

GWG Holdings, Inc.
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PROSPECTUS SUPPLEMENT NO. 4

Supplement to Prospectus dated
February 14, 2017

GWG HOLDINGS, INC.

Maximum of 150,000 Shares of Series 2 Redeemable Preferred Stock

This “Prospectus Supplement No. 4 — Supplement to Prospectus dated February 14, 2017,” supplements and amends our prospectus dated February 14, 2017 and our earlier issued Prospectus Supplement No. 1 dated March 15, 2017, Prospectus Supplement No. 2 (sticker) dated March 15, 2017 and Prospectus Supplement No. 3 (sticker) dated April 3, 2017 (referred to simply as our “prospectus”). You should read this supplement together with the prospectus since the information contained herein supplements and amends the information contained in the prospectus. Capitalized terms contained in this supplement have the same meanings as in the prospectus unless otherwise stated herein.

RECENT EVENTS

On May 12, 2017, we filed our Quarterly Report on Form 10-Q for the period ended March 31, 2017. This prospectus supplement has been prepared primarily to set forth certain information contained in that report.

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

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

The date of this prospectus supplement is May 15, 2017

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RISK RELATING TO FORWARD-LOOKING STATEMENTS

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

- changes in the secondary market for life insurance;
- changes resulting from the evolution of our business model and strategy with respect to the life insurance industry;
- our limited operating history;
- the valuation of assets reflected on our financial statements;
- the reliability of assumptions underlying our actuarial models, including our life expectancy estimates;
- our reliance on debt financing;
- risks relating to the validity and enforceability of the life insurance policies we purchase;
- risks relating to our ability to license and effectively apply technologies to improve and expand the scope of our business;
- our reliance on information provided and obtained by third parties;
- federal, state and FINRA regulatory matters;
- competition in the secondary market of life insurance;
- the relative illiquidity of life insurance policies;
- our ability to satisfy our debt obligations if we were to sell our entire portfolio of life insurance policies;
- life insurance company credit exposure;
- cost-of-insurance (premium) increases on our life insurance contracts;
- general economic outlook, including prevailing interest rates;
- performance of our investments in life insurance policies;
- financing requirements;
- risks associated with our merchant cash business;
- litigation risks;
- restrictive covenants contained in borrowing agreements; and
- our ability to make cash distributions in satisfaction of dividend obligations and redemption requests.

Forward-looking statements can be identified by the use of words like “believes,” “could,” “possibly,” “probably,” “anticipates,” “estimates,” “projects,” “expects,” “may,” “will,” “should,” “seek,” “intend,” “plan,” “expect,” or “consider” or the negative of expressions or other variations, or by discussions of strategy that involves risks and uncertainties. All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual transactions, results, performance or achievements to be materially different from any future transactions, results, performance or achievements expressed or implied by such forward-looking statements.

We base these forward-looking statements on current expectations and projections about future events and the information currently available to us. Although we believe that the assumptions for these forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Consequently, no representation or warranty can be given that the estimates, opinions, or assumptions made in or referenced by this prospectus will prove to be accurate. Some of the risks, uncertainties and assumptions are identified in the discussion entitled “Risk Factors”

in this prospectus. We undertake no obligation to update our forward-looking statements. We caution you that the forward-looking statements in (or incorporated by reference into) this prospectus are only estimates and predictions, or statements of current intent. Actual results or outcomes, or actions that we ultimately undertake, could differ materially from those anticipated in the forward-looking statements due to risks, uncertainties or actual events differing from the assumptions underlying these statements. These risks, uncertainties and assumptions include, but are not limited to, those discussed in this prospectus.

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

Note: The following discussion and analysis of the financial condition and results of operations of the Company are derived from our Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed with the SEC on May 12, 2017. We have not materially updated this discussion in any way, although it may be presented in a different order than in our Quarterly Report. As indicated in that report, this discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. The statements in this discussion and analysis concerning expectations regarding our future performance, liquidity and capital resources, as well as other non-historical statements in this discussion and analysis, are forward-looking statements. See "Risks Relating to Forward-Looking Statements" above and in the prospectus. These forward-looking statements are subject to numerous risks and uncertainties. Our actual results could differ materially from those suggested or implied by any forward-looking statements.

You should read the following discussion in conjunction with the condensed consolidated financial statements and accompanying notes and the information contained in other sections of this prospectus supplement. 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.

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 are an emerging growth company and have elected to delay our 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 (September 2019) or until we no longer qualify as an "emerging growth company" as defined under the JOBS Act, whichever is earlier.

Overview

We are a financial services company disrupting and transforming the life insurance industry and related industries. We built our business by creating opportunities for consumers to obtain significantly more value for their life insurance policies as compared to the traditional options offered by the insurance industry by creating a secondary market. We are enhancing and extending these activities through innovation in our products and services, business processes, financing strategies, and advanced epigenetic technologies. At the same time, we are creating opportunities for investors to receive income and capital appreciation from our investment activities in the life insurance and related industries.

Critical Accounting Policies

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with the Generally Accepted Accounting Principles (GAAP) requires us to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our judgments, estimates, and assumptions on historical experience and on various other factors believed to be reasonable under the circumstances. Actual results could differ materially from these estimates.

We evaluate our judgments, estimates, and assumptions on a regular basis and make changes accordingly. We believe that the judgments, estimates, and assumptions involved in valuing our 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.

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Ownership of Life Insurance Policies — Fair Value Option

We account for the purchase of life insurance policies in accordance with ASC 325-30, Investments in Insurance Contracts (“ASC 325-30”), which requires us to use either the investment method or the fair value method. We have elected to account for all of our life insurance policies using the fair value method.

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

The fair value of our investment in our portfolio of insurance policies is evaluated at the end of each subsequent reporting period. Changes in the fair value of our portfolio are based on periodic evaluations and are recorded in our consolidated and combined statement of operations as changes in fair value of life insurance policies.

Fair Value Components — Medical Underwriting

Unobservable inputs, as discussed below, are a critical component of our estimate for the fair value of our investments in life insurance policies. We currently use a probabilistic method of estimating and valuing the projected cash flows of our portfolio, which we believe to be the preferred and most prevalent valuation method in the industry. In this regard, the most significant assumptions we make are the life expectancy estimates of the insureds and the discount rate applied to the expected future cash flows to be derived from our portfolio.

The Society of Actuaries recently finalized the 2015 Valuation Basic Table (“2015 VBT”). The 2015 VBT is based on a much larger dataset of insured lives, face amount of policies and more current information compared to the dataset underlying the 2008 Valuation Basic Table. The new 2015 VBT dataset includes 266 million policies compared to the 2008 VBT dataset of 75 million. The experience data in the 2015 VBT dataset includes 2.55 million claims on policies from 51 insurance carriers. Life expectancies implied by the 2015 VBT are generally longer for male and female nonsmokers between the ages of 65 and 80, while smokers and insureds of both genders over the age of 85 have significantly lower life expectancies. We adopted the 2015 VBT in our valuation process in June 2016.

In the past, we attempted to update the independent life expectancy estimates on the insured lives in our portfolio, other than insured lives covered under small face amount policies (i.e., \$1 million in face value benefits or less), on a continuous rotating three-year cycle. Currently, however, we are required to attempt to update life expectancies on a rotating two-year cycle under the terms of our senior credit facility with LNV Corporation. Our prior experience in updating life expectancies has generally resulted in shorter life expectancies of the insureds within our portfolio, but often not as short as we earlier projected. For more information about life expectancy estimates and their impact upon our business and financial statements, see Note 4 to our consolidated financial statements.

We are aware of one additional pending cost of insurance (i.e., premium) increase affecting policies in our portfolio.

Fair Value Components — Required Premium Payments

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

Fair Value Components — Discount Rate

A discount rate is used to calculate the net present value of the expected cash flows. The discount rate used to calculate fair value of our portfolio incorporates the guidance provided by ASC 820, Fair Value Measurements and

Disclosures.

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

March 31, 2017	December 31, 2016
10.96%	10.96%

The change in the discount rate incorporates current information about discount rates applied by other reporting companies owning portfolios of life insurance policies, discount rates observed by us in the life insurance secondary market, market interest rates, credit exposure to the issuing insurance companies, and our estimate of the risk premium a purchaser would require to receive the future cash flows derived from our portfolio of life insurance policies. The discount rate we choose assumes an orderly and arms-length transaction (i.e., a non-distressed transaction in which neither seller nor buyer is compelled to engage in the transaction), which is consistent with related GAAP guidance. The carrying value of policies acquired during each quarterly reporting period are adjusted to their current fair value using the fair value discount rate applied to the entire portfolio as of that reporting date.

