

GWG Holdings, Inc.
Form S-1/A
October 08, 2014

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As filed with the Securities and Exchange Commission on October 8, 2014

Registration Nos. 333-197227 and
333-197227-01

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 2 TO

FORM S-1

REGISTRATION STATEMENT
Under the Securities Act of 1933

**GWG HOLDINGS, INC.
GWG LIFE, LLC**

(Exact name of Registrant as specified in its charter)

Delaware
Delaware

26-2222607
20-4356955

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

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

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

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

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

Copies to:
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Approximate date of commencement of proposed sale to the public: from time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee ⁽²⁾
Series L Bonds	\$1,000,000,000	(1)	\$1,000,000,000	\$128,800.00

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

(2) Previously paid.

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

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted

Subject to Completion, dated October 8, 2014

GWG HOLDINGS, INC.

\$1,000,000,000 of Series L Bonds

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

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

The Series L Bonds 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 Series L Bonds will be guaranteed by our subsidiary GWG Life, 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 assets are held in our subsidiary GWG DLP Funding II, LLC, which is a direct subsidiary of GWG Life. The life insurance assets held by GWG DLP Funding II will not be collateral for obligations under the Series L Bonds although the guarantee and collateral provided by GWG Life 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 Series L Bonds may be insufficient to repay the Series L Bonds upon an event of default. The security offered for the Series L Bonds will provide rights as to collateral that are pari passu with the holders of other secured debt previously issued by GWG Life and GWG Holdings. This generally means that claims for payment and entitlement to security among the holders of Series L Bonds and such other secured debt previously issued by GWG Life and GWG Holdings 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 Series L Bonds at any time without penalty or premium. Series L Bond holders will have no right to put (that is, require us to redeem) any Series L Bond prior to the due date unless in the case of death, bankruptcy or total disability. In the event we agree to redeem a Series L Bond upon the request of a Series L Bond holder other than after death, bankruptcy or total disability of such holder we will impose a redemption fee of 6% against the outstanding principal balance of the redeemed Series L Bond. This redemption fee will be subtracted from the amount paid.

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

We maintain a senior borrowing arrangement that subordinates the right to payment on, and shared collateral securing, the Series L Bonds to our senior secured lender. From time to time we may add or replace senior lenders and the particular arrangements under which we borrow from them. In addition, these borrowing arrangements with senior lenders restrict, and are expected to continue to restrict, our cash flows and, subject

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to certain exceptions, distributions from our operating subsidiaries. These provisions will restrict cash flows available for payment of principal and interest on the Series L Bonds.

We are an emerging growth company under applicable law and are subject to reduced public company reporting requirements. Please read the disclosures on page 8 of this prospectus for more information. Investing in our Series L Bonds 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 19 to read about the risks you should consider before buying our Series L Bonds. You should carefully consider the risk factors set forth in this prospectus. The Series L Bonds are only suitable for persons with substantial financial resources and with no need for liquidity in this investment.

