be abusive.

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

As discussed in “Business—Government Regulation,” in 2007, the Florida Department of Insurance issued an order for us to desist and refrain from further operating as a life settlement provider unless and until qualification had been made under the Florida law, or unless exempt. In April 2009, without admitting any wrongdoing, we settled the matter with the Florida Department of Insurance. Furthermore, in April 2011, without denying any wrongdoing, we entered into a settlement agreement with the Nevada Secretary of State, Securities Division, for alleged failures to register as a broker-dealer of life insurance settlement transactions and to file a notice of exempt offering for the sale of Series I subsidiary secured notes to residents of that state in 2009-2010.

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

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

Some states and the SEC have, on occasion, attempted to regulate the purchase of non-variable universal life insurance policies as transactions in securities under federal or state securities laws. In July 2010, the SEC issued a Staff Report of its Life Settlement Task Force. In that report, the Staff recommended that certain types of purchased life insurance policies be classified as securities. The SEC has not taken any position on the Staff Report, and there is no indication if the SEC will take or advocate for any action to implement the recommendations of the Staff Report. In addition, there have been several federal court cases in which transactions involving the purchase and fractionalization of life insurance contracts have been held to be transactions in securities under the federal Securities Act of 1933. We believe that the matters discussed in the Staff Report, and existing case law, do not impact our current business model since our purchases of life settlements are distinguishable from those cases that have been held by courts, and advocated by the Staff Report, to be transactions in securities. For example, neither we nor any of our affiliates are involved in the fractionalization of any life insurance policies.

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

As a practical matter, the application of federal securities laws to our purchases of life insurance policies, either through the expansion of the definition of what constitutes a security, the expansion of the types of transactions in life insurance policies that would constitute transactions in securities, or the elimination or limitation of available exemptions and exceptions (whether by statutory change, regulatory change, or administrative or court interpretation) could burden us and other companies operating in the life insurance secondary market through the imposition of additional processes in the purchase of life insurance policies or the imposition of additional corporate governance and operational requirements through the application of the federal Investment Company Act of 1940. Any such burdens could be material. Among the particular repercussions for us would be a violation of existing covenants under our revolving credit facility requiring us to not be an "investment company" under the Investment Company Act of 1940, which could in the short or long term affect our liquidity and increase our cost of capital and operational expenses, all of which would adversely affect our operating results. It is possible that such an outcome could threaten the viability of our business and our ability to satisfy our obligations as they come due, including obligations under our debentures.

Being a public company results in additional expenses and diverts management's attention, and could also adversely affect our ability to attract and retain qualified directors.

We have been a public reporting company since January 31, 2012, which is the date on which our registration statement on Form S-1 (relating to the offer and sale of the debentures offered hereby) was declared effective by the SEC. As a public reporting company, we are subject to the reporting requirements of the Securities Exchange Act of 1934 pursuant to Section 15(d) of that Act. These requirements generate significant accounting, legal and financial compliance costs, and make some activities more difficult, time consuming or costly, and may place significant strain on our personnel and resources. The Securities Exchange Act of 1934 requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to establish the requisite disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight are required.

As a result, management's attention may be diverted from other business concerns, which could have an adverse and even material effect on our business, financial condition and results of operations. These rules and regulations may also make it more difficult and expensive for us to obtain director and officer liability insurance. If we are unable to obtain appropriate director and officer insurance, our ability to recruit and retain qualified officers and directors, especially those directors who may be deemed independent, could be adversely impacted.

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

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

the inability to locate sufficient numbers of life insurance policy sellers and agents to source life sellers;

the inability to convince life insurance policy owners of the benefits of selling their life insurance policy;

competition from other companies in the life insurance secondary market;

negative publicity about the market based on actual or perceived abuses; and

the adoption of additional governmental regulation.

The relatively new and evolving nature of the market in which we operate makes these risks unique and difficult to quantify. Nevertheless, contractions in the secondary market for life insurance policies, whether resulting from general economic conditions, regulatory or legal pressures or otherwise, could make participation in that market generally less desirable. This could, in turn, depress the prices at which life insurance policies on the secondary market are bought and sold. As indicated elsewhere in this prospectus, decreases in the value of life insurance policies on the secondary market could negatively affect our results of operations and our financial condition since the value of our policy portfolio is marked to market on a quarterly basis.

Changes in general economic conditions could adversely impact our business.

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

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

The internal rate of return we expect to earn when purchasing a life insurance policy is based upon our estimate of how long the insured will live—an actuarial life expectancy. We obtain actuarial life expectancies from third-party medical actuarial underwriting companies. These actuarial life expectancies are subject to interpretation and change based on evolving medical technology, actuarial data and analytical techniques. Any change to the actuarial expectancies or the mortality assumptions accompanied therewith that extend the estimated life expectancies of insureds within our porfolio could have a materially adverse effect on our operating results and cash flow. Adverse impacts on the value of our life insurance policy portfolio or our cash flow could in turn impair the value of the collateral we have pledged to our creditors, including the holders of our debentures, and our ability to service our debt.

On January 22, 2013, 21st Services, an independent provider of life expectancy analysis and related services for the life settlement industry in general, announced advancements in its underwriting methodology, resulting in revised life expectancy mortality tables for life settlement transactions. Based on information publicly released by 21st Services, the revised tables incorporate significantly more older age mortality data than earlier versions commonly used by the life insurance industry, resulting in a far greater ability to:

- assess the magnitude of impact that hundreds of different types of health impairments have on senior mortality on a case-by-case basis;
- apply credits and debits during the underwriting process in a manner that account for the different impacts of the same impairments for males and females; and
- reflect the difference in mortality between insureds who have sold policies and the group of 90,000 insureds underwritten by 21st Services, most of whom did not ultimately sell their policies in the life settlement market (such difference is frequently referred to in the life-settlement industry as “anti-selection”).

21st Services reported that the revised mortality tables reflect an average 19% increase in the life expectancy of insureds. Nevertheless, 21st Services representatives have advised us that generalizations could not be gleaned from their report as the changes that were made were very granular and dependent upon the specific medical conditions of an insured, as well as other factors. 21st Services representatives have also advised us that (i) certain medial conditions have resulted in increased life expectancies (e.g., cardiovascular disease) and some conditions resulted in decreased life expectancies, and (ii) the revised tables also have greater impact on the life expectancies of insureds who are younger.

We have used 21st Services' life expectancy reports as one of two such reports we generally obtain prior to purchasing life insurance policies on the secondary market, and we average those reports for our life expectancy estimate. The life expectancy of an insured has an inverse relationship to the expected internal rate of return to be generated from life insurance policies purchased in the secondary market. A reduced internal rate of return may reduce the value of a life insurance policy available for purchase on the secondary market, and the value of life insurance policies we have already purchased.

We expect that 21st Services' revised mortality tables will have a negative impact on the expected internal rate of return of our portfolio. Nevertheless, given the relative complexity of the mortality table revisions and the detailed data upon which those revisions were based, we will have to obtain updated information on each insured, and obtain new life expectancy reports for each of these policies, and thereupon make appropriate life expectancy adjustments to our life insurance portfolio over the course of 2013. Although we are presently not able to precisely quantify the effect of the table revisions on our portfolio, we have increased all life expectancy reports provided by 21st Services by an average of 8.67% and will record final valuations and adjustments to life expectancies as new information is obtained. This adjustment replaced our initial increase estimate of 7.00% as reported on February 6, 2013. The impact of this 8.67% adjustment upon the fair value of our portfolio at December 31, 2012 was a decrease of $12.4 million. The impact of this adjustment on our expected internal rate of return was a decrease from 14.27% to 12.84%.

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

We rely on estimated rates of mortality for the actuarial assumptions we use when valuing life insurance policies and forecasting the performance of our portfolio, and we also rely on other estimates derived from statistical methodologies for projecting our future cash flows, among other things. If our estimates prove to be incorrect, it could materially and adversely affect our ability to satisfy our debt service and repayment obligations, including our obligations under the debentures.

If we assume we will receive cash inflows from policies sooner than we actually do, we may not be able to make payment on our debt obligations, including our debentures, in a timely manner, or at all. Moreover, a significant discovery that results in mortality improvements among seniors, above historically predicted rates by medical actuaries providing life expectancies, could have a material adverse effect on the life insurance policy investments.

For example, we use a modeling method for projecting cash flows known as the "probabilistic method." This is an actuarial method that uses a mortality curve to project the likely flow of policy benefits to us, and attempts to reflect the probability that each premium must be paid. Using this method, we have in fact experienced fewer cash flows from policy benefits than projected in the early stages of ownership of our current life insurance policy portfolio. We had expected to receive approximately $35.2 million in cumulative policy benefits as of December 31, 2012, and have in fact received $12.0 million. This has resulted in greater than expected premium payments, increasing from an expected $38.2 million to $39.3 million. Barring significant mortality improvements (i.e., medical advancements relating to the medical conditions of insureds), however, the fact that actual results have differed from the expectations derived from the probabilistic method of projecting cash flows should ordinarily result in greater cash flows later in the portfolio's servicing period.

We update and revise our projected future cash flows each month using the probabilistic method to reflect the actual experience within our life insurance policy portfolio to date. We use the current future cash flow projection to generate our expected internal rate of return on the life insurance policy portfolio we own. We would expect to change our method of calculating our future cash flows only if leading actuarial firms no longer believed such methodology was the most appropriate means of generating projected cash flows from a life insurance policy portfolio. Any change to the pricing model, methodology, premium forecasting assumptions, cash flow projections, or the mortality assumptions accompanied therewith that increase the projected cost of insurance premiums or decrease the probability of mortality could have a material and adverse impact on our results of operations and cash flows. Ultimately, this could adversely affect our ability to meet our debt service and repayment obligations, including our obligations under the debentures.

Risks Related to This Offering and Our Company

We may not be able to raise the capital that we are seeking in his offering, and may be unable to meet our overall business objectives of growing a larger, more statistically diverse portfolio of life insurance policies without the proceeds from the sale of debentures.

Arque Capital serves as our underwriter in this offering on a best-efforts basis. And, although Arque Capital has agreed to use its best efforts in the offer and sale of the debentures, there is no minimum aggregate principal amount of Renewable Secured Debentures that we must sell prior to accessing investor funds, and we may not be able to sell the debentures that we are seeking to sell in this offering. Consequently, the additional capital we are seeking may not ultimately be obtained.

While we plan to continue the offering of the debentures in support of our overall business objectives of growing a larger, more statistically diverse portfolio that is more likely to meet our actuarial cash flow projections, if we are unable to continue the offering for any reason we may be unable to meet that goal (for more information, see the risk factor above, "We critically rely on debt financing . . . ."). In addition, if holders of our Series I subsidiary secured notes were to fail to renew those notes with the frequency we have historically experienced, and actual cash flows from our portfolio of life insurance policies do not occur as our actuarial projections have forecasted, we could be forced to sell our investments in life insurance policies in order to service or satisfy our debt-related obligations. If we are forced to sell investments in life insurance policies, we may be unable to sell them at prices we believe are appropriate. In any such event, our business may be materially and adversely impacted. Accordingly, there is a risk that you could lose your entire investment.