We engaged Model Actuarial Pricing System, Inc. (“MAPS”) to prepare a calculation of our life insurance portfolio. MAPS owns and maintains the portfolio pricing software we use. MAPS processed policy data, future premium data, life expectancy estimate data, and other actuarial information to calculate a net present value for our portfolio using the specified discount rate of 10.96%. MAPS independently calculated the net present value of our portfolio of 753 policies to be \$545.4 million and furnished us with a letter documenting its calculation. A copy of such letter is filed as Exhibit 99.1 to our Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed May 12, 2017.

Deferred Income Taxes

Under ASC 740, Income Taxes (“ASC 740”), deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established for deferred tax assets that are not considered “more likely than not” to be realized. Realization of deferred tax assets depends upon having sufficient past or future taxable income in periods to which the deductible temporary differences are expected to be recovered or within any applicable carryback or carryforward periods. After assessing the realization of the net deferred tax assets, we believe that it is “more likely than not” that we will be able to realize all of our deferred tax assets other than those which are expected to result in a capital loss.

Deferred Financing and Issuance Costs

Financing costs, which include issuance costs, sales commissions and other direct expenses, incurred under the senior credit facilities were capitalized and are amortized using the straight-line method over the term of the senior credit facilities. The Series I Secured Note obligations are reported net of financing costs, which are amortized using the interest method over the term of each respective borrowing. The L Bonds are reported net of financing costs, which are amortized using the interest method over the term of each respective borrowing.

Principal Revenue and Expense Items

We earn revenues from the following three primary sources.

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

- Change in Fair Value of Life Insurance Policies. We value our portfolio investments for each reporting period in accordance with the fair value principles discussed herein, which reflects the expected receipt of policy benefits in future periods as shown in our consolidated financial statements, net premium costs.

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

Our main components of expense are summarized below.

- **Selling, General and Administrative Expenses.** We recognize and record expenses incurred in our business operations, including operations related to the purchasing and servicing of life insurance policies. These expenses include salaries and benefits, sales, marketing, occupancy and other expenditures.
- **Interest Expense.** We recognize and record interest expenses associated with the costs of financing our life insurance portfolio for the current period. These expenses include interest paid to our senior lenders under our senior credit facilities, interest paid on our L Bonds and other outstanding indebtedness such as our Series I Secured Notes. When we issue debt, we amortize the financing costs associated with such indebtedness over the outstanding term of the financing, and classify it as interest expense.

Results of Operations — Three Months Ended March 31, 2017 Compared to the Same Period in 2016

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

Revenue.

	Three Month Ended March 31,		
	2017	2016	
Revenue recognized from the receipt of policy benefits	\$ 16,606,000	\$ 14,627,000	
Revenue recognized from the change in fair value of life insurance policies, net of premiums and carrying costs(1)	2,794,000	3,087,000	
Gain on life settlements, net	\$ 19,400,000	\$ 17,714,000	
Number of policies matured	10	6	
The change in fair value related to new policies acquired during the period	\$ 10,602,000	\$ 8,019,000	

(1) The discount rate applied to estimate the fair value of the portfolio of life insurance policies we own was 10.96% as of March 31, 2017, compared to 11.08% as of March 31, 2016. The carrying value of policies acquired during each quarterly reporting period is adjusted to current fair value using the fair value discount rate applied to the entire portfolio as of that reporting date.

Expenses.

	Three Months Ended March 31,		Increase/ (Decrease)
	2017	2016	
Employee compensation and benefits(1)	\$ 3,163,000	\$ 2,466,000	\$ 697,000
Interest expense (including amortization of deferred financing costs)(2)	13,244,000	9,150,000	4,094,000
Legal and professional expenses(3)	947,000	1,206,000	(259,000)
Other expenses(4)	2,780,000	2,412,000	368,000
Total expenses	\$ 20,134,000	\$ 15,234,000	\$ 4,900,000

- (1) We hired additional members to our sales, marketing and information technology teams. On March 31, 2016 we employed approximately 66 employees. On March 31, 2017, we employed approximately 70 employees.
- (2) The increase was due to the increase in the average debt outstanding and higher weighted average interest rate on our borrowings.
- (3) Decrease is due to fewer SEC filings and lower costs related to the filings.
- (4) Increase is due to increased sales and marketing costs associated with growing and servicing our financial advisor network as well as increased personnel and infrastructure costs.

Deferred Income Taxes. We also provided a valuation allowance against the deferred tax asset related to tax basis capital loss generated with respect to our settlement and subsequent disposal of an earlier investment. As we have no expectation of generating offsetting capital gains with the applicable carryforward period, we do not believe that it is “more likely than not” that the deferred asset will be realized.

Income Tax Expense. For the three months ended March 31, 2017, we realized income tax benefits of \$0.1 million. In the same period of 2016, we had an income tax expense of \$1.1 million. The effective tax rate for the three months ended March 31, 2017 and 2016, was 1.1% and 40.6%, respectively, compared to a statutory rate of 34%.

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

	Three Months Ended			March 31,		
	March 31,			2016		
	2017					
Statutory federal income tax	\$ (15,500)	34.0	%	\$ 908,000	34.0	%
State income taxes, net of federal benefit	(1,000)	3.1	%	175,000	6.5	%
Other permanent differences	16,000	(36.0)	%	2,000	0.1	%
Total income tax expense	\$ (500)	1.1	%	\$ 1,085,000	40.6	%

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 the life insurance portfolio.

Liquidity and Capital Resources

We finance our business through a combination of life insurance policy benefit receipts, origination fees, equity offerings, debt offerings, and our senior credit facilities. We have used our debt offerings and our senior credit facilities primarily for policy acquisition, policy servicing, and portfolio-related financing expenditures including paying principal and interest.

As of March 31, 2017 and December 31, 2016, we had approximately \$107.0 million and \$121.7 million, respectively, in combined available cash, cash equivalents, policy benefits receivable, if any, and available borrowing base surplus capacity, if any, under our senior credit facilities 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.

Financings Summary

We had the following outstanding debt balances as of March 31, 2017 and December 31, 2016:

	As of March 31, 2017		As of December 31, 2016	
Issuer/Borrower	Principal Amount Outstanding	Weighted Average Interest Rate	Principal Amount Outstanding	Weighted Average Interest Rate
GWG Holdings, Inc. – L Bonds	\$ 391,871,000	7.29 %	\$ 387,067,000	7.23 %
GWG Life, LLC – Series I Secured Notes	10,629,000	8.86 %	16,614,000	8.68 %
GWG DLP Funding IV, LLC – Senior credit facilities	159,470,000	7.47 %	162,725,000	7.34 %
Total	\$ 561,970,000	7.37 %	\$ 566,406,000	7.30 %

In November 2009, our wholly owned subsidiary GWG Life began a private placement of Series I Secured Notes to accredited investors only. This offering was closed in November 2011. As of March 31, 2017 and December 31, 2016, we had approximately \$10.6 million and \$16.6 million, respectively, in principal amount of Series I Secured Notes outstanding.

In June 2011, we concluded a private placement offering of Series A for new investors, having received an aggregate \$24.6 million in subscriptions for our Series A. These subscriptions consisted of \$14.0 million in conversions of outstanding Series I Secured Notes and \$10.6 million of new investments. As of March 31, 2017 and December 31, 2016, we had approximately \$19.8 million and \$19.7 million of Series A stated value outstanding.

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

On September 24, 2014, we consummated an initial public offering of our common stock resulting in the sale of 800,000 shares of common stock at \$12.50 per share and net proceeds of approximately \$8.6 million after the deduction of underwriting commissions, discounts and expense reimbursements.

In January 2015, we began publicly offering up to \$1.0 billion of L Bonds as a follow-on to our earlier \$250.0 million public debt offering. Through March 31, 2017, the total amount of these L Bonds sold, including renewals, was \$710.3 million. As of March 31, 2017 and December 31, 2016, respectively, we had approximately \$391.9 million and \$387.1 million in principal amount of L Bonds outstanding.