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 _____, 2014

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The Series L Bonds will be offered and sold on a best-efforts basis by Emerson Equity LLC, a registered broker-dealer and member of the Financial Industry Regulatory Authority (FINRA). Emerson Equity will be our placement agent for the Series L Bonds in this offering for purposes of the Securities Act of 1933. Emerson Equity may retain other dealers to act as an agent on its behalf in the course of offering and selling Series L Bonds in this offering. We will pay Emerson Equity a selling commission ranging from 1.00% to 5.00% of the principal amount of Series L Bonds sold, depending on the Series L Bonds maturity date. We will also pay Emerson Equity additional compensation ranging from 2.20% to 3.00% of the principal amount of Series L Bonds sold. Such additional compensation consists of a dealer-manager fee, a wholesaling fee (payable only to wholesaling dealers), and an accountable and non-accountable expense allowance. Emerson Equity will share its commissions and accountable and non-accountable expense allowance with other dealers who may participate in the offering. We have also agreed to reimburse Emerson Equity for certain pre-offering expenses that we anticipate will aggregate to no more than \$180,500. The total amount of the selling commissions and additional compensation (including reimbursements and non-transaction-based selling compensation) paid to Emerson Equity and any other FINRA member in the course of offering and selling Series L Bonds will not exceed 8.00% of the aggregate amount of the Series L Bonds 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	\$ 1,000,000,000	\$ 72,500,000	\$ 926,000,000(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 will vary based on the term of the Series L Bonds sold. Nevertheless, the total amount of selling commissions and additional compensation (consisting of dealer-manager fees, wholesaling fees and accountable and non-accountable expense allowances, together with non-transaction-based selling compensation, if any) paid to the placement agent will not exceed 8.00% of the aggregate principal amount of Series L Bonds sold. Accordingly, and assuming our sale of all \$1,000,000,000 in principal amount of bonds offered hereby, the maximum amount of selling commissions we can pay is 5.00% of the principal amount of bonds sold (or \$50,000,000), the maximum dealer-manager fee we can pay is 0.50% of the principal amount of bonds sold (or \$5,000,000), the maximum amount of wholesaling fees we can pay is 0.80% of the principal amount of bonds sold (or \$8,000,000), and the maximum amount of aggregated accountable and non-accountable expense reimbursements we can pay is 1.70% of the principal amount of bonds sold (or \$17,000,000).

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- (2) Emerson Equity has agreed to offer the Series L Bonds 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 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 through the course of the offering aggregate to approximately \$1,350,000, but for purposes of illustrating the Net Proceeds to Company based on the Minimum Investment, those offering expenses of \$1,350,000 are not reflected.
- (4) Net Proceeds to Company based on the offering of \$1,000,000,000 in principal amount of Series L Bonds are calculated as described in fn. 3 above, but also after deducting our own expected offering expenses of \$1,350,000.

We will issue the Series L Bonds in book-entry form, certificated form, or in the form of a global certificate deposited with a depository. Depending on the manner in which you purchase Series L Bonds, you may not receive a physical certificate representing your Series L Bonds. In all cases, however, we will deliver written confirmation to purchasers of Series L Bonds. Bank of Utah will act as trustee for the Series L Bonds.

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

<u>Maturity Term</u>	<u>Interest Rate (%)</u>
1 year	5.00
2 years	6.50
3 years	7.50
5 years	8.50
7 years	9.00

We may change the interest rates applicable to unsold Series L Bonds 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 Series L Bond is sold, the interest rate will not change during its term (subject, however, to the extension and renewal provisions contained in such Series L Bond).

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GWG Holdings, Inc.
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 Minneapolis, MN 55402
 Tel: (612) 746-1944
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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 Series L Bonds. Periodically, as we make material investments or have other material developments, we will provide a prospectus supplement that may add to, update or change information contained in this prospectus. We will endeavor to avoid interruptions in the continuous offering of our Series L Bonds. Nonetheless, our continuous offering may be suspended while the SEC or FINRA reviews certain amendments to our registration statement, until ultimately declared effective by the SEC.

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 Series L Bonds. 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 Series L Bond holder is invited to ask questions of and obtain additional information from us concerning the terms and conditions of this offering, our company, the Series L Bonds and any other relevant matters, including but not limited to additional information

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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 supplement this prospectus or amend the registration statement of which this prospectus is a part.

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 Series L Bonds. This written communication is not intended to be written advice as defined in Circular 230 published by the U.S. Treasury Department.

The Series L Bonds 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 Series L Bonds, the collateral, or any other matter stated in this prospectus. The indenture trustee has no duty or obligation to pay the Series L Bonds from their funds, assets or capital or to make inquiry regarding, or investigate the use of, amounts disbursed from any account.

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INDUSTRY AND MARKET DATA

The industry and market 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 SERIES L BONDS

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 Series L Bonds, you will have two different ways in which to consummate a purchase: (1) DTC settlement, and (2) direct settlement with the Company.