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

GWG Holdings is a holding company. As a holding company, we conduct our operations through our operating subsidiaries, and our only significant assets are the capital stock of our subsidiaries. Accordingly, our ability to meet our cash obligations, including our obligations under the debentures, depends in material part upon the ability of our subsidiaries to make cash distributions to us. The ability of our subsidiaries to make distributions to us is, and will continue to be, restricted by certain negative covenants relating to our revolving credit facility. DLP Funding II is the borrower under our revolving credit facility. See note 6 to our consolidated financial statements. Substantially all of the insurance policies we own are subject to a collateral arrangement with the agent for our revolving credit lender, as described in note 2 to the consolidated financial statements. Under this arrangement, collection and escrow accounts are used to fund purchases and premiums of the insurance policies and to pay interest and other charges under its revolving credit facility. The lender and its agent must authorize all disbursements from these accounts, including any distributions to GWG Life. Distributions are limited to an amount that would result in the borrowers (us) realizing an annualized rate of return on the equity funded amount for such assets of not more than 18%, as determined by the agent. After such amount is reached, the credit agreement requires that excess funds be used to fund repayments or a reserve account in certain amount, before any additional distributions may be made.

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

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

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

- a prohibition on challenging any enforcement action taken by a senior lender or interfering with any legal action or suits undertaken by a senior lender against us and our affiliates;

a 180-day standstill period during which there may not be brought any action to enforce an event of default against us or our affiliates unless our revolving credit facility has been repaid in full, which period may be extended if the credit facility provider takes action during such standstill period; and

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

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

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

If the 180-day standstill period noted above or any other limitation on the rights of the trustee or debenture holders to assert their rights to payment of principal or interest under the indenture or debentures 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.

The collateral granted as security for our obligations under the debentures and Series I subsidiary secured notes may be insufficient to repay the indebtedness upon an event of default.

Our debentures and Series I subsidiary secured notes are structurally subordinate to all obligations of our wholly owned subsidiary DLP Funding II. Importantly in this regard, DLP Funding II owns the most of our life insurance policies and is the borrower under the credit facility. This means that holders of the debentures and Series I subsidiary secured notes will have a junior position to the claims of our senior credit facility provider.

Thus, debentures and Series I subsidiary secured notes are subordinate to all senior secured debt we have or may incur, to the extent of the value of the assets securing that debt. Importantly, as the issuers of the debentures and Series I subsidiary secured notes which have granted a general security interest in its assets as collateral security for those obligations, GWG Holdings' and GWG Life's most significant assets are cash and their investments in subsidiaries. GWG Holdings' total assets at March 31, 2013 were approximately $109.1 million, of which approximately $80.3 million was its investment in subsidiaries. While the indenture governing the debentures limits the amount of debt we and our subsidiaries can incur (through the debt coverage ratio covenant contained in Section 6.1 of the indenture), the indenture permits us and our subsidiaries to incur secured debt (subject to the debt coverage ratio) that may be senior to the debentures. For more information relating to the debt coverage ratio, please refer to the risk factor below captioned “Because we intend to hold our life insurance policies to their maturity,” page 32.

As indicated above, as of March 31, 2013, we had approximately $79.0 million of outstanding secured indebtedness under our revolving credit facility that is senior to the debentures. For a description of the ranking of the debentures, see "Description of the Debentures – Ranking" in this prospectus. In addition, the guarantee and associated grant of collateral security by GWG Life for our obligations under the debentures may offer security that is insufficient to fully satisfy obligations under the debentures. Like GWG Holdings, GWG Life's most significant asset is its investment in its subsidiaries (in this case, DLP Funding II). GWG Life's total assets at March 31, 2013 were approximately $120.0 million, of which approximately $113.5 million was its investment in subsidiaries.

Because of the foregoing, and because of the fact that 95% of our life insurance policies representing approximately 96% of the face value of our life insurance policy benefits as of March 31, 2013 are held in our DLP Funding II subsidiary (and all of those assets serve as collateral security for our obligations under the revolving credit facility), debenture holders risk the possibility that the collateral security we have granted for our obligations under the debentures may be insufficient to repay the debentures upon an event of default.

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

Our direct and wholly owned subsidiary, GWG Life, has issued and outstanding approximately $37.5 million in Series I subsidiary secured notes as of March 31, 2013. By virtue of GWG Life's full and unconditional guarantee of obligations under the debentures, and other agreements contained in or made in connection with the indenture, the debentures are paripassu in right of payment and collateral with such Series I subsidiary secured notes. The indenture for the debentures, and the note issuance and security agreement for the Series I subsidiary secured notes, each provide for cross defaults upon an event of default under the provisions of the other agreement (i.e., an event of default under the note issuance and security agreement will constitute an event of default under the indenture for the debentures, and vice versa).

The Series I subsidiary secured notes have auto-renewal features. Since we first issued our Series I subsidiary secured notes, we have experienced $96,736,295 in maturities, of which $76,756,757 has renewed for an additional term as of March 31, 2013. This has provided us with an aggregate renewal rate of approximately 79% for investments in our subsidiary secured notes. Future contractual maturities of Series I subsidiary secured notes payable at March 31, 2013 are as follows:

Years Ending December 31,		
Nine months ending December 31, 2013	$	15,316,000
2014		10,348,000
2015		5,692000
2016		1,273,000
2017		4,085,000
Thereafter		754,000
	$	37,468,000

The debentures also have auto-renewal features. Since we first issued our debentures, we have experienced $3,641,560 in maturities, of which $3,151,560 has renewed for an additional term as of March 31, 2013. This has provided us with an aggregate renewal rate of approximately 86.5% for investments in the debentures. Future contractual maturities of debentures at March 31, 2013 are as follows:

Years Ending December 31,		
Nine months ending December 31, 2013	$	12,001,000
2014		12,968,000
2015		25,045,000
2016		11,200,000
2017		6,001,000
Thereafter		13,185,000
	$	80,400,000

If investors holding existing indebtedness with short-term maturities do not elect to renew and we do not, at such time, have access to sufficient capital or have not raised sufficient capital in his offering, we may need to liquidate some of our investments in life insurance policies earlier than anticipated. In such an event, we may be unable to sell those life insurance policies at prices we believe are fair or otherwise appropriate and such sales could have a material and adverse impact on our results of operations.

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

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

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

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

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

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

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

Our Chief Executive Officer, Jon R. Sabes and Chief Operating Officer, Steven F. Sabes, who together beneficially own approximately 86.1% of our common stock, are subject to litigation relating to claims by a bankruptcy trustee for loan payments made to an affiliate, Opportunity Finance, LLC. Such payments may ultimately be deemed to be avoidable transfers under preference or other legal theories. Case No. 08-45257 (U.S. Bankruptcy Court District of Minnesota). In addition, GWG Holdings invested $1 million in Opportunity Finance, LLC in 2006 and was repaid and received $176,948 of interest income from that investment in 2007. To date, no claim has been made against GWG Holdings.

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

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

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

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

Our financial success is dependent to a significant degree upon the efforts of our current executive officers and other key employees.

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

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

We may at our discretion direct the purchase of policies by, and the sale of policies and other assets amongst, different subsidiaries of GWG Holdings as a method of asset and liability management and to attempt to maintain diversification and certain ratios in our investment portfolio. Purchases of assets in, or movements of assets amongst, different subsidiaries could affect the value of the collateral security for obligations under the debentures. For example, purchases through, or transfers of life insurance policies to, DLP Funding II would cause the policies acquired by DLP Funding II to become collateral for our revolving credit facility, whereas purchases through, or transfers of life insurance policies to, GWG Life would cause the policies acquired by GWG Life to become collateral for the debentures. Accordingly, purchases of assets such as life insurance policies through, or transfers of such assets to, different subsidiaries may affect the value of collateral security for different classes of holders of our debt, including the debentures. In the case of a liquidation, any of these discretionary decisions may affect the value of and amount you may ultimately be entitled to receive with respect to your debentures.

We are an “emerging growth company” and our election to delay adoption of new or revised accounting standards applicable to public companies may result in our financial statements not being comparable to those of some other public companies. As a result of this and other reduced disclosure requirements applicable to emerging growth companies, our securities may be less attractive to investors.

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we intend to take advantage of exemptions from certain reporting requirements available to “emerging growth companies” under that Act, including but not limited to not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002 (relating to the effectiveness of our internal control over financial reporting), reduced disclosure obligations regarding executive compensation in our periodic reports and any proxy statements we may be required to file, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, Section 107 of the JOBS Act provides that an “emerging growth company” can delay the adoption of certain accounting standards until those standards would apply to private companies.

We have elected to delay such adoption of new or revised accounting standards and, as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies that are not “emerging growth companies.” Consequently, our consolidated financial statements may not be comparable to the financial statements of other public companies. We may take advantage of these reporting exemptions until we are no longer an “emerging growth company.” In this regard, we will remain an “emerging growth company” for up to five years after the first sale of our common equity securities under an effective registration statement, although if the market value of our common stock that is held by non-affiliates exceeds $700 million as of any June 30 before that time, we would cease to be an “emerging growth company” as of the next following December 31.

We cannot predict if investors will find our securities less attractive due to our reliance on these exemptions. If investors were to find our securities less attractive as a result of our election, we may have difficulty raising all of the proceeds we seek in this offering.

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

Although we are a public reporting company that files information with the SEC, the debentures will not be readily resalable or transferable. No public market for the debentures exists and none is expected to develop. As a result, the transferability of the debentures will be limited. Accordingly, the purchase of debentures is not suitable for investors desiring liquidity at any time prior to the maturity of the debentures.

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

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

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

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

Advances previously made to members of our executive management and outstanding at the time that we initially filed the registration statement of which this prospectus is a part may be deemed violations of Section 402 of the Sarbanes-Oxley Act of 2002. That law prohibits public reporting companies from extending or maintaining credit to directors or executive officers in the form of a personal loan. Any such violations could have material and adverse effect upon our reputation and business.

Prior to our conversion from a limited liability company to a corporation and the filing of the registration statement of which this prospectus is a part, we made certain advances to our executive management personnel, Messrs. Jon R. Sabes, Steven F. Sabes and Paul A. Siegert, that were to be repaid by such individuals upon or in connection with operating distributions to be paid by us when the Company had cash flow sufficient to make distributions on account of their ownership interests in the Company. For further information, please refer to the "Executive Compensation" section of this prospectus the "—Summary Compensation Table," "—Employment Agreements and Change-in-Control Provisions," and "—Related-Party Transactions" captions thereunder.

Each of Messrs. Jon R. Sabes, Steven F. Sabes and Paul A. Siegert have repaid all outstanding advances, including all interest accrued thereon. However, because such loan advances remained outstanding at the time that we initially filed such registration statement with the SEC, we may be deemed to have inadvertently violated Section 402 of the Sarbanes-Oxley Act of 2002, which prohibits "issuers" from extending or maintaining credit to directors or executive officers in the form of a personal loan. As defined under the Sarbanes-Oxley Act of 2002, the term "issuer" includes, in addition to public companies, a company that has filed a registration statement that has not yet become effective under the Securities Act of 1933 and that has not been withdrawn. Although we believe that the loan advances constitute business loans, as opposed to personal loans, regulatory authorities may not agree with this assessment if the matter is investigated and claims alleging a violation are pursued. On July 27, 2011, Messrs. Jon R. Sabes, Steven F. Sabes and Paul A. Siegert repaid their loan balances.

Violations of the Sarbanes-Oxley Act of 2002 could result in significant penalties, including censure, cease and desist orders, revocation of registration and fines. It is also possible that the criminal penalties could exist, although criminal penalties require a related violation to have been willful, and not the result of an innocent mistake, negligence or inadvertence. In the end, it is possible that we could face any of these potential penalties or results, and any action by administrative authorities, whether or not ultimately successful, could have a material and adverse effect upon our reputation and business.

USE OF PROCEEDS

If all of the debentures are sold, we expect to receive up to approximately $230.375 million of net proceeds from this offering after paying estimated offering and related expenses and after paying our estimated average selling and wholesale commissions, dealer manager fees, accountable and non-accountable expense allowances. The estimated commissions, dealer manager fees, accountable and non-accountable expense allowances and wholesale commissions of our selling group members aggregate to approximately $18.125 million based on expected average selling commissions of $10.625 million (4.25%), dealer manager fees of $2.0 million (0.80%), accountable and non-accountable expenses of $4.25 million (1.70%), and wholesale commissions of $1.25 million (0.50%), assuming the sale of all of the debentures. In addition, we expect that our offering expenses, consisting of legal, accounting, printing, mailing, registration, qualification and associated securities offering filing costs and expenses, will aggregate to approximately $1,500,000.