In October 2015, we began publicly offering up to 100,000 shares of our RPS at a per-share price of \$1,000. As of March 31, 2017 we had issued approximately \$87.1 million stated value of RPS.

On February 14, 2017, we began publicly offering up to 150,000 shares of RPS 2 at a per-share price of \$1,000. As of the date of this prospectus supplement we have sold 7,359 shares of RPS 2.

The weighted-average interest rate of our outstanding Series I Secured Notes as of March 31, 2017 and December 31, 2016 was 8.82% and 8.68%, respectively, and the weighted-average maturity at those dates was 1.46 and 1.14 years, respectively. The Series I Secured Notes have renewal features. Since we first issued our Series I Secured Notes, we have experienced \$172.3 million in maturities, of which as of March 31, 2017, \$125.0 million has renewed for an additional term. This has provided us with an aggregate renewal rate of approximately 73% for investments in these securities. Effective September 1, 2016, we no longer renew the Series I Secured Notes.

The weighted-average interest rate of our outstanding L Bonds as of March 31, 2017 and December 31, 2016 was 7.28% and 7.23%, respectively, and the weighted-average maturity at those dates was 2.23 and 2.13 years, respectively. Our L Bonds have renewal features. Since we first issued our L Bonds, we have experienced \$318.4 million in maturities, of which \$196.8 million has renewed through March 31, 2017 for an additional term. This has provided us with an aggregate renewal rate of approximately 62% for investments in these securities. Effective September 1, 2016, we discontinued the sales and renewals of 6-month and 1-year L Bonds.

Future contractual maturities of Series I Secured Notes and L Bonds at March 31, 2017 are:

Years Ending December 31,	Series I Secured Notes	L Bonds	Total
Nine months ending December 31, 2017	\$ 4,538,000	\$ 70,454,000	\$ 74,992,000
2018	2,401,000	109,034,000	111,435,000
2019	1,024,000	103,419,000	104,443,000
2020	1,725,000	37,055,000	38,780,000
2021	941,000	28,901,000	29,842,000
2022	—	18,801,000	18,801,000
Thereafter	—	24,207,000	24,207,000
	\$ 10,629,000	\$ 391,871,000	\$ 402,500,000

The L Bonds and Series I Secured Notes are secured by all of our assets, and are subordinate to our senior credit facilities. The L Bonds and Series I Secured Notes are pari passu with respect to a security interest in our assets pursuant to an intercreditor agreement (see Notes 7 and 8).

We maintain a \$105 million senior credit facility with Autobahn/DZ Bank through DLP III. The senior credit facility is used to pay the premium expenses related to our portfolio of life insurance policies. As of both March 31, 2017 and December 31, 2016, we had no amounts outstanding under that senior credit facility, no life insurance policies were pledged, and we maintained an available borrowing base of \$0 million. On September 14, 2016, we paid off the senior credit facility in full with funds received under a new senior credit facility with LNV Corporation as described in Note 6.

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On September 14, 2016, we entered into a \$172 million senior credit facility with LNV Corporation in which DLP IV is the borrower. We intend to use the proceeds from this facility to grow and maintain our portfolio of life insurance policies, for liquidity and for general corporate purposes. As of March 31, 2017 we had approximately \$159.5 million outstanding under the senior credit facility.

We expect to meet our ongoing operational capital needs through a combination of the receipt of policy benefits from our portfolio of life insurance policies and net proceeds from our L Bonds and RPS 2 offerings. We expect to meet our policy acquisition, servicing, and financing capital needs principally from the receipt of policy benefits from our portfolio of life insurance policies, net proceeds from our offering of L Bonds and RPS 2, and from our senior credit facilities. We estimate that our liquidity and capital resources are sufficient for our current and projected financial needs for at least the next twelve months. Nevertheless, if we are unable to continue our offerings for any reason (or if we become unsuccessful in selling our securities), and we are unable to obtain capital from other sources, our business will be materially and adversely affected. In addition, our business will be materially and adversely affected if we do not receive the policy benefits we forecast and if holders of our L Bonds or Series I Secured Notes fail to renew with the frequency we have historically experienced. In such a case, we could be forced to sell our investments in life insurance policies to service or satisfy our debt-related and other obligations.

Capital expenditures have historically not been material and we do not anticipate making material capital expenditures in 2017 or beyond.

Debt Financings Summary

The table below reconciles the face amount of our outstanding debt to the carrying value shown on our balance sheet:

	As of March 31, 2017	As of December 31, 2016
Total senior facilities and other indebtedness		
Face amount outstanding	\$ 159,470,000	\$ 162,725,000
Unamortized selling costs	(6,082,000)	(6,660,000)
Carrying amount	\$ 153,388,000	\$ 156,065,000
Series I Secured Notes:		
Face amount outstanding	\$ 10,629,000	\$ 16,614,000
Redemptions in process	534,000	—
Unamortized selling costs	(163,000)	(209,000)
Carrying amount	\$ 11,000,000	\$ 16,405,000
L Bonds:		
Face amount outstanding	\$ 391,871,000	\$ 387,067,000
Subscriptions in process	3,642,000	5,882,000
Unamortized selling costs	\$ (12,197,000)	\$ (11,636,000)
Carrying amount	\$ 383,316,000	\$ 381,313,000
Portfolio Assets and Secured Indebtedness		

At March 31, 2017, the fair value of our investments in life insurance policies of \$545.4 million plus our cash balance of \$49.9 million and our restricted cash balance of \$48.1 million, plus matured policy benefits receivable of \$9.0 million, totaled \$652.4 million representing an excess of portfolio assets over secured indebtedness of \$90.4 million. At December 31, 2016, the fair value of our investments in life insurance policies of \$511.2 million plus our cash balance of \$78.5 million and our restricted cash balance of \$37.8 million, plus matured policy benefits receivable of \$5.3 million, totaled \$632.9 million, representing an excess of portfolio assets over secured indebtedness of \$66.4

million.

The following forward-looking table seeks to illustrate the impact that a hypothetical sale of our portfolio of life insurance assets at various discount rates would have on our ability to satisfy our debt obligations as of March 31, 2017. In all cases, the sale of the life insurance assets owned by DLP III and DLP IV will be used first to

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satisfy all amounts owing, if any, under the respective senior credit facilities. The net sale proceeds remaining after satisfying all obligations under the senior credit facilities would be applied to L Bonds and Series I Secured Notes on a pari passu basis.

Portfolio Discount Rate	10%	11%	12%	13%	14%	15%	16%
Value of portfolio	\$572,050,000	\$544,815,000	\$519,751,000	\$496,631,000	\$475,257,000	\$455,455,000	\$437,071,000
Cash, cash equivalents and policy benefits receivable	107,000,000	107,000,000	107,000,000	107,000,000	107,000,000	107,000,000	107,000,000
Total assets	679,050,000	651,815,000	626,751,000	603,631,000	582,257,000	562,455,000	544,071,000
Senior credit facilities	159,471,000	159,471,000	159,471,000	159,471,000	159,471,000	159,471,000	159,471,000
Net after senior credit facilities	519,579,000	492,344,000	467,280,000	444,160,000	422,786,000	402,984,000	384,600,000
Series I Secured Notes and L Bonds	402,500,000	402,500,000	402,500,000	402,500,000	402,500,000	402,500,000	402,500,000
Net after Series I Secured Notes and L Bonds	117,079,000	89,844,000	64,780,000	41,660,000	20,286,000	484,000	(17,900,000)
Impairment to Series I Secured Notes and L Bonds	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	Impairment

The table illustrates that our ability to fully satisfy amounts owing under the L Bonds and Series I Secured Notes would likely be impaired upon the sale of all our life insurance assets at a price equivalent to a discount rate of approximately 15.03% or higher. At December 31, 2016, the impairment occurred at a discount rate of approximately 13.94% or higher. The discount rate used to calculate the fair value of our portfolio was 10.96% at both March 31, 2017 and December 31, 2016.

The table does not include any allowance for transactional fees and expenses associated with a portfolio sale (which expenses and fees could be substantial), and is provided to demonstrate how various discount rates used to value our portfolio could affect our ability to satisfy amounts owing under our debt obligations in light of our senior secured lender's right to priority payments. You should read the above table in conjunction with the information contained in other sections of this prospectus supplement and our Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed May 12, 2017, including our discussion of discount rates included under the "Critical Accounting Policies — Fair Value Components — Discount Rate" caption above. This discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management.

