

GWG Holdings, Inc.
Form 424B3
February 18, 2015

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File Nos. 333-197227 and 333-197227-01

PROSPECTUS SUPPLEMENT NO. 1

to Prospectus dated January 9, 2015

Offering Amount \$1,000,000,000

GWG HOLDINGS, INC.

a Delaware corporation

L Bonds

The information contained in this prospectus supplement amends and updates the prospectus dated January 9, 2015 (relating to our registration statement on Form S-1, filed with the SEC on January 12, 2015) (SEC File Nos. 333-197227 and 333-197227-01) (the “prospectus”), and should be read in conjunction therewith. GWG Life, LLC, a Delaware limited liability company and wholly owned subsidiary of GWG Holdings, Inc., is also a registrant under the referenced registration statement as a guarantor of the L Bonds offered hereby (the “L Bonds”). Please keep this prospectus supplement with your prospectus for future reference.

Investing in our L Bonds may be considered speculative and involves a high degree of risk, including the risk of losing your entire investment. See the “Risk Factors” section of our prospectus for the risks you should carefully

consider before buying our L Bonds. The L Bonds are only suitable for persons with substantial financial resources and with no need for liquidity in this investment.

The security provided for the L Bonds and entitling them to be referred to as “secured” includes an unconditional guarantee given by GWG Life, LLC, a subsidiary of the issuer. The value of this unconditional guarantee is based almost entirely on GWG Life’s own investment in another subsidiary, the primary assets of which are pledged as collateral for the repayment of amounts borrowed from a senior lender.

Capitalized terms contained in this prospectus supplement have the same meanings as in the prospectus unless otherwise stated herein.

RECENT EVENTS

On February 18, 2015, we issued a press release reporting the financial results for our fourth fiscal quarter ended December 31, 2014. A copy of the press release is attached hereto. The information set forth on the attachment supplements and amends the information contained in the prospectus. The financial statements and related financial information included in the press release have not been subject to review or audit by our independent registered public accounting firm.

This prospectus supplement should be read in conjunction with, and is to be delivered with, the prospectus and is qualified by reference to the prospectus except to the extent that the information in this prospectus supplement supersedes the information contained in the prospectus.

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 supplement is February 18, 2015

FOR IMMEDIATE RELEASE:

GWG Holdings, Inc. Announces Fourth Quarter Financial Results

Minneapolis, MN (February 18, 2015) – GWG Holdings, Inc. (NASDAQ: GWGH) (“GWG” or the “Company”), a specialty finance company and leader in the life settlement market today announced financial results for the three and twelve months ending December 31, 2014.

Highlights

Reports basic earnings of \$0.36 per share for the fourth quarter of 2014
Recognized \$14.7 million of gross policy benefits in the fourth quarter of 2014
Recognized \$20.1 million of gross policy benefits thus far in 2015
Successfully concluded its \$250 million publicly registered note offering in January 2015
Launched its \$1 billion follow-on publicly registered L Bond offering declared effective in January 2015
Continued to enhance its service offerings to independent broker dealers and registered investment advisors resulting in both increased capital flows and a growing source of direct life insurance policy purchases

Three Months Ended December 31, 2014

Total net income attributable to common shareholders was \$2.1 million, or \$0.36 and \$0.27 per basic and fully diluted share, respectively, for the three months ended December 31, 2014, compared to a net loss of \$0.5 million, or \$0.12 per basic and fully diluted share, for the same period in 2013. The positive performance for the three months ended December 31, 2014 was driven by a realized gain of \$11.6 million associated with the receipt of \$14.7 million of life insurance policy benefits in the period.