1. *Depository Trust Company Settlement (DTC settlement)*. If your broker-dealer is a participant in the DTC system and makes DTC settlement available to you, then you can place an order for the purchase of Series L Bonds through your broker-dealer. A broker-dealer using this service will have an account with DTC in which your funds will be placed to facilitate the monthly closing cycle. Orders will be executed by your broker-dealer electronically and you must coordinate with your broker-dealer's registered representative to pay the full purchase price for the Series L Bonds by the final settlement date. Generally, orders must be received by the third to last business day of a month, and the final settlement date will be the last business day of a month. Interest will then begin to accrue and you will be credited with ownership of a bond on the first business day of the following month. Your purchase price for Series L Bonds purchased in this way will not be held in escrow.

2. *Direct Settlement with the Company*. If you wish to purchase Series L Bonds through direct settlement with the Company, then you must complete, execute and return the Subscription Agreement to us together with a certified check or personal check payable to the order of GWG Holdings, Inc. Subscription Account (or wire sent to the Subscription Account) equal to the principal amount of Series L Bonds you wish to purchase. 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. Subscription Account
Account:
Routing:

Bank Name:

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. For your purchase to be effective as of the first business day of a calendar month, your completed and executed Subscription Agreement, together with your related funds, must be received by the final settlement date (i.e., the last business day of the prior calendar month).

Upon our receipt of the signed Subscription Agreement and acceptance of your purchase, we will notify you of such acceptance. We may, in our sole discretion, accept or reject any purchase, in whole or in part. In the event we do not accept your purchase of Series L Bonds 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. You may obtain a copy of the Subscription Agreement from our website at www.gwglife.com, your broker-dealer (if you are working with one), or from us by contacting us at 1-877-494-2388.

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COVERED SECURITY

Our Series L Bonds are a covered security. The term covered security applies to securities exempt from state registration pursuant to Section 18 of the Securities Act of 1933. Generally, securities listed on national exchanges are the most common type of covered security exempt from state registration. A non-traded security also can be a covered security if it has a seniority greater than or equal to other securities from the same issuer that are listed on a national exchange. Our Series L Bonds are a covered security because they will be senior to our common stock, which is listed on The Nasdaq Capital Market.

Although the status of our Series L Bonds as a covered security will facilitate their purchase and sale to a broader range of investors than would otherwise be available to us, and although the offer and sale of a covered security generally involves fewer issuance costs to the issuer of such securities, our Series L Bonds are not a suitable purchase for all investors. Investors are urged to read carefully the risk factors relating to our business and our Company contained in the Risk Factors section of this prospectus beginning on page 19. In addition, investors should understand that because our Series L Bonds are a covered security exempt from state securities regulations, neither our Company, the Series L Bonds, or any other aspects of this offering have been the subject of any merit-based review by state securities regulators.

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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 Series L Bonds. 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. In instances where we refer emphatically to GWG Holdings or GWG Holdings, Inc., or where we refer to a specific subsidiary of ours by name, we are referring only to that specific legal entity.

Our Company

We provide financial services to consumers in the emerging secondary market for life insurance assets. We target our financial service offerings toward consumers owning life insurance who can benefit from realizing the actuarial value of their life insurance policy. We believe the value proposition of our services to the consumers we serve is very high, and these consumers represent the fastest growing demographic in the United

States according to the U.S. Census Bureau. To address this growing need, we recently have expanded our services by offering consumers a range of options to access the actuarial value of their life insurance, including purchasing (i) all or a portion of their life insurance policy for cash, (ii) all or a portion of their life insurance policy in exchange for a different asset, and (iii) all or a portion of their life insurance policy in an installment sale that provides the selling consumer with a stream of cash flow. All of our services involve our purchase or financing of life insurance assets from consumers in the secondary market at a discount to the face value of the life insurance asset we obtain. In cases where we purchase a life insurance policy, we continue paying the policy premiums until maturity, in order to collect the policy benefit upon the insured's mortality. In this way, we hope to profit from the difference between our cost of obtaining and financing a life insurance asset, and the policy benefit we ultimately receive upon the mortality of the insured.