Cash Flows

The payment of premiums and servicing costs to maintain life insurance policies represents our most significant requirement for cash disbursement. When a policy is purchased, we are able to calculate the minimum premium payments required to maintain the policy in-force. Over time as the insured ages, premium payments will increase. Nevertheless, the probability of actually needing to pay the premiums decreases 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, tracking costs, and debt servicing costs, including principal and interest payments all of which are excluded from our internal rate of return calculations. Until we receive a sufficient amount of proceeds from the policy benefits, we intend to pay these costs from our senior credit facilities, when permitted, and through the issuance of debt securities, including the L Bonds, and equity securities including our preferred stock.

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

Years Ending December 31,	Premiums	Servicing	Premiums and Servicing Fees
Nine months ending December 31, 2017	\$ 35,228,000	\$ 654,000	\$ 35,882,000
2018	51,895,000	654,000	52,549,000
2019	57,632,000	654,000	58,286,000
2020	62,464,000	654,000	63,118,000
2021	70,222,000	654,000	70,876,000
2022	78,953,000	654,000	79,607,000
	\$ 356,394,000	\$ 3,924,000	\$ 360,318,000

Our anticipated premium expenses are subject to the risk of increased cost of insurance charges (i.e., “COI” or premium charges) for the universal life insurance policies we own. In this regard, we are aware of one insurer that has notified us of its intent to increase COI charges on certain life insurance policies. As a result, we expect that our premium expense will increase and the fair value of our portfolio will be negatively impacted once the insurer has specified and implemented the proposed increases. Except as noted above, we are not aware of COI increases by other insurers, but we are aware that COI increases have become more prevalent in the industry. Thus, we expect that we may see additional insurers implementing COI increases in the future.

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

Quarter End Date	Portfolio Face Amount	12-Month Trailing Benefits Collected	12-Month Trailing Premiums Paid	12-Month Trailing Benefits/ Premium Coverage Ratio	
December 31, 2014	779,099,000	18,050,000	23,265,000	77.6	%
March 31, 2015	754,942,000	46,675,000	23,786,000	196.2	%
June 30, 2015	806,274,000	47,125,000	24,348,000	193.5	%
September 30, 2015	878,882,000	44,482,000	25,313,000	175.7	%
December 31, 2015	944,844,000	31,232,000	26,650,000	117.2	%
March 31, 2016	1,027,821,000	21,845,000	28,771,000	75.9	%
June 30, 2016	1,154,798,000	30,924,000	31,891,000	97.0	%
September 30, 2016	1,272,078,000	35,867,000	37,055,000	96.8	%
December 31, 2016	1,361,675,000	48,452,000	40,240,000	120.4	%
March 31, 2017	1,447,558,000	48,189,000	42,753,000	112.7	%

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

Inflation

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

Off-Balance Sheet Arrangements

We are party to an office lease with U.S. Bank National Association as the landlord. On September 1, 2015, we entered into an amendment that expanded the leased space to 17,687 square feet and extended the term through August 31, 2025 (see Note 16).

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, 2017, 96.3% 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 senior credit facilities are floating-rate financing. In addition, our ability to offer interest and dividend rates that attract capital (including in our continuous offering of L Bonds, RPS and RPS 2) is generally impacted by prevailing interest rates. Furthermore, while our L Bond, RPS and RPS 2 offerings provide us with fixed-rate debt and equity financing, our debt coverage ratio is calculated in relation to the interest rate of our debt financing. Therefore, fluctuations in interest rates impact our business by increasing our borrowing costs, and reducing availability under our debt financing arrangements. We calculate our 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

Non-GAAP financial measures disclosed by our management are provided as additional information to investors in order to provide an alternative method for assessing our financial condition and operating results. These non-GAAP financial measures are not in accordance with GAAP and may be different from non-GAAP measures used by other companies, including other companies within our industry. This presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for comparable amounts prepared in accordance with GAAP. See our consolidated financial statements and our financial statements contained herein.

We use non-GAAP financial measures for maintaining compliance with covenants contained in our borrowing agreement with Autobahn/DZ Bank and for management's assessment of our financial condition and operating results without regard to GAAP fair value standards. The application of current GAAP fair value standards, especially during a period of significant portfolio growth may result in current period GAAP financial results that may not be reflective of our long-term earnings potential or overall financial condition. Management believes that our non-GAAP financial measures permit investors to understand long-term earnings performance without regard to the volatility in GAAP financial results that can and do occur with the application of portfolio fair value (mark-to-market) accounting principles.

Therefore, in contrast to a GAAP fair valuation (mark-to-market), we seek to measure the accrual of the actuarial gain occurring within the portfolio of life insurance policies at our expected internal rate of return based on statistical mortality probabilities for the insureds (using primarily the insured's age, sex, health and smoking status). The expected internal rate of return tracks actuarial gain occurring within the policies according to a mortality table as the insureds' age increases. By comparing the actuarial gain accruing within our portfolio of life insurance policies against our adjusted operating costs during the same period, we can estimate, manage and evaluate the overall financial performance 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 can have a disproportionately positive or negative impact on GAAP results in any particular period.

Our senior credit facility with Autobahn/DZ Bank requires us to maintain a "positive net income" and "tangible net worth," each of which are calculated on an adjusted non-GAAP basis using the method described below, without regard to GAAP-based fair value (mark-to-market) measures. In addition, our senior credit facility with Autobahn/DZ Bank 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 the Autobahn/DZ Bank senior credit facility's interest rate.

In addition, the Indenture governing our L Bonds and the note issuance and security agreement governing our Series I Secured Notes require us to maintain a "debt coverage ratio" designed to ensure that the expected cash flows from our

portfolio of life insurance policies is reasonably expected to be able to adequately service our total outstanding indebtedness. This ratio is calculated using non-GAAP measures in the method described below, again without regard to GAAP-based fair value measures.

Adjusted Non-GAAP Net Income. We calculate our adjusted non-GAAP net income by recognizing the actuarial gain accruing within our life insurance portfolio at the expected internal rate of return against our adjusted cost basis

without regard to fair value. We net this actuarial gain against our adjusted operating costs during the same period to calculate our net income on a non-GAAP basis. Our senior credit facility with Autobahn/DZ Bank requires us to maintain a positive net income calculated on an adjusted non-GAAP basis.

Three months ended March 31,	2017	2016
GAAP net income (loss) attributable to common shareholders	\$ (1,913,000)	\$ 1,074,000
Unrealized fair value gain(1)	(13,884,000)	(11,532,000)
Adjusted cost basis increase(2)	21,722,000	15,367,000
Accrual of unrealized actuarial gain(3)	4,910,000	6,067,000
Total adjusted non-GAAP net income(4)	\$ 10,835,000	\$ 10,976,000

- (1) Reversal of unrealized fair value gain of life insurance policies for current period.
- (2) Adjusted cost basis is increased to include interest, premiums and servicing fees that are expensed under GAAP.
- (3) Accrual of actuarial gain at expected internal rate of return based on non-GAAP investment cost basis for the period.
- (4) We must maintain an annual positive consolidated net income, calculated on a non-GAAP basis, to maintain compliance with our revolving credit facility with DZ Bank/Autobahn.

Adjusted Non-GAAP Tangible Net Worth. We calculate our adjusted non-GAAP 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 adjusted tangible net worth on a non-GAAP basis. Our senior credit facility with Autobahn/DZ Bank requires us to maintain a tangible net worth in excess of \$45 million calculated on an adjusted non-GAAP basis.

	As of March 31, 2017	As of December 31, 2016
GAAP net worth	\$ 89,955,000	\$ 67,298,000
Less intangible assets(1)	(19,094,000)	(19,442,000)
GAAP tangible net worth	70,861,000	47,856,000
Unrealized fair value gain(2)	(278,509,000)	(264,625,000)
Adjusted cost basis increase(3)	262,448,000	248,377,000
Accrual of unrealized actuarial gain(4)	137,718,000	132,808,000
Total adjusted non-GAAP tangible net worth	\$ 192,518,000	\$ 164,416,000

- (1) Unamortized portion of deferred financing costs and pre-paid insurance.
- (2) Reversal of cumulative unrealized GAAP fair value gain or loss of life insurance policies.
- (3) Adjusted cost basis is increased to include interest, premiums and servicing fees that are not expensed under GAAP.
- (4) Accrual of cumulative actuarial gain at expected internal rate of return based on the non-GAAP investment cost basis.