“GWG’s performance in the fourth quarter begins to highlight the earnings and cash flow generation power of our business model and supports the Company’s key strategy of growing and sustaining a large and well diversified life insurance portfolio,” said Jon Sabes, GWG Holdings, Inc. Chief Executive Officer. “The positive performance of the Company’s life insurance portfolio in the fourth quarter of 2014 that continued into the first quarter of 2015 pushed our trailing 12-month benefits/premium coverage ratio over 160 percent,” said Bill Acheson, GWG Holdings, Inc. Chief Financial Officer. “We are at the beginning of a business cycle of consistent, sustainable earnings and cash flows

derived from a truly non-correlated asset class that ultimately benefits consumers owning life insurance policies, providing unparalleled value,” stated Michael Freedman, GWG Holdings, Inc. President.

Revenue

Total revenue for the quarter ended December 31, 2014 was \$14.3 million as compared with \$8.0 million for the same period in 2013. Realized gain from policy benefits was \$11.6 million and \$0.6 million, for the three months ending December 31, 2014 and December 31, 2013, respectively. The Company recognized \$14.7 million of life insurance policy benefits in the fourth quarter of 2014 versus \$1.0 million in the same period of 2013.

Expenses

Total operating expenses were \$10.7 million for the three months ended December 31, 2014 compared to \$7.9 million for the same period in 2013. The increase was driven by increased interest costs due to higher debt balances outstanding, increases in legal, professional and marketing expenses relating to the \$1 billion follow-on publicly registered L Bond offering and costs related to the Company’s direct policy origination initiatives.

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Twelve Months Ended December 31, 2014

Total net loss attributable to common shareholders was \$6.1 million, or \$1.24 per basic and fully diluted share, for the twelve months ended December 31, 2014 compared to a net loss of \$1.0 million, or \$0.21 per basic and fully diluted share, for the year ended December 31, 2013.

Revenue

Total revenue for the year ended December 31, 2014 was \$30.5 million as compared with \$33.1 million for the year ended December 31, 2013. Higher revenue in 2013 was mostly due to \$3.2 million non-cash gain on the Company's repurchase of certain common stock. Realized gain from life insurance policy benefits was \$13.9 million and \$12.0 million, for the year ending December 31, 2014 and December 31, 2013, respectively. The Company recognized \$18.0 million of life insurance policy benefits in 2014, compared to \$16.6 million in 2013.

Expenses

Total operating expenses were \$38.8 million for the year ended December 31, 2014 compared to \$31.1 million for the same period in 2013. The increase was driven by increased interest costs due to higher debt balances outstanding, increases in legal and professional expenses relating to the Company's initial public offering and the \$1 billion follow-on publicly registered L Bond offering, increased marketing expenses relating to the Company's direct policy origination initiatives and increases in personnel costs associated with the build-out of its sales, business development and executive teams.

Liquidity & Capital Resources

The Company had combined balance of cash, cash equivalents and available borrowing capacity from its senior credit facility of \$51.2 million at December 31, 2014 as compared to \$37.4 million at December 31, 2013.

Life Insurance Portfolio Highlights

Life Insurance Portfolio Summary

| | | |
|---|----------------|---|
| Total portfolio face value of policy benefits | \$ 779,099,000 | |
| Average face value per policy | \$2,677,000 | |
| Average face value per insured life | \$2,940,000 | |
| Average age of insured (yrs.) * | 82.8 | |
| Average life expectancy estimate (yrs.) * | 6.5 | |
| Total number of policies | 291 | |
| Number of unique lives | 265 | |
| Demographics | 67% Males; | |
| | 33% Females | |
| Number of smokers | 3 | |
| Largest policy as % of total portfolio | 1.28 | % |
| Average policy as % of total portfolio | 0.34 | % |
| Average Annual Premium as % of face value | 3.37 | % |

* Averages presented in the table are weighted averages.