As explained elsewhere in this prospectus, the maximum amount of commissions, fees and allowances payable to FINRA selling members is 8.00% of the aggregate principal amount of debentures sold. Therefore, if all of the debentures were sold and the maximum commissions, fees and allowances were paid, we estimate that the net proceeds to us, after paying our own estimated offering and related expenses, would be approximately $228.5 million. However, because we do not know the total principal amount of debentures that will be ultimately sold, we are unable to accurately forecast the total net proceeds that will be generated by this offering. For more information about dealer manager fees, selling commissions, non-accountable expense allowances and accountable due diligence expenses payable to our selling group in connection with the sale of debentures, as well as our own offering and related expenses, please see “Plan of Distribution.”

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

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

- paying premiums on life insurance policy assets we own;
- paying principal at maturity, interest and fees to our lenders, including under our revolving credit facility, the Series I subsidiary secured notes, and the debentures; and paying fees and expenses of the trustees of certain trusts associated with our Series I subsidiary secured notes and the debentures; and
- providing funds for portfolio operations and working capital purposes.

Funds for portfolio operations and working capital include, but are not limited to, expenditures such as obtaining life expectancy reports, mortality tracking and legal and collections expenses; and general working capital purposes, including, without limitation, sales and marketing expenses, as well as tax liabilities and interest rate caps, swaps or hedging instruments for our life insurance policy portfolio or our indebtedness.

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The extent to which we will use proceeds from this offering for these other purposes, and the amounts and timing of such expenditures will depend on, among other things, how long the debentures are offered, the amount of net proceeds that we receive from the sale of debentures being offered, the existence and timing of opportunities to expand our portfolio of insurance policy assets, the availability of funds from other sources, including borrowings from our revolving credit facility and cash generated from our operations, and certain other factors. We currently expect to allocate net offering proceeds (assuming the maximum amount of commissions, fees and allowances of 8.00% of the aggregate principal amount of debentures sold) as follows, based upon various assumed amounts of gross proceeds that we receive from the sale of debentures:

	Gross Offering Proceeds							
	$ 250,000,000		$ 125,000,000		$ 62,500,000		$ 25,000,000	
Net Offering Proceeds	228,500,000	100%	113,500,000	100%	56,000,000	100%	21,500,000	100%
Purchase Policies	178,230,000	78 %	81,720,000	72 %	38,080,000	68 %	10,320,000	48 %
Payment of Premiums	18,280,000	8 %	11,350,000	10 %	7,840,000	14 %	4,085,000	19 %
Payment of Principal and Interest	15,995,000	7 %	11,350,000	10 %	5,600,000	10 %	4,085,000	19 %
Other Expenditures	15,995,000	7 %	9,080,000	8 %	4,480,000	8 %	3,010,000	14 %

Net offering proceeds not immediately applied to the uses summarized above will be invested in short-term investments such as money market funds, commercial paper, U.S. Treasury Bills and similar securities investments pending their use. We may also purchase interest rate hedges to lock in our cost of capital, or longevity hedges to lock in our expected return from our portfolio.

The actual use of proceeds from the sale of debentures from January 31, 2012 to March 31, 2013 is as follows:

Gross Offering Proceeds	$ 82,526,000
Net Offering Proceeds	77,361,000
Held in Short-Term Investments	25,884,000

Of the $51,477,000 in net offering proceeds from the sale of debentures during the referenced time period that were deployed as of March 31, 2013, a total of approximately $28,735,000 (or approximately 56% of such net offering proceeds) was used to purchase life insurance policies, a total of approximately $7,900,000 (or approximately 15% of such net offering proceeds) was used for the payment of premiums, a total of approximately $10,538,000 (or approximately 21% of such net offering proceeds) was used to pay principal and interest on our debt, and a total of approximately $4,304,000 (or approximately 4% of such net offering proceeds) was used for other expenditures.

As indicated above, we may use some of the net proceeds from this offering to pay premiums on life insurance policy assets we own. Our aggregate premium obligations over the next five years for life insurance policy assets that we currently own are set forth in the table below. These premium obligations do not take into account the expectation of mortality over the periods presented.

Year	Premiums
Nine months ending December 31, 2013	15,781,000
2014	21,166,000
2015	22,903,000
2016	25,054,000
2017	27,452,000
Total	$112,356,000

Also as indicated above, we may use some of the net proceeds from this offering to pay principal amounts owing under our subsidiary secured notes when such amounts become due and payable. The amount of such notes that we would repay with proceeds of this offering will depend on whether the holders of such notes elect repayment rather than renewal of such notes, as well as whether we elect to use other sources of repayment such as available borrowings under our line of credit. We believe it is most likely that such payments, if any, would relate to subsidiary secured notes that mature within the first three years after the initial effective date of the registration statement of which this prospectus is a part (i.e., the maximum period of time during which we may offer securities under the registration statement). Of the Series I subsidiary secured notes presently scheduled to mature on or prior to December 31, 2017, such notes have an aggregate outstanding principal amount of approximately $37.5 million and a weighted-average interest rate of 8.25%. We do not intend to use any net proceeds from this offering to repurchase subsidiary secured notes prior to their maturity.

Some of the outstanding subsidiary secured notes due to mature within the next year may have been issued within the prior year (i.e., less than one year ago). In such a case, we used the proceeds of such debt to purchase life insurance policies or finance the servicing of such policies.

CAPITALIZATION

The following table sets forth, as of March 31, 2013, our consolidated debt and stockholders' equity on an actual basis and as adjusted to give effect to the sale of the maximum amount of debentures offered hereby. You should read this table in conjunction with our consolidated financial statements and the notes thereto which are incorporated herein by this reference.

	At March 31, 2013	
	Actual	As Adjusted
	(Dollars in thousands, except per-share amounts) (Unaudited)	
Debt:		
Debentures offered hereby	$77,759	$250,000
Series I subsidiary secured notes (1)	36,674	36,674
Revolving credit line (2)	79,000	79,000
Total debt	$193,433	$365,674
Preferred stock:		
Series A Convertible Preferred (par value $0.001; shares authorized 40,000,000; shares issued and outstanding 3,348,143 and 3,361,076; liquidation preference of $25,111,000 and $25,208,000 on March 31, 2013 and December 31, 2012, respectively)) (3)	$24,061	$24,061
Stockholders' equity:		
Common stock (par value $0.001 per share; shares authorized 210,000,000; shares issued 9,989,000) (4)	$10	$10
Additional paid-in capital	6,714	6,714
Retained earnings	(8,176)	(8,176)
Total stockholders' equity	$(1,452)	$(1,452)
Total debt, preferred stock and common stockholders' equity	$216,042	$388,283

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(1) The total outstanding face amount of Series I subsidiary secured notes outstanding at March 31, 2013 was $37,468,000, less unamortized selling costs of $824,000. The weighted-average interest rate of our outstanding Series I subsidiary secured notes at March 31, 2013 was approximately 8.25%, and the weighted-average maturity was approximately 1.39 years.

(2) The interest rate of our revolving credit line floats in conjunction with advances made thereunder. The weighted-average interest rate payable under our revolving credit line at March 31, 2013 was approximately 6.26%. Amounts owing under our revolving credit line come due on December 31, 2014.

(3) As of March 31, 2013, the Company had issued 3,348,143 preferred shares resulting in gross consideration of $25,166,000 (including cash proceeds, conversion of Series I subsidiary secured notes and accrued interest on Series I notes, and conversion of preferred dividends payable). We incurred Series A preferred stock issuance costs of $2,838,000, of which $1,836,000 was amortized to additional paid in capital as of March 31, 2013, resulting in a carrying amount of $24,061,000.

(4) On August 9, 2011, we effected a two-for-one forward stock split of our issued and outstanding common stock. The outstanding share figure contained in the table reflects the total number of outstanding common shares after giving effect to the forward stock split. Unless otherwise noted, all share figures contained in this prospectus are post-split share figures determined giving after giving effect to the forward stock split.

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

SUMMARY FINANCIAL INFORMATION

The following tables set forth our summary consolidated financial information. The summary statement of operations data for fiscal years 2012 and 2011 and the selected balance sheet data as of December 31, 2012 and 2011 are derived from our audited consolidated financial statements contained elsewhere in this prospectus. The summary statement of operations data for the three-month period ended March 31, 2013 and the selected balance sheet data as of March 31, 2013 are derived from our unaudited condensed consolidated financial statements contained elsewhere in this prospectus. This selected consolidated financial information should be read in conjunction with, and is qualified by reference to, our consolidated financial statements and related notes contained herein and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus.

BALANCE SHEET DATA:

	March 31, 2013	December 31, 2012	December 31, 2011
Total Assets	$228,972,516	$197,948,035	$129,389,275
Investment in Portfolio	185,020,047	164,317,183	122,168,524
Cash and Cash Equivalents	34,551,582	27,497,044	1,878,349
Restricted Cash	6,624,200	2,093,092	4,794,302
Total Liabilities	206,364,260	175,303,946	115,779,430
Revolving Credit Facility	79,000,000	71,000,000	60,000,000
Series I Subsidiary Secured Notes (1)	36,673,327	37,844,711	48,179,271
Renewable Secured Debentures (2)	77,759,488	55,718,950	-
Stockholder Preferred and Common Equity	22,608,256	22,644,089	13,609,845

(1) The total outstanding face amount of Series I subsidiary secured notes outstanding at March 31, 2013 was $37,468,000 less unamortized selling costs of $824,000 plus $30,000 of redemptions in process.
(2) The total outstanding face amount of Renewable Secured Debentures outstanding at March 31, 2013 was $80,400,000 less unamortized selling costs of $3,656,000.

INCOME STATEMENT DATA:

	Three Months Ended March 31, 2013	Year Ended December 31, 2012	December 31, 2011
Total Revenue	$8,508,026	$17,525,798	$17,864,880
Gain on Life Insurance Contracts	8,340,356	17,436,743	17,804,199
Interest Expense	4,467,215	10,878,627	7,860,479
Net Income (Loss)	67,134	(1,012,899)	(2,826,656)

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

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

Overview

We are engaged in the emerging secondary market for life insurance policies. We acquire life insurance policies in the secondary market from policy owners desiring to sell their policies at a discount to the face value of the insurance benefit. Once we purchase a policy, we continue paying the policy premiums in order to ultimately collect the face value of the insurance benefit. We seek to hold the individual policies to maturity, in order to ultimately collect the policy's benefit upon the insured's mortality. Our strategy is to build a profitable (purchased at discounts sufficient to provide a positive return on investment) and large portfolio of policies (greater than 300 policies) that is well diversified in terms of insurance carriers and the mortality profiles of insureds. We believe that diversification among insurers, mortality profiles, and medical conditions will lower our overall risk exposure, and that a larger number of individual policies (diversification in overall number) will provide our portfolio with greater actuarial stability. See "Business—Our Portfolio and Operations" below for additional information.

In 2012, we received $7,350,000 in policy benefits and recognized $6,283,000 of revenue therefrom. In addition, we recognized revenue of $11,154,000 from the change in fair value of our life insurance policies, net of premiums and carrying costs. Interest expense, including amortization of the deferred financing costs, was $10,879,000 for the 12 months ended December 31, 2012, and selling, general and administrative expenses for the 12 months ended December 31, 2012 were $6,467,000. Income tax expense for the 12 months ended December 31, 2012 was $1,193,000. Our net loss in 2012 was $1,013,000.