Excess Spread. Our senior credit facility with Autobahn/DZ Bank requires us to maintain a 2.00% “excess spread” between our weighted-average expected internal rate of return (“IRR”) of our portfolio of life insurance policies and the senior credit facility’s interest rate. The expected IRR of our portfolio is based upon future cash flow forecasts derived from a probabilistic analysis of our policy benefits received and policy premiums paid in relation to our non-GAAP investment cost basis.

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 covenants.

	As of March 31, 2017		As of December 31, 2016	
Weighted-average expected IRR(1)	11.42	%	11.34	%
Weighted-average revolving credit facility interest rate(2)	7.47	%	7.34	%
Excess spread	3.95	%	4.00	%
Total weighted-average interest rate on indebtedness for borrowed money(3)	7.37	%	7.30	%
Total excess spread(4)	4.05	%	4.04	%

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

	As of March 31, 2017	As of December 31, 2016
Non-GAAP Investment Cost Basis		
GAAP fair value	\$ 545,397,000	\$ 511,192,000
Unrealized fair value gain(A)	(278,509,000)	(264,625,000)
Adjusted cost basis increase(B)	262,448,000	248,377,000
Non-GAAP investment cost basis(C)	\$ 529,336,000	\$ 494,944,000

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

(B) Adjusted cost basis is increased to include interest, premiums and servicing fees that are expensed under GAAP.

(C) This is the non-GAAP cost basis in life insurance policies from which our expected internal rate of return is calculated.

(2) This is the weighted-average interest rate for both revolving senior credit facilities as of the measurement date.

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

	As of March 31, 2017	As of December 31, 2016
Indebtedness		
Senior credit facilities	\$ 159,470,000	\$ 162,725,000
Series I Secured Notes	10,629,000	16,614,000
L Bonds	391,871,000	387,067,000
Total	\$ 561,970,000	\$ 566,406,000

Interest Rates on Indebtedness

Senior credit facilities	7.47	%	7.34	%
Series I Secured Notes	8.82	%	8.68	%
L Bond	7.28	%	7.23	%
Weighted-average interest rates on indebtedness	7.37	%	7.30	%

(4) Calculated as the weighted average expected IRR (1) minus the weighted-average interest rate on interest-bearing indebtedness (3).

Debt Coverage Ratio. Our L Bond and Series I Secured Notes borrowing covenants require us to maintain a debt coverage ratio of less than 90%. The debt coverage ratio is calculated by dividing the sum of our total interest-bearing indebtedness by the sum of our cash, cash equivalents, policy benefits receivable, if any, and the net present value of the life insurance portfolio.

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	As of March 31, 2017		As of December 31, 2016	
Life insurance portfolio policy benefits	\$ 1,447,558,000		\$ 1,361,675,000	
Discount rate of future cash flows	7.37	%	7.30	%
Net present value of life insurance portfolio policy benefits	\$ 656,084,000		\$ 614,908,000	
Cash, cash equivalents and policy benefits receivable	107,000,000		121,659,000	
Total Coverage	763,084,000		736,567,000	
Senior credit facilities	159,470,000		162,725,000	
Series I Secured Notes	10,629,000		16,614,000	
L Bonds	391,871,000		387,067,000	
Total Indebtedness	\$ 561,970,000		\$ 566,406,000	
Debt Coverage Ratio	73.64	%	76.90	%

As of March 31, 2017, we were in compliance with the debt coverage ratio.

Non-GAAP Expected Portfolio Internal Rate of Return at Purchase. Non-GAAP expected portfolio IRR at purchase is calculated as the weighted average (by face amount of policy benefits) of the IRR expected at the time of purchase for all life insurance policies held in the portfolio. This non-GAAP measure isolates our IRR expectation at purchase utilizing our underwriting life expectancy assumptions at that time. This measure does not change with the passage of time as compared to our non-GAAP investment cost basis that increases with the payment of premiums, financing costs, and the effective life expectancy which changes over time, both of which are used to calculate our expected portfolio IRR.

	As of March 31, 2017	As of December 31, 2016
Life insurance portfolio policy benefits	\$ 1,447,558,000	\$ 1,361,675,000
Total number of policies	753	690

Non-GAAP Expected Portfolio Internal Rate of Return at Purchase	15.69	%	15.64	%
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We have in the past reported non-GAAP net asset value among our other non-GAAP financial measures. We have determined, however, to cease reporting this measure primarily because we do not believe that it is sufficiently additive to our existing non-GAAP measures in aiding users of our financial statements and disclosures to measure and evaluate our financial condition or operating results. Moreover, we are not aware of other reporting companies in our industry that use this measure to evaluate their financial condition or operating results.

Portfolio Information

Our portfolio of life insurance policies, owned by our subsidiaries as of March 31, 2017, is summarized below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	\$ 1,447,558,000
Average face value per policy	\$ 1,922,000
Average face value per insured life	\$ 2,145,000
Average age of insured (yrs.)*	81.5
Average life expectancy estimate (yrs.)*	6.9
Total number of policies	753
Number of unique lives	675
Demographics	73% Males 27% Females
Number of smokers	29
Largest policy as % of total portfolio	0.92 %
Average policy as % of total portfolio	0.13 %
Average annual premium as % of face value	3.28 %

*Averages presented in the table are weighted averages.

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Our portfolio of life insurance policies, owned by our wholly owned subsidiaries as of March 31, 2017, organized by the insured's current age and the associated number of policies and policy benefits, is summarized below:

Distribution of Policies and Policy Benefits by Current Age of Insured

Min Age	Max Age	Policies	Policy Benefits	Wtd. Avg. Life Expectancy (yrs.)	Percentage of Total				
					Number of Policies		Policy Benefits		
95	99	7	8,128,000	1.8	0.9	%	0.6	%	
90	94	69	\$ 133,727,000	2.8	9.2	%	9.2	%	
85	89	179	\$ 361,613,000	4.8	23.8	%	25.0	%	
80	84	165	\$ 396,772,000	6.3	21.9	%	27.4	%	
75	79	139	\$ 263,357,000	9.2	18.5	%	18.2	%	
70	74	120	\$ 178,541,000	10.1	15.9	%	12.3	%	
60	69	74	\$ 105,420,000	11.1	9.8	%	7.3	%	
Total		753	\$ 1,447,558,000	6.9	100.0	%	100.0	%	

Our portfolio of life insurance policies, owned by our wholly owned subsidiaries as of March 31, 2017, organized by the insured's estimated life expectancy estimates and associated policy benefits, is summarized below:

Distribution of Policies by Current Life Expectancies of Insured

Min LE (Months)	Max LE (Months)	Policies	Policy Benefits	Percentage of Total					
				Number of Policies		Policy Benefits			
2	47	202	\$ 326,803,000	26.8	%	22.6	%		
48	71	156	313,717,000	20.7	%	21.7	%		
72	95	149	295,904,000	19.8	%	20.4	%		
96	119	107	219,780,000	14.2	%	15.2	%		
120	143	72	154,668,000	9.6	%	10.7	%		
144	202	67	136,687,000	8.9	%	9.4	%		
Total		753	\$ 1,447,558,000	100.0	%	100.0	%		

We track concentrations of pre-existing medical conditions among insured individuals within our portfolio based on information contained in life expectancy reports. We track these medical conditions within the following ten primary disease categories: (1) cancer, (2) cardiovascular, (3) cerebrovascular, (4) dementia, (5) diabetes, (6) multiple, (7) neurological disorders, (8) no disease, (9) other, and (10) respiratory diseases. Our primary disease categories are summary generalizations based on the ICD-9 codes we track on each insured individuals within our portfolio. ICD-9 codes, published by the World Health Organization, are used worldwide for medical diagnoses and treatment systems, as well as morbidity and mortality statistics. Currently, the primary disease categories within our portfolio that represent a concentration of over 10% are multiple, cardiovascular, and other which constitute 26.7%, 20.0%, and 11.9%, respectively, of the face amount of insured benefits of our portfolio as at March 31, 2017.