In addition to our goal of providing consumers with value-added services based upon the actuarial value of their life insurance policies, we seek to build a profitable and large portfolio of life insurance assets that are well diversified in terms of insurance carriers, mortality profiles and the medical conditions of insureds. We believe that successfully diversifying our assets will lower our overall risk exposure and provide our portfolio of life insurance assets with greater actuarial stability and more reliable returns. To obtain the growth and diversification we seek, we have raised capital through a variety of financing efforts that have included the public offering of our common stock, private and public offerings of structured debt securities, private offerings of preferred stock, and the use of a senior secured revolving credit facility. This offering of Series L Bonds is an extension of that strategy, and presents investors with an opportunity to participate in our business and the opportunity presented by the secondary market for life insurance. We believe that this investment opportunity is unique and attractive in that potential investment returns from life insurance assets are not correlated to general economic or financial market conditions.

According to the American Council of Life Insurers Fact Book 2013 (ACLI), individuals owned over \$11.22 trillion of face value of life insurance policies in the United States in 2012. 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 ACLI reports that the lapse and surrender rate of individual life insurance policies for 2012 was 5.9%, over \$649 billion in face value of policy benefits in 2012 alone. These figures do not include group-owned life insurance, such as employer-provided life insurance, the market for which totaled over \$8.01 trillion of face value of life insurance policies in the United States in 2012, and the policies of which exhibit similar lapse and surrender rates, according to the ACLI. Consumers owning life insurance generally allow policies to lapse or surrender the policies for a variety of reasons, including: (i) the life insurance is no longer needed; (ii) unrealistic original earnings assumptions made when the policy was purchased; (iii) increasing premium payment obligations as the insured ages; (iv) changes in financial status or outlook which cause the insured to no longer require life insurance; (v) other financial needs that make the insurance unaffordable; or (vi) a desire to maximize the policy's investment value.

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The secondary market for life insurance has developed in response to the large volume of policy lapses and surrenders. Rather than allowing a policy to lapse as worthless, or surrendering a life insurance policy at a fraction of its inherent value, the secondary market can be a source of significant value to consumers. The inherent actuarial value of a policy in the life insurance secondary market often exceeds the cash surrender value offered by the insurance carrier. Without the development of the secondary market, insurance carriers would maintain monopsony power over the options offered to consumers who no longer need or want their life insurance.

Although still relatively new and still emerging, Conning Research & Consulting (Conning) reports that the secondary market for life insurance policies grew from \$2 billion in face value of benefits purchased in 2002, to over \$12 billion in face value of benefits purchased in 2008. During and after the 2009 credit crisis, the secondary market for life insurance contracted significantly, evidenced by Conning's report that investors purchased approximately \$2 billion in face value of life insurance benefits in 2012. Nevertheless, Conning reports that consumer demand for continued development of the secondary market remains strong, and there are indications of strengthening interest among investors. Conning maintains that, given the current economic condition and investor sentiment, the secondary market will likely increase, and the market's largest growth will likely come from companies that attract capital to purchase the assets. We believe that socio-economic and demographic trends further support the long-term development and growth of the secondary market for life insurance, and that the secondary market for life insurance represents a significant and expanding market opportunity. In support of this belief, Conning reports that the net market potential for policies sold in the secondary market exceeded \$109 billion in 2012, and is expected to grow to \$151 billion by 2019.

We believe that we are uniquely positioned to capitalize on this opportunity by providing value-added services to the consumers we serve, and new investment opportunities for investors, where both participants can profit. To participate and compete in our growing market, we have spent and intend to continue to spend significant resources: (i) developing a robust operational platform and systems for originating, purchasing, and servicing life insurance policies; (ii) obtaining requisite licensure to participate in the life insurance secondary market; (iii) developing financing resources, strategies, and capabilities for servicing a large portfolio of life insurance policies; (iv) recruiting and developing a professional

management team; and (v) establishing strategic relationships for delivering our services.