In the first three months of 2013, we recognized $2,510,000 of revenue from the receipt of $4,000,000 in policy benefits. In addition, we recognized revenue from the change in fair value of our life insurance policies, net of premiums and carrying costs, of $5,830,000. Interest expense, including amortization of the deferred financing costs and preferred stock dividends, was $4,467,000 for the three months ended March 31, 2013, and selling, general and administrative expenses for the three months ended March 31, 2013 were $3,407,000. Income tax expense for the three months ended March 31, 2013 was $566,000. Our net income for the three months ended March 31, 2013 was $67,134.

Critical Accounting Policies

Critical Accounting Estimates

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

Ownership of Life Insurance Policies—Fair Value Option

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

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

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

Valuation of Insurance Policies

Our valuation of insurance policies involves critical accounting estimates. We currently use a probabilistic method of valuing life insurance policies, which we believe to be the preferred and most prevalent valuation method in the industry. In this regard, the most significant assumptions we make relating to our life insurance policies are (i) the life expectancy of each insured and (ii) the discount rate we apply to the portfolio as a whole.

In determining the life expectancy estimate, we generally use actuarial medical reviews from independent medical underwriters. These medical underwriters summarize the health of the insured by reviewing historical and current medical records. The medical underwriters evaluate the health condition of the insured in order to produce an estimate of the insured's mortality—a life expectancy report. In the case of a small face policy ($500,000 face value or less), we may use one life expectancy report or estimate life expectancy based on a modified methodology. The life expectancy report represents a range of probabilities for the insured's mortality against a group of cohorts with the same age, sex and smoking status. These mortality probabilities represent a mathematical curve known as a mortality curve, which is then used to generate a series of expected cash flows from the life insurance policy over the expected lifespan of the insured. A discount rate is used to calculate the net present value of the expected cash flows. The discount rate represents the internal rate of return we expect to earn on investments in a policy or in the portfolio as a whole. The discount rate used to calculate fair value of our portfolio incorporates the guidance provided by ASC 820, Fair Value Measurements and Disclosures.

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

March 31, 2013	December 31, 2012	December 31, 2011
12.12%	12.08%	13.41%

The change in the discount rate incorporates current information about market interest rates, the credit exposure to the issuing insurance companies and our estimate of the risk premium an investor would require to receive the future cash flows derived from our portfolio of life insurance policies.

We engaged a third party, Model Actuarial Pricing Systems, or MAPS, to prepare a third-party valuation of our life settlement portfolio. MAPS owns and maintains the portfolio pricing software we use. MAPS processed policy data, future premium data, life expectancy data, and other actuarial information supplied by us to calculate a net present value for our portfolio using the specified discount rate. MAPS independently calculated the net present value of our portfolio at December 31, 2012 to be $164,317,000 and at March 31, 2013 to be $185,020,000, which are the same fair value estimates we used on the balance sheet as of those dates, and furnished us with letters documenting its calculations. Copies of those letters are filed as exhibits to the registration statement of which this prospectus is a part.

JOBS Act

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

Deferred Income Taxes

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

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

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

Deferred Financing and Issuance Costs

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

Principal Revenue and Expense Items

We earn revenues from three primary sources as described below.

Policy Benefits Realized. We recognize the difference between the death benefits and carrying values of the policy when an insured event has occurred and we determine that settlement and ultimate collection of the death benefits is realizable and reasonably assured. Revenue from a transaction must meet both criteria in order to be recognized. We generally collect the face value of the life insurance policy from the insurance company within 45 days of the insured's mortality.

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

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

Our main components of expense are summarized below.

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

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

Results of Operations — 2012 Compared to 2011

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

Revenue. Revenue recognized from the receipt of policy benefits was $6,283,000 in 2012. Revenue recognized from the receipt of policy benefits was $2,810,000 in 2011. Revenue recognized from the change in fair value of our life insurance policies, net of premiums and carrying costs, was $11,154,000 in 2012 and $14,994,000 in 2011. The change in fair value related to new policies acquired during 2012 and 2011 was $12,242,000 and $10,843,000 respectively. In each case, the increases in fair value were due to changes in the discount rates we use to calculate the net present value of cash flows expected from our portfolio of life insurance policies, change in fair value of policies acquired during the period, and aging of the policies. Decreases in fair value were due to changes in life expectancy estimates. The discount rate incorporates current information about market interest rates, the credit exposure to the insurance companies that issued the life insurance policies in our portfolio and our estimate of the risk premium an investor would require to receive the future cash flows from our portfolio of life insurance policies. The discount rate used to estimate the fair value of the life insurance policies we own was 12.08% as of December 31, 2012, compared to 13.41% for the same date in 2011. The decrease in discount rate was due to an increase in the size and diversity of policies held in our portfolio of life insurance policies that resulted in lower risk premium to a potential buyer. The carrying value of policies acquired during each quarterly reporting period are adjusted to their current fair value using the fair value discount rate applied to the portfolio as of that reporting date.

Expenses. Interest expense, including amortization of the deferred financing costs as well as preferred stock dividends, was $10,879,000 during 2012 compared to $7,860,000 during 2011, an increase of $3,019,000. The increase was due to increased average debt outstanding, increased Series A preferred stock, and increased issuance cost paid being amortized during 2012. Selling, general, and administrative expenses were $6,467,000, and $8,523,000 for 2012 and 2011, respectively, representing a decrease of $2,056,000. This decrease is mostly due to a $3,595,000 one-time investment banking fee paid in the third quarter of 2011 offset by increase in compensation, printing, travel and marketing costs during 2012.

Income Tax Expense. The Company was a pass-through entity for federal income tax purposes through June 10, 2011. As a result, no income tax provision has been included in these consolidated financial statements through June 10, 2011, as the related income or loss of the Company was required to be reported by the respective members on their income tax returns. The Company, as permitted under Delaware state law, changed its legal structure from a limited liability company to a corporation effective June 10, 2011. Since the conversion, the Company reports its income or loss on its own tax returns and is responsible for any related taxes.

Income tax expense was $1,193,000 in 2012. The effective tax rate for the 12 months ended December 31, 2012, was 696.6%, compared to a statutory rate of 40.5%. In 2012, there is a significant permanent difference between income before income taxes and taxable income. This permanent difference results from the inclusion of convertible redeemable preferred stock dividends as an interest expense, however the dividends are not deductible for income tax reporting purposes. The dividends charged to interest expense were $2,227,000 and $335,000 in 2012 and 2011, respectively. Excluding the impact of the dividends and other permanent differences, the effective tax rate for the 12 months ended December 31, 2012 would have been 40.5%.

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

Results of Operations — Three Months Ended March 31, 2013 Compared to the Same Period in 2012

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

Revenue. Revenue recognized from the receipt of policy benefits was $2,510,000 and $0 during the three months ended March 31, 2013 and 2012, respectively. Revenue recognized from the change in fair value of our life insurance policies, net of premiums and carrying costs, was $5,830,000 and $602,000 for the three months ended March 31, 2013 and 2012, respectively. During the three-month period ended March 31, 2013, we purchased a higher volume of life insurance policies than we did during the same period in 2012. The change in fair value related to new policies acquired during the three months ended March 31, 2013 and 2012 was $6,057,000 and $329,000, respectively. In each case, the increases in fair value were due to changes in the discount rates we use to calculate the net present value of cash flows expected from our portfolio of life insurance policies, change in fair value of policies acquired during the period, and the aging of the policies. Decreases in fair value were due to changes in life expectancy estimates. The discount rate incorporates current information about market interest rates, the credit exposure to the insurance companies that issued the life insurance policies in our portfolio and our estimate of the risk premium an investor would require to receive the future cash flows from our portfolio of life insurance policies. The discount rate used to estimate the fair value of the life insurance policies we own was 12.12% as of March 31, 2013, compared to 13.45% for the same date in 2012. The decrease in discount rate was due to an increase in the size and diversity of policies held in our portfolio of life insurance policies, resulting in a lower risk premium to a potential buyer of the entire portfolio. The carrying value of policies acquired during each quarterly reporting period are adjusted to their current fair value using the fair value discount rate applied to the portfolio as of that reporting date.

Expenses. Interest expense, including amortization of deferred financing costs and preferred stock dividends, was $4,467,000 during the three months ended March 31, 2013 compared to $2,438,000 during the same period of 2012, an increase of $2,029,000. This increase was due to increased average debt outstanding, increased Series A preferred stock, and a higher interest rate associated with the revolving line of credit. Selling, general and administrative expenses were $3,407,000 and $1,457,000 during the three-month periods ending March 31, 2013 and 2012, respectively, an increase of $1,951,000. The increase is mostly due to employee expenses and benefits as well as higher sales and marketing costs associated with our debenture offering.

Income Tax Expense. For the three months ended March 31, 2013, we recorded income tax expense of $566,000, or 89.4% of income before taxes, compared to the recognition of an income tax benefit of $1,139,000, or 34.6%, for the three months ended March 31, 2012. The differences between our March 31, 2013 effective tax rate and the statutory federal rate primarily result from the accrual of preferred stock dividend expense, state taxes, and other non-deductible expenses. Excluding the impact of the dividends and other permanent differences, the effective tax rate for the three months ended March 31, 2013 would have been 40.5%.

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

Liquidity and Capital Resources

We finance our business through a combination of policy benefit revenues, origination fees, equity offerings, debt offerings, and a credit facility. We have used our debt offerings and credit facility primarily for policy acquisition, policy servicing and portfolio related financing expenditures. We charge an intercompany origination fee in the amount of one to four percent of the face value of a life insurance policy's benefit when we acquire the related life insurance policy. The origination fee we charge is included in the total purchase price we pay for a life insurance policy for our purposes and of our valuation and expected internal rate of return calculations, but is not netted against the purchase price we pay to a seller of an insurance policy. We generated cash flows of $1,278,000 and $148,200 from origination fees during the three months ended March 31, 2013 and 2012 respectively. The higher amount in 2013 was due to a higher volume of purchases of life insurance policies compared to that in the same period of 2012. Profit from intra-company origination fees for life insurance policies retained by the Company are eliminated from our consolidated statements of operations. As such, the origination fees collected under our life insurance policy financing arrangements are reflected in our consolidated statements of cash flows as cash flows from financing activities as they are paid in the form of borrowings used to finance the acquisition. Our revolving bank line allows GWG DLP Funding II to borrow the funds necessary to pay origination fees to GWG Life Settlements, LLC. Our borrowing agreements allow us to use net proceeds of the renewable secured debentures for policy acquisition, which includes origination fees. If the policy acquisition is not financed, no fees are included in the consolidated cash flows. See "—Cash Flows" below for further information. We determine the purchase price of life insurance policies in accordance with ASC 325-30, Investments in Insurance Contracts, using the fair value method. Under the fair value method, the initial investment is recorded at the transaction price. Since the origination fees are paid from a wholly owned subsidiary to the parent company, these fees are not included in the transaction price for our consolidated financial statements. For further discussion on our accounting policies for life settlements, please refer to note 1 to our consolidated financial statements.

As of March 31, 2013, we had approximately $35.0 million in combined available cash and available borrowing base surplus capacity under our revolving credit facility for the purpose of purchasing additional life insurance policies, paying premiums on existing policies, paying portfolio servicing expenses, and paying principal and interest on our outstanding financing obligations.

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

In June 2011, we registered a $250.0 million debt offering of our Renewable Secured Debentures with the SEC, which registration became effective on January 31, 2012. As of March 31, 2013, we had received $81.4 million in subscriptions for our Renewable Secured Debentures.