Portfolio Credit Risk Management

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

Approximately 96.3% of life insurance assets in our portfolio were issued by insurance companies with investment-grade credit ratings from Standard & Poor's, as of March 31, 2017. Our largest life insurance company credit exposures and the Standard & Poor's credit rating of their respective financial strength and claims-paying ability is set forth below:

Rank	Policy Benefits	Percentage of Policy Benefit Amount		Insurance Company	Ins. Co. S&P Rating
1	\$ 212,471,000	14.7	%	John Hancock Life Insurance Company (U.S.A.)	AA-
2	\$ 187,557,000	13.0	%	AXA Equitable Life Insurance Company	AA-
3	\$ 165,446,000	11.4	%	Lincoln National Life Insurance Company	AA-
4	\$ 146,354,000	10.1	%	Transamerica Life Insurance Company	AA-
5	\$ 89,941,000	6.2	%	Metropolitan Life Insurance Company	AA-
6	\$ 58,625,000	4.0	%	American General Life Insurance Company	A+
7	\$ 58,250,000	4.0	%	Massachusetts Mutual Life Insurance Company	AA+
8	\$ 47,390,000	3.3	%	West Coast Life Insurance Company	AA-
9	\$ 45,670,000	3.1	%	Reliastar Life Insurance Company	A
10	\$ 44,250,000	3.1	%	Pacific Life Insurance Company	AA-
	1,055,955,000	72.9	%		

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

Name of Bond	Maturity	YTM		Duration (Years)	Bond S&P Rating
AXA 1.125%	5/15/2028	1.04	%	11.1	A
Manulife Finl 4.15%	3/4/2026	3.28	%	8.9	A
Lincoln National Corp Ind 3.625%	12/12/2026	3.52	%	9.7	A
Amer Intl Grp 4.875%	6/1/2022	3.09	%	5.2	BBB+
Protective Life 7.375%	10/15/2019	2.17	%	2.5	A-
Metlife 3.048%	12/15/2022	2.60	%	5.7	A-
Prudential Finl Inc Mtms Book 3.5%	5/15/2024	2.83	%	7.1	A
Average yield on insurance bonds		2.65	%	7.2	

The table above indicates the current yields to maturity (YTM) for the senior bonds of selected life insurance carriers with durations, on average, that are similar to our life insurance portfolio. As of March 31, 2017, the average yield to maturity of these bonds was 2.65%, which we believe reflects, in part, the financial market's judgment that credit risk is low with regard to these carriers' financial obligations. It should be noted that the obligations of life insurance carriers to pay life insurance policy benefits ranks senior to all of their other financial obligations, such as the bonds they issue. This "super senior" priority is not reflected in the yield to maturity in the table and, if considered, would result in a lower yield to maturity all else being equal. As such, as long as the respective premium payments have been made, it is highly likely that the owner of the insurance policy will collect the insurance policy benefit upon the mortality of the insured.

Value Proposition. We define the value proposition presented by our portfolio of life insurance assets as our ability to earn superior risk-adjusted returns. At any time, we calculate our returns from our life insurance assets based upon (i) our historical results; and (ii) the future cash flows we expect to realize from our statistical forecasts. To forecast our expected future cash flows, we use the probabilistic method of analysis. The actuarial software we use to produce our expected future cash flows and conduct our probabilistic analysis was developed by the actuarial firm Milliman and is now owned by MAPS. The expected internal rate of return of our portfolio is based upon future cash flow forecasts

derived from a probabilistic analysis of our policy benefits received and policy premiums paid in relation to our non-GAAP investment cost basis. As of March 31, 2017, the expected internal rate of return on our portfolio of life insurance assets was 11.42% based on our portfolio benefits of \$1.448 billion and our non-GAAP investment cost basis of \$529.3 million (including purchase price, premiums paid, and financing costs incurred to date).

We seek to further enhance our understanding of our expected future cash flow forecast by applying a stochastic analysis, sometimes referred to as a “Monte Carlo simulation,” to provide us with a greater understanding of the variability of our future cash flow projections. The stochastic analysis we perform is built within the MAPS actuarial software and provides internal rate of return calculations for different statistical confidence intervals. The results of our stochastic analysis, in which we run 10,000 random mortality scenarios, demonstrates that the scenario ranking at the 50th percentile of all 10,000 results generates an internal rate of return of 11.37%, which is near to our expected internal rate of return of 11.42%. The stochastic analysis results also reveal that our portfolio is expected to generate an internal rate of return of 10.84% or better in 75% of all generated scenarios; and an internal rate of return of 10.38% or better in 90% of all generated scenarios. As the portfolio continues to grow, all else equal, the percentage of observations that result in an internal rate of return at or very near 11.37% (currently our median, or 50th percentile, internal rate of return expectation) is expected to increase, thereby lowering future cash flow volatility and potentially justifying our use of lower discount rates to value our portfolio.

In sum, we believe our statistical analyses show that, if we can continue to grow and maintain our investments in life insurance assets, then, in the absence of significant negative events affecting our most significant risks, including but not limited to longevity and credit risk, and interest rate and financing risk, those investments will provide superior risk-adjusted returns for our company and provide us with the means to generate attractive returns for our investors.

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The complete detail of our portfolio of life insurance policies, owned by our wholly owned subsidiaries as of March 31, 2017, organized by the current age of the insured and the associated policy benefits, sex, estimated life expectancy, issuing insurance carrier, and the credit rating of the issuing insurance carrier, is set forth below.

Life Insurance Portfolio Detail
(as of March 31, 2017)

	Face Amount	Gender	Age (ALB)	LE (mo.)(1)	Insurance Company	S&P Rating
1	\$ 4,000,000	M	96	24	Metropolitan Life Insurance Company	AA-
2	\$ 1,100,000	M	96	16	Reliastar Life Insurance Company	A
3	\$ 1,500,000	F	96	21	Accordia Life and Annuity Company	A-
4	\$ 1,000,000	F	95	21	Transamerica Life Insurance Company	AA-
5	\$ 184,000	M	95	34	Reliastar Life Insurance Company	A
6	\$ 219,000	M	95	34	Reliastar Life Insurance Company	A
7	\$ 125,000	F	95	2	Lincoln National Life Insurance Company	AA-
8	\$ 250,000	M	94	19	North American Company for Life and Health Insurance	A+
9	\$ 8,000,000	F	94	12	Massachusetts Mutual Life Insurance Company	AA+
10	\$ 3,500,000	M	94	26	Reliastar Life Insurance Company	A
11	\$ 264,000	F	94	11	Lincoln Benefit Life Company	BBB+
12	\$ 250,000	M	94	5	Transamerica Life Insurance Company	AA-
13	\$ 572,429	F	93	22	Reliastar Life Insurance Company	A
14	\$ 3,000,000	M	93	27	West Coast Life Insurance Company	AA-
15	\$ 500,000	M	93	4	John Hancock Life Insurance Company (U.S.A.)	AA-
16	\$ 5,000,000	F	93	41	American General Life Insurance Company	A+
17	\$ 2,000,000	F	93	4	Pruco Life Insurance Company	AA-
18	\$ 500,000	F	93	37	Sun Life Assurance Company of Canada (U.S.)	AA-
19	\$ 1,682,773	F	92	37	Hartford Life and Annuity Insurance Company	BBB+
20	\$ 5,000,000	M	92	20	John Hancock Life Insurance Company (U.S.A.)	AA-
21	\$ 3,100,000	F	92	22	Lincoln Benefit Life Company	BBB+
22	\$ 500,000	F	92	51	John Hancock Life Insurance Company (U.S.A.)	AA-
23	\$ 400,000	F	92	54	Principal Life Insurance Company	A+
24	\$ 144,000	M	92	46	Lincoln National Life Insurance Company	AA-
25	\$ 5,000,000	F	92	21	John Hancock Life Insurance Company (U.S.A.)	AA-
26	\$ 1,000,000	F	92	22	Lincoln National Life Insurance Company	AA-
27	\$ 500,000	M	92	36	Reliastar Life Insurance Company	A