Since our formation in 2006, we have evaluated over 36,000 policies and acquired over \$1.7 billion in face value of life insurance policy benefits 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 a portfolio life insurance assets and offering investors the opportunity to finance our ownership of the portfolio. As of June 30, 2014, we owned approximately \$785 million in face value of life insurance policy benefits with an aggregate cost basis (i.e., acquisition and ongoing premiums and financing costs) of approximately \$259 million.

A summary of our portfolio of life insurance assets as of June 30, 2014, is set forth in the table below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	\$ 784,652,00
Average face value per policy	\$ 2,715,000
Average face value per insured life	\$ 3,006,000
Average age of insured (yrs.) *	82.5
Average life expectancy estimate (yrs.) *	6.85
Total number of policies	289
Number of unique lives	261
Demographics	67% Males; 33% Females
Number of smokers	3 insureds are smokers
Largest policy as % of total portfolio	1.27%
Average policy as % of total portfolio	0.35%
Average Annual Premium as % of face value	3.21%

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All of our services are premised on financial and actuarial modeling that assigns a present value to the face value of an insurance policy benefit. In this regard, the value we assign to a life insurance asset in the secondary market is primarily a function of: (i) the face value of the life insurance policy or portion thereof we may wish to acquire; (ii) the estimated life expectancy of the individual insured under the policy; (iii) the premiums expected to be paid over the life of the insured; (iv) market competition from other purchasers in the secondary market; and (v) the particular underwriting characteristics of the policy, relative to the characteristics of our portfolio of life insurance assets as a whole.

The types of policies for which we provide services are typically, but not always, universal life insurance policies. 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 surrender value of the policy. The cash surrender value is the cash value of the policy, less any surrender charges imposed by the insurance company for removing the cash value. Our services provide greatest value to a consumer when the actuarial value of the life insurance policy benefit exceeds the cash surrender value of the policy which is often the case. We also provide services to consumers who own term life insurance. Unlike permanent universal life insurance, term life insurance does not have a cash value associated with it. Nevertheless, most term insurance policies permit the policy to be converted into permanent universal life insurance. In the future, we may consider offering services in conjunction with variable universal life insurance, which differs from universal insurance in that the variable component of the policy involves the ownership of securities inside the policy. Regardless of the type of policy, we generally seek to purchase life insurance policies issued by rated life insurance carriers 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, 2013 and June 30, 2014, over 93.5% and 93.7%, respectively, of life insurance policies within our portfolio were issued by companies rated A- or better under Standard & Poor's rating system.

Before acquiring a life insurance asset, we value the related life insurance policy by conducting an underwriting review. Our present underwriting review process generally involves obtaining two life expectancy estimates on each insured from third-party medical-actuarial

firms, and then averaging these two estimates. On occasion, we may obtain more than two life expectancy estimates, in which case we average the two life expectancy estimates that we believe are the most reliable, based on our own analyses and conclusions. In this regard, the two life expectancy estimates we ultimately choose to average may not always be the most conservative estimates we obtain. From time to time and as permitted by applicable borrowing covenants, we may modify our underwriting review process. For example, in anticipation of our planned marketing efforts, we recently changed our definition of a small face policy from \$250,000 in policy benefits to \$1,000,000 in policy benefits. For small face policies, rather than obtaining life expectancy estimates from third-party medical-actuarial firms, we may employ a modified underwriting review process involving the use of a combination of standard mortality tables, actuarial or medical consultants, and our own analysis to develop a life expectancy estimate for an insured.

We generally transact directly with 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. We expect to expand our origination practice by marketing directly to consumers through various marketing initiatives.

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 within the asset class since 2006. Our position within the marketplace has allowed us to gain a deep understanding of the life insurance secondary market. We have participated in the leadership of various industry associations and forums, including the Life Insurance Settlement Association (LISA) and the Insurance Studies Institute (ISI). Our experience gives

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us confidence in building a company to compete in the industry and acquire a portfolio of life insurance policies that will perform to our expectations.