Additionally, our wholly owned subsidiary, GWG Life Settlements, LLC, or GWG Life, issued Series I Secured notes beginning in November 2009 on a private placement basis to accredited investors only. As of March 31, 2013, we had approximately $37.5 million in principal amount of Series I Secured notes outstanding. This offering was closed in November 2011.

The weighted-average interest rate of our outstanding Series I Secured notes as of March 31, 2013 was 8.25% and the weighted-average maturity at that date was 1.39 years. The Series I Secured notes have renewal features. Since we first issued our Series I Secured notes, we have experienced $93,333,000 in maturities, of which $73,845,000 has renewed for an additional term as of March 31, 2013. This has provided us with an aggregate renewal rate of approximately 79% for investments in our subsidiary secured notes. Future contractual maturities of Series I Secured notes payable at March 31, 2013 are as follows:

Years Ending December 31,	
Nine months ending December 31, 2013	$ 15,316,000
2014	10,348,000
2015	5,692,000
2016	1,273,000
2017	4,085,000
Thereafter	754,000
	$ 37,468,000

The weighted-average interest rate of our outstanding Renewable Secured Debentures as of March 31, 2013 was 7.60% and the weighted-average maturity at that date was 2.82 years. Our Renewable Secured Debentures have renewal features. Since we first issued our Renewable Secured Debentures, we have experienced $3,960,000 in maturities, of which $3,004,000 has renewed for an additional term as of March 31, 2013. This has provided us with an aggregate renewal rate of approximately 76% for investments in our Renewable Secured Debentures. Future contractual maturities of Renewable Secured Debentures at March 31, 2013 are as follows:

Years Ending December 31,	
Nine months ending December 31, 2013	$ 12,001,000
2014	12,968,000
2015	25,045,000
2016	11,200,000
2017	6,001,000

Thereafter	13,185,000
	$80,400,000

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

We maintain a $100 million revolving credit facility with Autobahn/DZ Bank through our wholly owned subsidiary GWG DLP Funding II, or DLP Funding II. As of March 31, 2013, we had $79.0 million outstanding under the revolving credit facility and maintained an available borrowing base surplus of $0.4 million (see note 6 to our condensed consolidated financial statements).

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

Capital expenditures have historically not been material and we do not anticipate making material capital expenditures in 2013 or beyond.

Debt Financings Summary

We had the following outstanding debt balances as of March 31, 2013:

Issuer/Borrower	Principal Amount Outstanding	Weighted Average Interest Rate
GWG Holdings, Inc. - Renewable Secured Debentures	$ 80,400,000	7.60%
GWG Life Settlements, LLC -Series I Notes, secured	37,468,000	8.25%
GWG DLP Funding II, LLC - Revolving credit facility	79,000,000	6.26%
Total	$ 196,868,000	7.19%

Our total credit facility and other indebtedness balance as of March 31, 2013 was $196,868,000. The total outstanding face amount under our Series I Secured notes outstanding at March 31, 2013 was $37,468,000, less unamortized selling costs of $824,000, plus $30,000 of redemptions in process, resulting in a carrying amount of $36,674,000. The total outstanding face amount of Renewable Secured Debentures outstanding at March 31, 2013 was $80,400,000 plus $1,015,000 of subscriptions in process, less unamortized selling costs of $3,656,000, resulting in a carrying amount of $77,759,000. The fair value of our investments in life insurance policies of $185,020,000 plus our cash balance of $34,552,000 and our restricted cash balance of $6,624,000, totaled $226,196,000, representing an excess of portfolio assets over secured indebtedness of $29,328,000 at March 31, 2013. The Renewable Secured Debentures and Series I Secured notes are secured by all our assets and are subordinate to our revolving credit facility with Autobahn/DZ Bank. The Renewable Secured Debentures and Series I Secured notes are pari passu with respect to shared collateral pursuant to an inter-creditor agreement.

On January 29, 2013, GWG Holdings entered into an Amended and Restated Credit and Security Agreement with Autobahn Funding Company LLC, as the conduit lender, and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, as the committed lender and as the agent on behalf of secured parties under such agreement. The Amended and Restated Credit and Security Agreement extends the maturity date of borrowings made by the Company's subsidiary, GWG DLP Funding II, LLC, to December 31, 2014, and removes certain GWG-related parties to the original Credit and Security Agreement dated June 15, 2008. In connection with the Amended and Restated Credit and Security Agreement, GWG Holdings and its subsidiaries entered into certain other agreements and amendments and restatement of earlier agreements entered into in connection with the original Credit and Security Agreement. Included among these other agreements was a Reaffirmation and Modification Agreement that reaffirms the performance guaranty that GWG Holdings earlier provided in connection with the original Credit and Security Agreement to DZ Bank AG Deutsche Zentral-Genossenschaftsbank, as agent.

Cash Flows

The payment of premiums and servicing costs to maintain life insurance policies represents our most significant requirement for cash disbursement. When a policy is purchased, we are able to calculate the minimum premium payments required to maintain the policy in-force. Over time as the insured ages, premium payments will increase; however, the probability of actually needing to pay the premiums decreases since mortality becomes more likely. These scheduled premiums and associated probabilities are factored into our expected internal rate of return and cash-flow modeling. Beyond premiums, we incur policy servicing costs, including annual trustee and tracking costs, and debt servicing costs, including principal and interest payments. Until we receive a stable amount of proceeds from the policy benefits, we intend to pay these costs from our credit facility and through the issuance of debt securities. We presently expect that by 2015, the cash inflows from the receipt of policy benefits will exceed the premium obligations on the remaining life insurance policies held within the portfolio.

We expect to begin servicing and paying down our outstanding indebtedness from these cash flows when we receive payments from the policy benefits. See “Business—Portfolio Management.”

The amount of payments that we will be required to make over the next five years to cover the payment of premiums and servicing costs to maintain the current portfolio of life insurance policies is set forth in the table below.

Year	Premiums and Servicing
Nine months ending December 31, 2013	$15,781,000
2014	21,166,000
2015	22,903,000
2016	25,054,000
2017	27,452,000
Total	$112,356,000

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

Inflation

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

Off-Balance Sheet Arrangements

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

Nine months ending December 31, 2013	$74,000
2014	$104,000
2015	$70,000
Total	$248,000

Credit Risk

We review the credit risk associated with our portfolio of life insurance policies when estimating its fair value. In evaluating the policies' credit risk we consider insurance company solvency, credit risk indicators, economic conditions, ongoing credit evaluations, and company positions. We attempt to manage our credit risk related to life insurance policies typically by purchasing policies issued only from companies with an investment grade credit rating by either Standard & Poor's, Moody's, or A.M. Best Company. As of March 31, 2013, 99.03% of our life insurance policies, by face value benefits, were issued by companies that maintained an investment grade rating (BBB- or better) by Standard & Poor's.

Interest Rate Risk

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

Non-GAAP Financial Measures

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

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

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

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

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

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

Three months ended March 31,	2013	2012
GAAP net income (loss)	$ 67,000	$ (2,153,000)
Unrealized fair value gain (1)	(11,495,000)	(602,000)
Adjusted cost basis increase (2)	10,256,000	1,581,000
Accrual of unrealized actuarial gain (3)	5,033,000	4,056,000
Total adjusted non-GAAP income (4)	$ 3,861,000	$ 2,882,000

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

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

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

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

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

Non-GAAP statement of operations:

Three months ended March 31,	2013	2012
Income		
Investments in life settlement contracts (Unrealized)	$ 5,033,000	$ 4,055,000
Investments in life settlement contracts (Realized)	2,510,000	-
Origination fees and other income	1,446,000	150,000
Total Income	8,989,000	4,205,000
Expenses		
Operations	4,042,000	1,951,000
Facility, Series I secured notes and renewable secured debentures marketing and deferred financing costs	520,000	509,000
Total Expenses	4,562,000	2,461,000
Net income before tax	4,427,000	1,744,000
Income tax expense (benefit)	566,000	(1,139,000)
Net Income	$ 3,861,000	$ 2,882,000
Income per share		
Basic and diluted	$ 0.39	$ 0.29
Fully diluted assuming conversion of preferred stock	$ 0.26	$ 0.22
Weighted average shares outstanding		
Basic and diluted	9,989,000	9,989,000
Fully diluted assuming conversion of preferred stock	15,014,881	13,260,188

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

	As of March 31, 2013	As of December 31, 2012
GAAP net worth (1)	$ 22,608,000	$ 22,644,000
Less intangible assets	(5,902,000)	(3,650,000)
GAAP tangible net worth	16,706,000	18,994,000
Unrealized fair value gain (2)	(86,901,000)	(75,406,000)
Adjusted cost basis increase (3)	77,279,000	67,123,000
Accrual of unrealized actuarial gain (4)	32,877,000	27,845,000
Total adjusted non-GAAP tangible net worth (5)	$ 39,961,000	$ 38,556,000

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

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

	As of March 31, 2013	As of December 31, 2012
Weighted-average expected IRR (1)	12.92%	12.84%
Weighted-average revolving credit facility interest rate (2)	6.26%	2.02%
Excess spread (3)	6.66%	10.82%
Total weighted-average interest rate on indebtedness for borrowed money (4)	7.19%	5.39%
Total excess spread	5.73%	7.45%

(1) This represents the weighted-average expected internal rate of return of the life insurance policies as of the measurement date based upon our investment cost basis of the insurance policies and the expected cash flows from the life insurance portfolio. The expected internal rate of return as of December 31, 2012 includes an adjustment to increase, by an average of 8.67%, any life expectancy provided by 21st Services. As a result of this adjustment, our expected internal rate of return at December 31, 2012 decreased from 14.27% to 12.84%. Our investment cost basis is calculated as our cash investment in the life insurance policies, without regard to GAAP-based fair value measurements, and is set forth below:

Investment Cost Basis	As of March 31, 2013	As of December 31, 2012
GAAP fair value	$ 185,020,000	$ 164,317,000
Unrealized fair value gain (A)	(86,901,000)	(75,406,000)
Adjusted cost basis increase (B)	77,279,000	67,123,000
Investment cost basis (C)	$ 175,398,000	$ 156,034,000

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

(2) This is the weighted-average revolving credit relating to our revolving credit facility interest rate as of the measurement date.
(3) We must maintain an excess spread of 2.00% relating to our revolving credit facility to maintain compliance under such facility.

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

Outstanding Indebtedness	As of March 31, 2013	As of December 31, 2012
Revolving credit facility	$79,000,000	$71,000,000
Series I Subsidiary secured notes	37,468,000	38,570,000
Renewable Secured Debentures	80,400,000	57,609,000
Total	$196,868,000	$167,179,000
Interest Rates on Indebtedness		
Revolving credit facility	6.26%	2.02%
Series I subsidiary secured notes	8.25%	8.22%
Renewable Secured Debentures	7.60%	7.65 %
Weighted-average interest rates on indebtedness	7.19%	5.39%

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

	As of March 31, 2013	As of December 31, 2012
Life insurance portfolio policy benefits	$ 639,755,000	$ 572,246,000
Discount rate of future cash flows	7.19%	5.39%
Net present value of Life insurance portfolio policy benefits	$ 247,776,000	$ 248,702,000
Cash and cash equivalents	41,176,000	29,590,000
Total Coverage	288,952,000	278,292,000
Revolving credit facility	79,000,000	71,000,000
Series I Subsidiary secured notes	37,468,000	38,570,000
Renewable Secured Debentures	80,400,000	57,609,000
Total Indebtedness	$ 196,868,000	$ 167,179,000
Debt Coverage Ratio	68.13%	60.07%
Subordination Ratio	27.34%	25.51%

As of March 31, 2013, we were in compliance with both the debt coverage ratio and the subordination ratio as required under our related financing agreements for Renewable Secured Debentures and Series I subsidiary secured notes.