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28	\$	1,000,000	M	92	7	Voya Retirement Insurance and Annuity Company	A
29	\$	300,000	F	92	14	West Coast Life Insurance Company	AA-
30	\$	500,000	M	91	36	Massachusetts Mutual Life Insurance Company	AA+
31	\$	1,000,000	F	91	37	United of Omaha Life Insurance Company	AA-
32	\$	3,500,000	F	91	57	John Hancock Life Insurance Company (U.S.A.)	AA-
33	\$	500,000	M	91	36	Allianz Life Insurance Company of North America	AA
34	\$	1,500,000	F	91	51	Lincoln National Life Insurance Company	AA-
35	\$	5,000,000	M	91	29	John Hancock Life Insurance Company (U.S.A.)	AA-
36	\$	3,000,000	F	91	22	Lincoln National Life Insurance Company	AA-
37	\$	500,000	F	91	25	Lincoln National Life Insurance Company	AA-
38	\$	5,000,000	F	91	27	Reliastar Life Insurance Company	A
39	\$	5,000,000	F	91	9	Lincoln National Life Insurance Company	AA-
40	\$	715,000	F	91	40	Lincoln National Life Insurance Company	AA-
41	\$	1,000,000	F	91	58	Lincoln National Life Insurance Company	AA-
42	\$	1,203,520	M	91	46	Columbus Life Insurance Company	AA
43	\$	1,350,000	F	91	24	Lincoln National Life Insurance Company	AA-

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	Face Amount	Gender	Age (ALB)	LE (mo.)(1)	Insurance Company	S&P Rating
44	\$ 1,000,000	F	91	35	Pan-American Assurance Company	N/A
45	\$ 5,000,000	F	90	34	Massachusetts Mutual Life Insurance Company	AA+
46	\$ 100,000	M	90	24	American General Life Insurance Company	A+
47	\$ 2,500,000	F	90	35	American General Life Insurance Company	A+
48	\$ 2,500,000	M	90	40	Pacific Life Insurance Company	AA-
49	\$ 5,000,000	M	90	39	AXA Equitable Life Insurance Company	AA-
50	\$ 1,200,000	F	90	28	Massachusetts Mutual Life Insurance Company	AA+
51	\$ 1,200,000	F	90	28	Massachusetts Mutual Life Insurance Company	AA+
52	\$ 375,000	M	90	28	Lincoln National Life Insurance Company	AA-
53	\$ 1,103,922	F	90	47	Sun Life Assurance Company of Canada (U.S.)	AA-
54	\$ 1,000,000	F	90	50	Transamerica Life Insurance Company	AA-
55	\$ 250,000	F	90	50	Transamerica Life Insurance Company	AA-
56	\$ 500,000	F	90	29	Transamerica Life Insurance Company	AA-
57	\$ 1,050,000	M	90	31	John Hancock Life Insurance Company (U.S.A.)	AA-
58	\$ 5,000,000	M	90	38	AIG Life Insurance Company	A+
59	\$ 3,000,000	M	90	79	Transamerica Life Insurance Company	AA-
60	\$ 500,000	M	90	47	Lincoln National Life Insurance Company	AA-
61	\$ 4,785,380	F	90	29	John Hancock Life Insurance Company (U.S.A.)	AA-
62	\$ 1,803,455	F	90	57	Metropolitan Life Insurance Company	AA-
63	\$ 1,529,270	F	90	57	Metropolitan Life Insurance Company	AA-
64	\$ 800,000	M	90	48	Lincoln National Life Insurance Company	AA-
65	\$ 400,000	M	90	33	Lincoln National Life Insurance Company	AA-
66	\$ 977,000	M	90	31	New York Life Insurance Company	AA+
67	\$ 2,000,000	M	90	28	John Hancock Life Insurance Company (U.S.A.)	AA-
68	\$ 5,000,000	M	90	38	John Hancock Life Insurance Company (U.S.A.)	AA-
69	\$ 500,000	F	90	22	Nationwide Life and Annuity Insurance Company	A+
70	\$ 2,225,000	F	90	69		AA-

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					Transamerica Life Insurance Company		
71	\$	3,000,000	F	90	66	Massachusetts Mutual Life Insurance Company	AA+
72	\$	1,500,000	M	90	32	Union Central Life Insurance Company	N/A
73	\$	300,000	M	90	35	John Hancock Life Insurance Company (U.S.A.)	AA-
74	\$	3,500,000	F	90	29	Lincoln National Life Insurance Company	AA-
75	\$	396,791	M	90	22	Lincoln National Life Insurance Company	AA-
76	\$	1,500,000	M	90	87	Transamerica Life Insurance Company	AA-
77	\$	1,000,000	F	89	40	Metropolitan Life Insurance Company	AA-
78	\$	248,859	F	89	21	Lincoln National Life Insurance Company	AA-
79	\$	1,000,000	F	89	48	General American Life Insurance Company	AA-
80	\$	500,000	F	89	53	Sun Life Assurance Company of Canada (U.S.)	AA-
81	\$	5,000,000	F	89	24	Transamerica Life Insurance Company	AA-
82	\$	3,000,000	M	89	32	Transamerica Life Insurance Company	AA-
83	\$	250,000	M	89	56	Metropolitan Life Insurance Company	AA-
84	\$	6,000,000	F	89	43	Sun Life Assurance Company of Canada (U.S.)	AA-
85	\$	4,000,000	F	89	57	Transamerica Life Insurance Company	AA-
86	\$	2,000,000	F	89	35	Beneficial Life Insurance Company	N/A
87	\$	250,000	F	89	35	John Hancock Life Insurance Company (U.S.A.)	AA-
88	\$	1,000,000	F	89	26	New York Life Insurance Company	AA+
89	\$	1,000,000	M	89	29	AXA Equitable Life Insurance Company	AA-
90	\$	1,250,000	M	89	23	Columbus Life Insurance Company	AA
91	\$	300,000	M	89	23	Columbus Life Insurance Company	AA
92	\$	10,000,000	F	89	57	West Coast Life Insurance Company	AA-

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	Face Amount	Gender	Age (ALB)	LE (mo.)(1)	Insurance Company	S&P Rating
93	\$ 649,026	F	89	57	Midland National Life Insurance Company	A+
94	\$ 2,500,000	M	89	50	Transamerica Life Insurance Company	AA-
95	\$ 1,000,000	F	89	38	West Coast Life Insurance Company	AA-
96	\$ 2,000,000	F	89	38	West Coast Life Insurance Company	AA-
97	\$ 800,000	M	89	40	National Western Life Insurance Company	A
98	\$ 500,000	F	89	36	Transamerica Life Insurance Company	AA-
99	\$ 400,000	F	89	36	Lincoln Benefit Life Company	BBB+
100	\$ 1,269,017	M	89	21	Hartford Life and Annuity Insurance Company	BBB+
101	\$ 1,500,000	F	89	39	Transamerica Life Insurance Company	AA-
102	\$ 500,000	F	89	39	Transamerica Life Insurance Company	AA-
103	\$ 200,000	M	89	36	Lincoln Benefit Life Company	BBB+
104	\$ 4,445,467	M	89	43	Penn Mutual Life Insurance Company	A+
105	\$ 7,500,000	M	89	35	Lincoln National Life Insurance Company	AA-
106	\$ 3,600,000	F	89	53	AXA Equitable Life Insurance Company	AA-
107	\$ 4,513,823	F	89	23	Accordia Life and Annuity Company	A-
108	\$ 3,000,000	M	89	29	Lincoln National Life Insurance Company	AA-
109	\$ 309,000	M	89	23	Transamerica Life Insurance Company	AA-
110	\$ 2,000,000	M	89	33	John Hancock Life Insurance Company (U.S.A.)	AA-
111	\$ 100,000	F	89	42	American General Life Insurance Company	A+
112	\$ 100,000	F	89	42	American General Life Insurance Company	A+
113	\$ 2,000,000	F	89	60	U.S. Financial Life Insurance Company	N/A
114	\$ 1,000,000	M	89	29	Lincoln National Life Insurance Company	AA-
115	\$ 1,000,000	M	88	36	John Hancock Life Insurance Company (U.S.A.)	AA-
116	\$ 2,000,000	M	88	36	John Hancock Life Insurance Company (U.S.A.)	AA-
117	\$ 5,000,000	M	88	36	Lincoln National Life Insurance Company	AA-
118	\$ 1,200,000	M	88	57		AA-