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Distribution of Policy Benefits by Current Age of Insured

| Min Age | Max Age | Policy Benefits | Weighted Average Life Expectancy (yrs.) | Distribution | |
|---------|---------|-----------------|---|--------------|---|
| 90 | 95 | 31,997,000 | 3.18 | 4.11 | % |
| 85 | 89 | 240,218,000 | 4.75 | 30.83 | % |
| 80 | 84 | 289,762,000 | 7.06 | 37.19 | % |
| 75 | 79 | 168,198,000 | 8.08 | 21.59 | % |
| 70 | 74 | 40,767,000 | 9.43 | 5.23 | % |
| 65 | 69 | \$8,157,000 | 7.29 | 1.05 | % |
| Total | | \$779,099,000 | 6.53 | 100.00 | % |

Distribution of Policies by Current Age of Insured

| Min Age | Max Age | Policies | Weighted Average Life Expectancy (yrs.) | Distribution | |
|---------|---------|----------|---|--------------|---|
| 90 | 95 | 15 | 3.18 | 5.16 | % |
| 85 | 89 | 93 | 4.75 | 31.96 | % |
| 80 | 84 | 100 | 7.06 | 34.36 | % |
| 75 | 79 | 57 | 8.08 | 19.59 | % |
| 70 | 74 | 20 | 9.43 | 6.87 | % |
| 65 | 69 | 6 | 7.29 | 2.06 | % |
| Total | | 291 | 6.53 | 100.00 | % |

For the dates set forth below, the following table illustrates the total amount of face value of policy benefits owned, the trailing twelve months of life insurance policy benefits recognized 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.

| Portfolio Face Amount | 12-Month Trailing Benefits Recognized | 12-Month Trailing Premiums Paid | 12-Month Trailing Benefits/Premium Coverage Ratio |
|-----------------------|---------------------------------------|---------------------------------|---|
|-----------------------|---------------------------------------|---------------------------------|---|

As of Date

| | | | | | |
|--------------------|---------------|-------------|--------------|--------|---|
| March 31, 2012 | \$482,455,000 | \$4,203,000 | \$14,977,000 | 28.06 | % |
| June 30, 2012 | 489,255,000 | 8,703,000 | 15,412,000 | 56.47 | % |
| September 30, 2012 | 515,661,000 | 7,833,000 | 15,837,000 | 49.46 | % |
| December 31, 2012 | 572,245,000 | 7,350,000 | 16,597,000 | 44.28 | % |
| March 31, 2013 | 639,755,000 | 11,350,000 | 18,044,000 | 62.90 | % |
| June 30, 2013 | 650,655,000 | 13,450,000 | 19,182,000 | 70.11 | % |
| September 30, 2013 | 705,069,000 | 18,450,000 | 20,279,000 | 90.98 | % |
| December 31, 2013 | 740,648,000 | 16,600,000 | 21,733,000 | 76.38 | % |
| March 31, 2014 | 771,940,000 | 12,600,000 | 21,930,000 | 57.46 | % |
| June 30, 2014 | 784,652,000 | 6,300,000 | 22,598,000 | 27.88 | % |
| September 30, 2014 | 787,964,000 | 4,300,000 | 23,121,000 | 18.60 | % |
| December 31, 2014 | 779,099,000 | 18,050,000 | 23,265,000 | 77.58 | % |
| January 31, 2015 | 771,414,000 | 27,035,000 | 23,597,000 | 114.57 | % |
| February 18, 2015* | 766,844,000 | 38,175,000 | 23,827,000 | 160.22 | % |

* All figures through February 17, 2015 except the 12-Month Trailing Premiums Paid figure which includes the entire month of February's premium obligation on the portfolio which was paid on February 3, 2015.

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About GWG Holdings, Inc.

GWG Holdings, Inc. (NASDAQ: GWGH) is a specialty finance company and leader in the life settlement market. GWG, through its subsidiaries, purchases life insurance policies from seniors who no longer want, need or can afford their policies. GWG typically pays these seniors five to eight times more than the cash surrender values paid by insurance companies. GWG's strategy is to efficiently source, own, and manage these non-correlated assets at yields that exceed the costs needed to purchase and finance the policies (in aggregate). GWG finances the purchase and maintenance of a portfolio of policies primarily through a fixed income alternative investment product that is offered through independent broker-dealers and registered investment advisors across the country. GWG's goal is to generate financial returns for GWG's investors and shareholders while providing valuable financial solutions to seniors.