BUSINESS

Overview

We are engaged in the emerging secondary market for life insurance policies. We acquire life insurance policies in the secondary market from policy owners desiring to sell their policies at a discount to the face value of the insurance benefit. Once we purchase a policy, we continue paying the policy premiums in order to ultimately collect the face value of the insurance benefit. We seek hold the individual policies to maturity, in order to ultimately collect the policy's benefit upon the insured's mortality. Our strategy is to build a profitable (purchased at discounts sufficient to provide a positive return on investment) and large portfolio of policies (greater than 300 policies) that are well diversified in terms of insurance carriers and the mortality profiles of insureds. We believe that diversification among insurers, mortality profiles, and medical conditions will lower our overall risk exposure, and that a larger number of individual policies (diversification in overall number) will provide our portfolio with greater actuarial stability. See "—Our Portfolio and Operations" below for additional information.

As of December 31, 2012, we owned approximately $572 million in face value of life insurance policy benefits with an aggregate cost basis of approximately $156 million. As of March 31, 2013, we owned approximately $640 million in face value of life insurance policy benefits with an aggregate cost basis of approximately $175 million. Aggregate cost basis includes our acquisition costs and ongoing maintenance and carrying costs. We have acquired this portfolio through a combination of the sale of secured notes by a subsidiary and our revolving credit facility. Our objective is to earn returns from the life insurance policies we purchase in the secondary market which are greater than the costs necessary to purchase and finance those policies to their maturity. We expect to accomplish our objective by:

purchasing life insurance policies with expected internal rates of returns in excess of our cost of capital;

paying the premiums and costs associated with the life insurance policy until the insured's mortality;

obtaining a large and diverse portfolio to mitigate actuarial risk;

maintaining diversified funding sources to reduce our overall cost of financing;

engaging in hedging strategies that reduce potential volatility to our cost of financing; and

maintaining rigorous portfolio monitoring and servicing practices.

We intend to apply the proceeds of this offering, along with approximately $100 million potentially available to DLP Funding II under the revolving credit facility with Autobahn/DZ Bank, of which $21 million is currently available (subject to borrowing base limitations), to expand the portfolio of insurance policies we own, and finance those policies until their maturity.

Market

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

According to the American Council of Life Insurers Fact Book 2011 (ACLI), individuals owned over $10.48 trillion of face value of life insurance policies in the United States in 2010. This figure includes all types of policies, including term and permanent insurance known as whole life, universal life, variable life, and variable universal life. The secondary market for life insurance has developed around individuals aged 65 years or older owning either permanent insurance or term insurance convertible into permanent insurance. According to the ACLI, the average annual lapse rate and surrender rate of life insurance policies for the ten years ending 2010 was 7.2%, or over $712 billion in face value of policy benefits in 2010 alone. These figures do not include group-owned life insurance, such as employer-provided life insurance, the market for which totaled over $7.83 trillion of face value of life insurance policies in the United States in 2010, and the policies of which exhibit similar lapse and surrender rates according to the ACLI.

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

The market opportunity for selling and purchasing life insurance policies in the secondary market is relatively new. According to Conning Research & Consulting (Conning), the secondary market for life insurance policies grew from $2 billion in face value of life insurance policy benefits purchased in 2002 to over $12 billion in face value of life insurance policy benefits purchased in 2008. Since the credit crisis of 2008, capital has been slow to regain momentum and the market for policies sold in the secondary market is estimated to have returned to $2 billion in face value in 2011, states Conning. Meanwhile, Conning reports that the fundamental appeal of the secondary market for life insurances remains that policy holders are offered value-added benefits and investors are offered assets with low correlation to equity markets and competitive returns. Conning concludes that, given the current economic condition and investor sentiment, demand for life settlements may increase, and the market's largest growth will likely come from companies which attract capital for those assets.

The rapidly aging population of individuals aged 65 years and older in United States supports our market opportunity. According to the United States Census Bureau (Bureau) the population age 65 and older is expected to more than double between 2012 and 2060, from 43.1 million to 92.0 million. With the increase in the number of the "oldest old" being even more dramatic — those 85 and older are projected to more than triple from 5.9 million to 18.2 million, reaching 4.3 percent of the total population states the Bureau. Research published by Natixis Global Asset Management (NGAM) reports that retirees will be required to finance a larger portion of their retirement as the government's ability to support them fades. Recently, legislation in two states has been proposed or adopted requiring the sale of one's life insurance policy before becoming Medicaid eligible. Moreover, NGAM states that the economic downturn has taken a major toll on retirement savings, that a $6.6 trillion retirement savings deficit exists, and that a majority of individuals are on a path that will leave them financially unprepared for retirement.

To participate in the market opportunity, we have spent and intend to continue to spend significant resources: (i) developing a robust operational platform and systems for purchasing and servicing life insurance policies; (ii) obtaining requisite licensure to purchase life insurance in the secondary market; (iii) developing financing resources for purchasing and servicing life insurance policies; (iv) recruiting and developing a professional management team; (v) establishing origination relationships for purchasing life insurance policies in the secondary market; and (vi) developing a financing strategy to participate in this business sector. We believe that the recent implementation of our financing strategy, Renewable Secured Debentures (sometimes simply referred to in this prospectus as our "debentures"), offers us a unique opportunity to attract capital and lead the future development of the life insurance secondary market.

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

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

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

Company History

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

Since 2008, we have focused on establishing diversified funding sources whose investment expectation is based on the purchase and finance of life insurance policies to their maturity—a buy-and-hold strategy—as opposed to the securitized sale of those assets prior to maturity. In July 2008, our wholly owned subsidiary GWG DLP Funding II, LLC, or "DLP Funding II," established a $100 million credit facility with Autobahn Funding Company, LLC, a bank-sponsored commercial paper conduit administered by DZ Bank AG Deutsche Zentral-Genossenschaftsbank, or "DZ Bank." This credit facility was amended and restated in January 2013. In addition, our subsidiary GWG Life Settlements, LLC, or "GWG Life," began selling Series I subsidiary secured notes to further finance the business.

Our Business Model

We generally purchase life insurance policies through secondary market transactions directly from the policy owner who originally purchased the life insurance in the primary market. Historically, we have purchased policies in the secondary market through a network of life insurance agents, life insurance brokers, and licensed providers who assist policy owners in accessing the secondary market.

Before we purchase a life insurance policy, we conduct an underwriting review that includes obtaining life expectancy estimates on each insured from third-party medical actuarial firms. We base our life expectancy estimates on the average of those two estimates. In the case of small face policies, which we define as life insurance policies with less than $250,000 in face value of policy benefits, we may choose not to obtain life expectancies from third-party medical actuarial firms, but rather use standard mortality tables to develop our own life expectancy of an insured. The policies we purchase are universal life insurance policies issued by rated life insurance companies. Universal life insurance is a type of permanent life insurance in which premium payments above the cost of insurance are credited to the "cash value" of the policy. The cash value is credited each month with interest based on the terms of the insurance policy agreement. If a universal life insurance policy were to lapse, the insured or other owner of the policy would nonetheless have a right to receive the cash value of the policy. Universal life insurance is different from "term" life insurance in that "term" life insurance does not have a cash value associated with it. We seek to purchase life insurance policies issued by rated life insurance companies with investment grade credit ratings by Standard & Poor's (AAA through BBB), Moody's (Aaa through Baa3), or A.M. Best Company (aaa through bbb). As of March 31, 2013, over 89.8% of life insurance policies in our portfolio were issued by companies rated "A" or better under the Standard & Poor's rating system.

The price we are willing to pay for the policy in the secondary market is primarily a function of: (i) the policy's face value; (ii) the life expectancy of the individual insured by the policy; (iii) the premiums expected to be paid over the life of the insured; (iv) market competition from other purchasers; and (v) the particular underwriting characteristics of the policy, relative to the characteristics of our portfolio of life insurance policies.

We seek to earn profits by purchasing policies at discounts to the face value of the insurance benefit. We purchase policies at discounts that are expected to exceed the costs necessary to pay premiums and financing and servicing costs through the date of the insured's mortality. We rely on the actuarial life expectancy assumptions to estimate the expected mortality of the insureds within our portfolio. We seek to finance our life insurance policy purchases and payment of premiums and financing costs, until we receive policy benefits, through the sale of the debentures and the use of our revolving line of credit. In the past, we have also relied on the sale of our Series A preferred stock and Series I subsidiary secured notes.

We believe the socio-economic and demographic trends strongly support the long-term development of our market opportunity and that our business model provides significant advantages to both owners of life insurance policies and investors. For owners of life insurance, selling in the secondary market often provides significant value over that offered by the insurance carrier. For investors, our earnings from life insurance policies are not correlated to traditional markets such as real estate, equity markets, fixed income markets, currency or commodities. We believe that by acquiring a large portfolio of well diversified life insurance policies, we will offer value to both owners of life insurance and investors seeking returns derived from non-correlated assets.

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

Industry Experience: We have actively participated in the development of the secondary market of life insurance as a principal purchaser and financier since 2006. Our position within the marketplace has allowed us to evaluate over 30,000 life insurance policies for possible purchase, thereby gaining a deep understanding of the variety of issues involved when purchasing life insurance policies in the secondary market. We have participated in the leadership of various industry associations and forums, including the Life Insurance Settlement Association and the Insurance Studies Institute. Our experience gives us confidence in building a portfolio of life insurance policies that will perform to our expectations.

Operational Platform: We have built an operational platform and systems for efficiently tracking, processing, and servicing life insurance policies that we believe provide competitive advantages when purchasing policies in the secondary marketplace, and servicing the policies once acquired.

Origination and Underwriting Practices: We seek to purchase life insurance policies that meet published guidelines on what policies would be accepted in a rated securitization. We purchase only permanent life insurance policies we consider to be non-contestable and that meet stringent underwriting criteria and reviews. We consider a life insurance policy to be "non-contestable" once applicable state law prohibits the insurer from challenging the validity of the policy due to fraud. In this regard, state non-contestability laws generally require a period of one to two years to elapse after the initial issuance of the policy before that policy is considered non-contestable under state law. Non-contestability laws do not, however, prevent an insurer from challenging the validity of a policy procured by fraud for lack of an insurable interest (such as is the case with stranger-originated life insurance policies).

Origination Relationships: We have established origination relationships with over 300 life insurance policy brokers and insurance agents who submit policies for our purchase or financing. Our referral base knows our underwriting standards for purchasing life insurance policies in the secondary market, which provides confidence in our bidding and closing process and streamlines our own due-diligence process.

Life Expectancy Methodology: We generally rely on at least two life expectancy reports from independent third-party medical actuary underwriting firms such as 21st Services, AVS Underwriting, Fasano Associates, and ISC Services to develop our life expectancy estimate.

Pricing Software and Methodology: We use actuarial pricing methodologies and software tools that are built and supported by leading independent actuarial service firms such as (“MAPS”) for calculating our expected returns.

Diversified Funding: We have actively developed diversified sources for accessing capital markets in support of our buy and hold strategy for our portfolio of life insurance policies, ranging from institutional bank financing and global capital markets, to a network of broker-dealers registered with FINRA, many of whom have participated in our Series I subsidiary secured notes financing or Series A preferred stock financing.

On the other hand, our business involves a number of challenges and risks described in more detail elsewhere in this prospectus, including the following:

Relatively New Market: The purchase and ownership of life insurance policies acquired in the secondary market is a relatively new and evolving market. Our ability to source and purchase life insurance policies at attractive discounts materially depends on the continued development of the secondary market for life insurance. This includes the solvency of life insurance companies to pay the face value of the life insurance benefits, the accuracy of mortality assumptions, and other factors beyond our control.