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					Transamerica Life Insurance Company		
119	\$	1,000,000	M	88	63	AXA Equitable Life Insurance Company	AA-
120	\$	5,000,000	F	88	54	Lincoln National Life Insurance Company	AA-
121	\$	250,000	M	88	34	Wilton Reassurance Life Insurance Company	N/A
122	\$	1,000,000	F	88	72	Security Life of Denver Insurance Company	A
123	\$	200,000	F	88	70	Lincoln National Life Insurance Company	AA-
124	\$	330,000	M	88	55	AXA Equitable Life Insurance Company	AA-
125	\$	175,000	M	88	55	Metropolitan Life Insurance Company	AA-
126	\$	335,000	M	88	55	Metropolitan Life Insurance Company	AA-
127	\$	3,000,000	M	88	60	AXA Equitable Life Insurance Company	AA-
128	\$	1,000,000	F	88	17	State Farm Life Insurance Company	AA
129	\$	209,176	M	88	76	Lincoln National Life Insurance Company	AA-
130	\$	8,500,000	M	88	72	Massachusetts Mutual Life Insurance Company	AA+
131	\$	5,000,000	M	88	84	West Coast Life Insurance Company	AA-
132	\$	1,000,000	M	88	20	Transamerica Life Insurance Company	AA-
133	\$	500,000	M	88	65	Metropolitan Life Insurance Company	AA-
134	\$	500,000	F	88	42	Beneficial Life Insurance Company	N/A
135	\$	1,000,000	M	88	29	Security Life of Denver Insurance Company	A
136	\$	5,000,000	M	88	64	Lincoln National Life Insurance Company	AA-
137	\$	120,500	M	88	25	New England Life Insurance Company	A+
138	\$	2,000,000	M	88	72	Security Life of Denver Insurance Company	A
139	\$	2,000,000	M	88	72	Security Life of Denver Insurance Company	A
140	\$	2,000,000	M	88	72	Security Life of Denver Insurance Company	A
141	\$	1,500,000	M	88	43	AXA Equitable Life Insurance Company	AA-
142	\$	1,365,000	F	87	77	Transamerica Life Insurance Company	AA-

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	Face Amount	Gender	Age (ALB)	LE (mo.)(1)	Insurance Company	S&P Rating
143	\$ 1,000,000	M	87	33	Sun Life Assurance Company of Canada (U.S.)	AA-
144	\$ 1,000,000	M	87	27	Massachusetts Mutual Life Insurance Company	AA+
145	\$ 1,000,000	F	87	58	AXA Equitable Life Insurance Company	AA-
146	\$ 2,000,000	M	87	80	Transamerica Life Insurance Company	AA-
147	\$ 2,000,000	M	87	39	Metropolitan Life Insurance Company	AA-
148	\$ 3,000,000	M	87	39	Metropolitan Life Insurance Company	AA-
149	\$ 1,000,000	M	87	25	John Hancock Life Insurance Company (U.S.A.)	AA-
150	\$ 2,000,000	F	87	69	AXA Equitable Life Insurance Company	AA-
151	\$ 5,000,000	F	87	44	Security Life of Denver Insurance Company	A
152	\$ 3,000,000	F	87	67	Sun Life Assurance Company of Canada (U.S.)	AA-
153	\$ 125,000	M	87	49	Jackson National Life Insurance Company	AA
154	\$ 1,000,000	M	87	40	AXA Equitable Life Insurance Company	AA-
155	\$ 2,328,547	M	87	31	Metropolitan Life Insurance Company	AA-
156	\$ 2,000,000	M	87	31	Metropolitan Life Insurance Company	AA-
157	\$ 750,000	F	87	65	Lincoln National Life Insurance Company	AA-
158	\$ 1,500,000	F	87	65	Lincoln National Life Insurance Company	AA-
159	\$ 400,000	F	87	65	Lincoln National Life Insurance Company	AA-
160	\$ 1,250,000	F	87	65	Lincoln National Life Insurance Company	AA-
161	\$ 2,000,000	M	87	46	Lincoln National Life Insurance Company	AA-
162	\$ 3,000,000	F	87	49	Transamerica Life Insurance Company	AA-
163	\$ 5,000,000	M	87	56	Security Life of Denver Insurance Company	A
164	\$ 347,211	F	87	24	Pruco Life Insurance Company	AA-
165	\$ 1,000,000	M	87	33	John Hancock Life Insurance Company (U.S.A.)	AA-
166	\$ 1,800,000	M	87	38	John Hancock Life Insurance Company (U.S.A.)	AA-
167	\$ 284,924	M	87	45	Transamerica Life Insurance Company	AA-

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168	\$	5,000,000	F	87	76	American General Life Insurance Company	A+
169	\$	2,000,000	M	87	47	AXA Equitable Life Insurance Company	AA-
170	\$	1,750,000	M	87	47	AXA Equitable Life Insurance Company	AA-
171	\$	2,000,000	F	87	72	John Hancock Life Insurance Company (U.S.A.)	AA-
172	\$	500,000	F	87	21	Transamerica Life Insurance Company	AA-
173	\$	4,000,000	M	87	36	Metropolitan Life Insurance Company	AA-
174	\$	2,000,000	M	87	22	Transamerica Life Insurance Company	AA-
175	\$	1,425,000	M	87	42	John Hancock Life Insurance Company (U.S.A.)	AA-
176	\$	800,000	M	87	36	Metropolitan Life Insurance Company	AA-
177	\$	5,000,000	F	86	83	AXA Equitable Life Insurance Company	AA-
178	\$	1,000,000	F	86	67	John Hancock Life Insurance Company (U.S.A.)	AA-
179	\$	694,487	M	86	61	Lincoln National Life Insurance Company	AA-
180	\$	6,000,000	F	86	105	American General Life Insurance Company	A+
181	\$	1,433,572	M	86	39	Security Mutual Life Insurance Company of NY	N/A
182	\$	1,500,000	M	86	23	Transamerica Life Insurance Company	AA-
183	\$	1,500,000	F	86	111	Lincoln Benefit Life Company	BBB+
184	\$	1,000,000	F	86	30	Metropolitan Life Insurance Company	AA-
185	\$	4,000,000	M	86	22	John Hancock Life Insurance Company (U.S.A.)	AA-
186	\$	1,000,000	M	86	60	John Hancock Life Insurance Company (U.S.A.)	AA-
187	\$	2,000,000	F	86	81	Lincoln Benefit Life Company	BBB+
188	\$	1,000,000	M	86	39	Security Life of Denver Insurance Company	A
189	\$	2,000,000	F	86	57	New York Life Insurance Company	AA+
190	\$	2,400,000	M	86	23	Genworth Life Insurance Company	BB-
191	\$	3,000,000	M	86	74	Transamerica Life Insurance Company	AA-
192	\$	1,500,000	M	86	62	AXA Equitable Life Insurance Company	AA-

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	Face Amount	Gender	Age (ALB)	LE (mo.)(1)	Insurance Company	S&P Rating
193	\$ 5,000,000	M	86	71	Security Life of Denver Insurance Company	A
194	\$ 7,600,000	F	86	81	Transamerica Life Insurance Company	AA-
195	\$ 250,000	M	86	14	Midland National Life Insurance Company	A+
196	\$ 1,000,000	M	86	49	Lincoln National Life Insurance Company	AA-
197	\$ 450,000	M	86	49	American General Life Insurance Company	A+
198	\$ 2,500,000	F	86	60	American General Life Insurance Company	A+
199	\$ 2,500,000	M	86	44	AXA Equitable Life Insurance Company	AA-
200	\$ 3,000,000	M	86	44	Lincoln National Life Insurance Company	AA-
201	\$ 500,000	M	86	28	Genworth Life Insurance Company	BB-
202	\$ 1,980,000	M	86	36	New York Life Insurance Company	AA+
203	\$ 500,000	M	86	34	New England Life Insurance Company	A+
204	\$ 4,000,000	F	86	52	Reliastar Life Insurance Company	A
205	\$ 3,000,000	F	86	32	AXA Equitable Life Insurance Company	AA-
206	\$ 1,703,959	M	86	55	Lincoln National Life Insurance Company	AA-
207	\$ 500,000	M	86	9	Great Southern Life Insurance Company	N/A
208	\$ 1,000,000	M	86	43	Hartford Life and Annuity Insurance Company	BBB+
209	\$ 3,500,000	F	86	90	Lincoln Benefit Life Company	BBB+
210	\$ 1,000,000	M	86	75	Lincoln National Life Insurance Company	AA-
211	\$ 500,000	M	86	40	Hartford Life and Annuity Insurance Company	