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

Origination and Underwriting Practices: We seek to use underwriting review processes and file documentation standards that generally meet published guidelines for rated securitizations of life insurance portfolios. We purchase life insurance policies we consider to be non-contestable and that meet our 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 at the time at which the policy was purchased, such as is the case with so-called stranger-originated life insurance policies. To the extent we use modified methodologies for estimating life expectancies for small face policies, those modified methodologies may not meet published guidelines for rated securitizations of life insurance portfolios.

Origination Relationships and Strategies: We have established origination relationships with 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 processes and streamlines our own due-diligence process. We expect to expand our origination methodology and channels with the proceeds of this offering (e.g., the addition of consumer marketing).

Life Expectancy Methodology: We generally rely on two life expectancy estimates obtained from independent third-party medical-actuarial underwriting firms to arrive at a life expectancy estimate we use for valuing a life insurance asset. For a majority of our life insurance asset purchases, we rely on estimates obtained from 21st Services and AVS Underwriting to develop our life expectancy estimate. We may, however, also obtain and use life expectancy estimates from other medical-actuarial underwriting firms. As explained above, we may from time to time modify our underwriting review processes, including our methodology for arriving at life expectancy estimates we use in ascribing value to a life insurance asset.

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Pricing Software and Methodology: To calculate our expected returns on the investments we make in life insurance assets, we use actuarial pricing methodologies and software tools built by a leading independent actuarial service firm and currently supported by Modeling Actuarial Pricing Systems, Inc. (MAPS).

Financing Strategy: We have actively developed diversified financing strategy for accessing capital markets in support of our buy-and-hold strategy for our portfolio of life insurance policies, ranging from institutional bank financing to a network of broker-dealers registered with the Financial Industry Regulatory Authority (FINRA), many of whom have participated in one or more of our Series I Secured note financing, our Series A preferred stock financing, or our Renewable Secured Debenture financing. If in the future we determine to offer different kinds of investment products, we expect to leverage the network of broker-dealers that we have built over time.

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: Investing in life insurance assets in the secondary market is a relatively new and evolving market. Our ability to source and invest in life insurance assets at attractive prices materially depends on the continued growth of the secondary market for life insurance and the continued solvency of the life insurance companies that pay the face value of life insurance policy benefits.

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Asset Valuation Assumptions: The valuation of our portfolio life insurance assets 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 the life expectancy estimates we use for these purposes, any of which may ultimately prove to be inaccurate.

Ability to Expand Our Portfolio: Our business model requires us to achieve actual results that are in line with those we expect to attain from our investments in life insurance assets. In this regard, we believe that the larger the portfolio of life insurance assets we own, the greater likelihood there is that we will achieve results matching our expectations. Although we plan to expand the number of investments in life insurance assets using proceeds from the sale of our Series L Bonds, we may be unable to meet this goal. Furthermore, even if we successfully grow our portfolio of life insurance assets, we nevertheless may not achieve the results we expect.

Reliance on Financing: We have chosen to finance our business almost entirely through the issuance of debt, including the sale of Series L Bonds, Renewable Secured Debentures, Series I Secured notes, and our use of a senior secured revolving credit facility. Our business model expects that we will have continued access to financing (including financing to expand or replace our existing financing) in order to purchase a large and diversified portfolio of life insurance assets, and thereafter pay the attendant premiums and financing costs of maintaining that portfolio. We will be required to rely on our access to financing to pay premiums and interest until such time as we experience a significant amount of mortality within our portfolio and begin receiving significant revenues from the receipt of life insurance policy benefits. Even if we obtain the financing we require, we may not receive life insurance policy benefits that match our cash flow projections or meet them in time to earn profits after the payment of financing costs.

Risk of Investment in Life Insurance Assets: Our investments in life insurance assets have inherent risks, including fraud and legal challenges to the validity of the life insurance policies. Examples of fraud include the possibility that the seller of a policy may have provided us with inaccurate or misleading information during the underwriting review process.

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

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As a public reporting company with less than \$1 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;

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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; and

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

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 32 (*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.

Under the JOBS Act, we may take advantage of the above-described 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 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 billion in principal amount 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 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.

Corporate Organization

Our business w