Assumptions About Valuation of Our Assets: The valuation of our portfolio of life insurance policies, which is the principal asset on our balance sheet, requires us to make material assumptions that may ultimately prove to be incorrect. These assumptions include appropriate discount rates, cash flow projections, and actuarial life expectancies, any of which may ultimately prove to be inaccurate.

Ability to Expand Our Portfolio: Our business model relies on achieving actual results that are in line with the results we expect to attain from our investments in life insurance policy assets. In this regard, we believe that the larger portfolio of life insurance policies we own, the greater likelihood we will achieve actuarial results that match our expected results. Although we plan to expand the number of life insurance policies we own using proceeds raised from the sale of our Renewable Secured Debentures, we may be unable to meet this goal. And, even if we attain the goal, we may not achieve the actuarial results we expect.

Reliance on Financing: We have chosen to finance our business almost entirely through the issuance of debt, including the sale of Renewable Secured Debentures, Series I subsidiary secured notes, and a senior revolving credit facility. Our business model expects that we will have continued access to financing in order to purchase a large and diversified portfolio of life insurance policies, and thereafter pay the attendant premiums and servicing costs of maintaining the portfolio. Our strategy is to build a profitable and larger portfolio of policies that is diversified in terms of insurance carriers and the medical conditions of insureds. We believe that diversification among insurers and medical conditions will lower our overall exposure risk, and that a larger number of policies (diversification in overall number) will provide our portfolio with greater actuarial stability. We will be required to rely on our access to financing until such time as we experience a significant amount of mortality within our portfolio and begin receiving revenues from the receipt of insurance policy benefits.

Risk of Investment in Life Insurance Policies: Our investments in life insurance policies have inherent risks, including fraud and legal challenges to the validity of the policies, as well as the possibility of misleading information provided by the seller of the policy.

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

Our business also involves certain other challenges and risks described in the "Risk Factors" section of this prospectus.

Our Portfolio

Our portfolio of life insurance policies as of March 31, 2013, is summarized and set forth below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$639,755,000
Average face value per policy	$2,722,000
Average face value per insured life	$2,990,000
Average age of insured (yrs.) *	81.5
Average life expectancy estimate (yrs.) *	7.62
Total number of policies	235
Demographics	66% Males; 34% Females
Number of smokers	No insureds are smokers
Largest policy as % of total portfolio	1.56 %
Average policy as % of total portfolio	0.43 %
Average Annual Premium as % of face value	3.26 %

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* Averages presented in the table are weighted averages.

Our portfolio of life insurance policies as of March 31, 2013, organized by the insured's current age and the associated policy benefits, is summarized below:

Distribution of Policy Benefits by Current Age of Insured

Min Age	Max Age	Policy Benefits	Distribution
65	69	$ 2,656,000	0.42%
70	74	47,817,000	7.47%
75	79	179,861,000	28.11%
80	84	228,635,000	35.74%
85	89	173,715,000	27.15%
90	95	7,071,000	1.11%
Total		$ 639,755,000	100.00%

Our portfolio of life insurance policies as of March 31, 2013, organized by the insured's current age and number of policies owned, is summarized below:

Distribution of Policies by Current Age of Insured

Min Age	Max Age	Policies	Distribution
65	69	4	1.70%
70	74	17	7.23%
75	79	62	26.38%
80	84	87	37.03%
85	89	61	25.96%

90	95	4	1.70%
Total		235	100.00%

Our portfolio of life insurance policies as of March 31, 2013, organized by the insured's estimated life expectancy and associated policy benefits, is summarized below:

Distribution of Policies by Current Life Expectancies of Insured

Min LE (Months)	Max LE (Months)	Policy Benefits	Distribution
144	168	$ 25,450,000	3.98%
120	143	72,797,000	11.38%
96	119	191,409,000	29.92%
72	95	162,702,000	25.43%
48	71	157,083,000	24.55%
24	47	30,314,000	4.74%
Total		$ 639,755,000	100.00%

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

Our portfolio of life insurance policies as of March 31, 2013, organized by the primary disease categories of the insured and associated policy benefits, is summarized below:

Distribution of Policy Benefits by Primary Disease Category

Primary Disease Category	Policy Benefits	Distribution
Cancer	$ 37,400,000	5.85%
Cardiovascular	135,338,000	21.16%
Cerebrovascular	37,485,000	5.86%
Dementia	26,885,000	4.20%
Diabetes	35,967,000	5.62%
Multiple	154,510,000	24.15%
Neurological Disorders	14,600,000	2.28%
No Disease	66,486,000	10.39%
Other	87,384,000	13.66%
Respiratory Diseases	43,700,000	6.83%
Total Policy Benefits	$ 639,755,000	100.00%

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

The complete detail of the portfolio of all life insurance policies as of March 31, 2013, organized by the current age of the insured and the associated policy benefits, sex, estimated life expectancy (in months), issuing insurance carrier, and the credit rating of the issuing insurance carrier is set forth below:

Life Insurance Portfolio Detail
(as of March 31, 2013)

Policy Benefits	Sex	Age (1)	LE (2)	Carrier	S&P Rating
$156,538	F	65	138.6	New York Life Insurance Company	AA+
$500,000	M	68	115.5	Transamerica Life Insurance Company	AA-
$500,000	M	68	115.5	North American Company for Life And Health Insurance	A+

$1,500,000	M	69	121.9	Metropolitan Life Insurance Company	AA-
$1,167,000	M	70	51.8	Transamerica Life Insurance Company	AA-
$2,500,000	M	70	132.5	American General Life Insurance Company	A+
$500,000	M	71	85.1	Midland National Life Insurance Company	A+
$1,000,000	M	71	116.0	United of Omaha Life Insurance Company	A+
$3,000,000	M	71	118.7	AXA Equitable Life Insurance Company	A+
$2,000,000	M	71	148.5	American General Life Insurance Company	A+
$2,000,000	M	72	117.9	U.S. Financial Life Insurance Company	A+
$200,000	M	72	126.2	ING Life Insurance and Annuity Company	A-
$3,000,000	F	72	138.4	General American Life Insurance Company	AA-
$5,000,000	M	73	59.5	Lincoln Benefit Life Company	A+
$850,000	M	73	90.9	New York Life Insurance Company	AA+
$8,000,000	M	73	129.1	Metropolitan Life Insurance Company	AA-
$5,000,000	M	73	178.8	Prudential Life Insurance Company	AA-
$5,000,000	M	74	95.5	West Coast Life Insurance Company	AA-
$600,000	M	74	108.9	Protective Life Insurance Company	AA-
$1,000,000	M	74	119.0	Pacific Life Insurance Company	A+
$7,000,000	F	74	164.5	Pacific Life Insurance Company	A+
$2,000,000	F	75	63.5	Transamerica Life Insurance Company	AA-
$500,000	M	75	80.2	John Hancock Life Insurance Company (U.S.A)	AA-
$1,750,000	M	75	85.7	John Hancock Life Insurance Company (U.S.A)	AA-
$5,000,000	M	75	110.9	Jefferson-Pilot Life Insurance Company	AA-
$500,000	F	75	117.3	Columbus Life Insurance Company	AA+
$5,000,000	M	75	119.6	Transamerica Life Insurance Company	AA-
$2,840,000	M	75	126.0	Transamerica Life Insurance Company	AA-
$1,000,000	M	75	126.5	Metropolitan Life Insurance Company	AA-
$750,000	M	75	138.2	U.S. Financial Life Insurance Company	A+
$1,009,467	M	76	60.9	John Hancock Life Insurance Company (U.S.A)	AA-
$2,250,000	M	76	82.5	Massachusetts Mutual Life Insurance Company	AA+
$3,750,000	M	76	83.4	AXA Equitable Life Insurance Company	A+
$5,000,000	M	76	85.7	John Hancock Life Insurance Company (U.S.A)	AA-
$1,000,000	M	76	92.7	Sun Life Assurance Company of Canada (U.S.)	BBB
$4,000,000	M	76	93.7	MetLife Investors USA Insurance Company	AA-
$5,000,000	M	76	98.4	John Hancock Life Insurance Company (U.S.A)	AA-

$2,500,000	M	76	109.4	Massachusetts Mutual Life Insurance Company	AA+
$2,500,000	M	76	109.4	Massachusetts Mutual Life Insurance Company	AA+
$1,000,000	M	76	112.0	Metropolitan Life Insurance Company	AA-
$5,000,000	M	76	116.4	John Hancock Life Insurance Company (U.S.A)	AA-
$3,000,000	M	76	116.6	Principal Life Insurance Company	A+
$5,000,000	F	76	152.8	ING Life Insurance and Annuity Company	A-
$3,000,000	M	77	67.8	Pacific Life Insurance Company	A+
$3,000,000	M	77	67.8	Minnesota Life Insurance Company	A+
$3,000,000	M	77	67.8	Prudential Life Insurance Company	AA-
$130,000	M	77	70.4	Genworth Life Insurance Company	A-
$750,000	M	77	86.1	Lincoln National Life Insurance Company	AA-
$500,000	M	77	92.0	Transamerica Life Insurance Company	AA-
$5,000,000	M	77	96.7	John Hancock Life Insurance Company (U.S.A)	AA-
$3,601,500	M	77	98.6	Transamerica Life Insurance Company	AA-
$7,000,000	M	77	108.1	Lincoln Benefit Life Company	A+
$4,000,000	M	77	110.3	Jefferson-Pilot Life Insurance Company	AA-
$5,000,000	M	77	114.7	Principal Life Insurance Company	A+
$4,300,000	F	77	128.5	American National Insurance Company	A
$1,000,000	M	77	145.4	Empire General Life Assurance Corporation	AA-
$1,000,000	M	78	62.8	AXA Equitable Life Insurance Company	A+
$250,000	M	78	85.3	American General Life Insurance Company	A+
$5,000,000	M	78	98.2	AXA Equitable Life Insurance Company	A+
$5,000,000	M	78	98.2	AXA Equitable Life Insurance Company	A+
$8,000,000	M	78	105.0	AXA Equitable Life Insurance Company	A+
$1,750,000	M	78	107.8	AXA Equitable Life Insurance Company	A+
$2,000,000	F	78	110.9	Pacific Life Insurance Company	A+
$3,000,000	M	78	114.6	John Hancock Life Insurance Company (U.S.A)	AA-
$2,000,000	F	78	133.2	Transamerica Life Insurance Company	AA-
$3,000,000	M	78	135.3	Principal Life Insurance Company	A+
$5,000,000	M	79	63.6	AXA Equitable Life Insurance Company	A+
$3,000,000	M	79	88.6	Protective Life Insurance Company	AA-
$1,500,000	M	79	88.6	American General Life Insurance Company	A+
$1,680,000	F	79	91.5	AXA Equitable Life Insurance Company	A+
$1,250,000	F	79	96.2	Principal Life Insurance Company	A+
$2,000,000	M	79	98.8	Jefferson-Pilot Life Insurance Company	AA-
$2,000,000	M	79	99.0	Ohio National Life Assurance Corporation	AA
$1,000,000	M	79	99.0	Ohio National Life Assurance Corporation	AA
$7,000,000	M	79	113.8	Genworth Life Insurance Company	A-
$10,000,000	M	79	115.0	John Hancock Life Insurance Company (U.S.A)	AA-
$1,000,000	M	79	118.4	AXA Equitable Life Insurance Company	A+
$3,000,000	F	79	118.4	West Coast Life Insurance Company	AA-
$1,000,000	F	79	119.8	Jefferson-Pilot Life Insurance Company	AA-
$5,000,000	M	79	124.0	AXA Equitable Life Insurance Company	A+

$2,000,000	F	79	126.1	Transamerica Life Insurance Company	AA-
$550,000	M	79	137.0	Genworth Life Insurance Company	A-
$1,250,000	M	79	147.2	Metropolitan Life Insurance Company	AA-
$250,000	M	80	50.7	Jackson National Life Insurance Company	AA
$500,000	M	80	60.5	New York Life Insurance Company	AA+
$500,000	M	80	60.5	New York Life Insurance Company	AA+
$1,900,000	M	80	66.0	American National Insurance Company	A
$750,000	M	80	71.3	John Hancock Life Insurance Company (U.S.A)	AA-
$350,000	M	80	74.2	Reassure America Life Insurance Company	AA
$3,000,000	M	80	74.3	U.S. Financial Life Insurance Company	A+
$1,500,000	M	80	74.7	Pacific Life Insurance Company	A+
$5,000,000	M	80	83.4	Transamerica Life Insurance Company	AA-
$1,000,000	M	80	88.1	Lincoln National Life Insurance Company	AA-
$1,995,000	F	80	92.6	Transamerica Life Insurance Company	AA-
$4,000,000	M	80	92.8	Jefferson-Pilot Life Insurance Company	AA-
$5,000,000	F	80	94.5	Sun Life Assurance Company of Canada (U.S.)	BBB
$2,500,000	F	80	95.4	ING Life Insurance and Annuity Company	A-
$1,250,000	F	80	96.2	Columbus Life Insurance Company	AA+
$5,000,000	M	80	98.2	Jefferson-Pilot Life Insurance Company	AA-
$3,500,000	F	80	113.0	Jefferson-Pilot Life Insurance Company	AA-
$6,217,200	F	80	114.8	Phoenix Life Insurance Company	BB-
$5,000,000	M	80	130.4	American General Life Insurance Company	A+
$2,000,000	M	81	58.6	National Life Insurance Company	A
$500,000	M	81	60.3	West Coast Life Insurance Company	AA-
$5,000,000	M	81	75.1	Jefferson-Pilot Life Insurance Company	AA-
$10,000,000	F	81	76.2	American National Insurance Company	A
$5,000,000	M	81	77.7	AXA Equitable Life Insurance Company	A+
$4,500,000	M	81	79.3	AXA Equitable Life Insurance Company	A+
$2,000,000	M	81	85.9	Pacific Life Insurance Company	A+
$3,500,000	M	81	90.9	AXA Equitable Life Insurance Company	A+
$5,000,000	M	81	96.2	AXA Equitable Life Insurance Company	A+
$3,500,000	F	81	98.1	AXA Equitable Life Insurance Company	A+
$2,000,000	F	81	109.8	Jefferson-Pilot Life Insurance Company	AA-
$2,275,000	M	81	112.9	ING Life Insurance and Annuity Company	A-
$750,000	M	81	114.8	West Coast Life Insurance Company	AA-
$500,000	F	81	119.1	AXA Equitable Life Insurance Company	A+
$500,000	M	81	119.9	Metropolitan Life Insurance Company	AA-
$1,500,000	M	81	125.8	Jefferson-Pilot Life Insurance Company	AA-
$4,200,000	F	81	150.2	Transamerica Life Insurance Company	AA-
$829,022	F	82	36.0	Hartford Life and Annuity Insurance Company	BBB+
$4,000,000	M	82	56.1	John Hancock Life Insurance Company (U.S.A)	AA-
$500,000	M	82	60.7	Genworth Life Insurance Company	A-
$3,000,000	F	82	61.6	AXA Equitable Life Insurance Company	A+

$4,000,000	F	82	63.3	ING Life Insurance and Annuity Company	A-
$1,500,000	M	82	65.9	Transamerica Life Insurance Company	AA-
$2,700,000	M	82	71.1	John Hancock Life Insurance Company (U.S.A)	AA-
$1,000,000	M	82	74.1	Hartford Life and Annuity Insurance Company	BBB+
$1,500,000	M	82	76.2	AXA Equitable Life Insurance Company	A+
$1,703,959	M	82	81.4	Jefferson-Pilot Life Insurance Company	AA-
$2,500,000	F	82	83.0	American General Life Insurance Company	A+
$1,000,000	M	82	88.6	ING Life Insurance and Annuity Company	A-
$1,000,000	M	82	89.3	John Hancock Life Insurance Company (U.S.A)	AA-
$5,000,000	M	82	92.1	ING Life Insurance and Annuity Company	A-
$1,000,000	F	82	100.0	John Hancock Life Insurance Company (U.S.A)	AA-
$3,500,000	F	82	116.5	Lincoln Benefit Life Company	A+
$5,000,000	F	82	117.8	AXA Equitable Life Insurance Company	A+
$1,500,000	F	82	118.4	Lincoln Benefit Life Company	A+
$7,600,000	F	82	119.0	Transamerica Life Insurance Company	AA-
$6,000,000	F	82	119.8	American General Life Insurance Company	A+
$2,000,000	F	82	133.1	Lincoln Benefit Life Company	A+
$750,000	M	83	37.4	ING Life Insurance and Annuity Company	A-
$750,000	M	83	37.4	ING Life Insurance and Annuity Company	A-
$2,000,000	M	83	47.8	Transamerica Life Insurance Company	AA-
$1,000,000	M	83	49.9	John Hancock Life Insurance Company (U.S.A)	AA-
$2,000,000	M	83	54.4	Jefferson-Pilot Life Insurance Company	AA-
$1,800,000	M	83	58.1	John Hancock Variable Life Insurance Company	AA-
$1,000,000	M	83	64.5	John Hancock Life Insurance Company (U.S.A)	AA-
$1,500,000	M	83	72.0	ING Life Insurance and Annuity Company	A-
$1,500,000	M	83	72.0	ING Life Insurance and Annuity Company	A-
$2,000,000	M	83	81.5	AXA Equitable Life Insurance Company	A+
$1,750,000	M	83	81.5	AXA Equitable Life Insurance Company	A+
$2,000,000	M	83	84.8	Transamerica Life Insurance Company	AA-
$3,750,000	M	83	96.8	AXA Equitable Life Insurance Company	A+
$3,000,000	F	83	98.0	Sun Life Assurance Company of Canada (U.S.)	BBB
$2,000,000	F	83	103.6	AXA Equitable Life Insurance Company	A+
$1,365,000	F	83	111.5	Transamerica Life Insurance Company	AA-
$3,000,000	F	83	116.5	Transamerica Life Insurance Company	AA-
$5,000,000	F	83	129.0	American General Life Insurance Company	A+
$1,000,000	M	84	55.8	American General Life Insurance Company	A+
$5,000,000	M	84	65.0	Jefferson-Pilot Life Insurance Company	AA-
$1,000,000	M	84	73.8	John Hancock Life Insurance Company (U.S.A)	AA-
$2,000,000	M	84	73.8	John Hancock Life Insurance Company (U.S.A)	AA-
$5,000,000	M	84	83.2	Lincoln National Life Insurance Company	AA-
$8,500,000	M	84	84.9	Massachusetts Mutual Life Insurance Company	AA+
$1,200,000	M	84	93.6	Transamerica Life Insurance Company	AA-
$3,000,000	M	84	106.1	AXA Equitable Life Insurance Company	A+

$1,000,000	F	84	110.0	ING Life Insurance and Annuity Company	A-
$2,000,000	M	84	118.4	ING Life Insurance and Annuity Company	A-
$2,000,000	M	84	118.4	ING Life Insurance and Annuity Company	A-
$2,000,000	M	84	118.4	ING Life Insurance and Annuity Company	A-
$1,600,000	F	85	44.2	ING Life Insurance and Annuity Company	A-
$7,500,000	M	85	52.6	Jefferson-Pilot Life Insurance Company	AA-
$5,000,000	F	85	53.5	Transamerica Life Insurance Company	AA-
$2,000,000	M	85	58.7	John Hancock Life Insurance Company (U.S.A)	AA-
$1,000,000	F	85	60.3	West Coast Life Insurance Company	AA-
$2,000,000	F	85	60.3	West Coast Life Insurance Company	AA-
$500,000	F	85	61.9	Sun Life Assurance Company of Canada (U.S.)	BBB
$3,000,000	M	85	62.2	Transamerica Life Insurance Company	AA-
$200,000	M	85	62.9	Lincoln Benefit Life Company	A+
$5,570,000	F	85	68.0	ING Life Insurance and Annuity Company	A-
$5,570,000	F	85	68.0	ING Life Insurance and Annuity Company	A-
$2,500,000	M	85	70.0	Transamerica Life Insurance Company	AA-
$5,000,000	F	85	70.1	Penn Mutual Life Insurance Company	AA-
$4,445,467	M	85	70.4	Penn Mutual Life Insurance Company	AA-
$800,000	M	85	73.1	National Western Life Insurance Company	A
$1,000,000	F	85	75.8	New York Life Insurance Company	AA+
$1,000,000	M	85	78.1	AXA Equitable Life Insurance Company	A+
$250,000	M	85	81.9	Metropolitan Life Insurance Company	AA-
$1,682,773	M	85	87.1	Hartford Life and Annuity Insurance Company	BBB+
$4,000,000	F	85	90.6	Transamerica Life Insurance Company	AA-
$3,600,000	F	85	93.1	AXA Equitable Life Insurance Company	A+
$2,000,000	F	85	101.3	U.S. Financial Life Insurance Company	A+
$10,000,000	F	85	120.3	West Coast Life Insurance Company	AA-
$100,000	M	86	41.2	Protective Life Insurance Company	AA-
$100,000	M	86	41.2	Protective Life Insurance Company	AA-
$100,000	M	86	41.2	Protective Life Insurance Company	AA-
$8,985,000	M	86	47.3	Massachusetts Mutual Life Insurance Company	AA+
$1,500,000	M	86	52.4	Union Central Life Insurance Company	A+
$5,000,000	F	86	55.4	Massachusetts Mutual Life Insurance Company	AA+
$1,500,000	M	86	56.9	John Hancock Life Insurance Company (U.S.A)	AA-
$1,500,000	M	86	56.9	John Hancock Life Insurance Company (U.S.A)	AA-
$3,000,000	M	86	57.4	American General Life Insurance Company	A+
$4,785,380	F	86	58.6	John Hancock Life Insurance Company (U.S.A)	AA-
$2,500,000	M	86	59.2	Pacific Life Insurance Company	A+
$5,000,000	M	86	60.6	John Hancock Life Insurance Company (U.S.A)	AA-
$2,500,000	F	86	68.7	American General Life Insurance Company	A+
$1,803,455	F	86	69.6	Metropolitan Life Insurance Company	AA-
$1,529,270	F	86	69.6	Metropolitan Life Insurance Company	AA-
$3,500,000	F	86	70.7	Lincoln National Life Insurance Company	AA-

$500,000	M	86	72.1	Lincoln National Life Insurance Company	AA-
$5,000,000	M	86	85.1	AXA Equitable Life Insurance Company	A+
$2,225,000	F	86	92.4	Transamerica Life Insurance Company	AA-
$3,000,000	F	86	96.4	Massachusetts Mutual Life Insurance Company	AA+
$2,000,000	F	87	42.1	American General Life Insurance Company	A+
$5,000,000	F	87	45.1	Lincoln National Life Insurance Company	AA-
$3,000,000	F	87	53.5	Jefferson-Pilot Life Insurance Company	AA-
$1,203,520	M	87	58.4	Columbus Life Insurance Company	AA+
$3,500,000	F	87	69.1	John Hancock Life Insurance Company (U.S.A)	AA-
$1,500,000	F	87	71.1	Jefferson-Pilot Life Insurance Company	AA-
$600,000	F	87	71.9	Columbus Life Insurance Company	AA+
$5,000,000	F	87	73.0	ING Life Insurance and Annuity Company	A-
$2,500,000	F	87	73.9	AXA Equitable Life Insurance Company	A+
$2,500,000	F	87	73.9	AXA Equitable Life Insurance Company	