Since 2006, GWG has purchased more than \$1.7 billion in life insurance policy benefits. GWG has paid seniors over \$283 million through life settlements – approximately \$266 million more than the surrendered value offered by their insurance carriers. For more information about GWG, email info@gwglife.com or visit www.gwglife.com.

Contact

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Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this press release regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "would," "target" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about our estimates regarding future revenue and financial performance. We may not actually achieve the expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the expectations disclosed in the forward-looking statements we make. More information about potential factors that could affect our business and financial results is contained in our filings

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with the Securities and Exchange Commission, specifically including our registration statement on Form S-1 and any amendments and post-effective amendments thereto. Additional information will also be set forth in our future quarterly reports on Form 10-Q, annual reports on Form 10-K and other filings that we make with the Securities and Exchange Commission. We do not intend, and undertake no duty, to release publicly any updates or revisions to any forward-looking statements contained herein.

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GWG HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

| | December 31, 2014 | December 31, 2013 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$30,662,704 | \$33,449,793 |
| Restricted cash | 4,296,053 | 5,832,970 |
| Investment in life settlements, at fair value | 282,883,010 | 234,672,794 |
| Deferred financing costs, net | 1,569,400 | 357,901 |
| Policy benefits receivable | 1,750,000 | - |
| Other assets | 1,909,362 | 1,067,018 |
| TOTAL ASSETS | \$323,070,529 | \$275,380,476 |
| LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT) | | |
| LIABILITIES | | |
| Revolving credit facility | \$72,161,048 | \$79,000,000 |
| Series I Secured notes payable | 27,616,578 | 29,275,202 |
| Renewable Secured Debentures | 182,782,884 | 131,646,062 |
| Accounts payable | 1,203,575 | 839,869 |
| Interest payable | 11,128,519 | 7,209,408 |
| Other accrued expenses | 514,434 | 504,083 |
| Deferred taxes, net | 5,273,555 | 7,675,174 |
| TOTAL LIABILITIES | 300,680,593 | 256,149,798 |
| CONVERTIBLE, REDEEMABLE PREFERRED STOCK | | |
| (par value \$0.001; shares authorized 40,000,000; shares issued and outstanding 3,368,109; liquidation preference of \$25,261,000 on December 31, 2013) | - | 24,722,693 |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| CONVERTIBLE, REDEEMABLE PREFERRED STOCK | | |
| (par value \$0.001; shares authorized 40,000,000; shares issued and outstanding 2,738,966; liquidation preference of \$20,542,000 on December 31, 2014) | 20,527,866 | - |
| COMMON STOCK | | |
| (par value \$0.001; shares authorized 210,000,000; 5,871,798 shares issued and 5,870,193 outstanding on December 31, 2014 and 4,562,000 issued and outstanding on December 31, 2013) | 5,870 | 4,562 |
| Additional paid-in capital | 16,257,686 | 2,942,000 |
| Accumulated deficit | (14,401,486) | (8,438,577) |
| TOTAL STOCKHOLDERS' EQUITY (DEFICIT) | 22,389,936 | (5,492,015) |
| TOTAL LIABILITIES & EQUITY (DEFICIT) | \$323,070,529 | \$275,380,476 |

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GWG HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Three Months Ended | |
|--|--------------------|----------------------|
| | December 31, 2014 | December 31, 2013 |
| REVENUE | | |
| Gain on life settlements, net | \$ 14,296,610 | \$ 8,002,461 |
| Interest and other income | 36,471 | 19,210 |
| TOTAL REVENUE | 14,333,081 | 8,021,671 |
| EXPENSES | | |
| Interest expense | 6,985,470 | 5,816,161 |
| Employee compensation and benefits | 1,445,362 | 942,346 |
| Legal and professional fees | 711,467 | 476,798 |
| Other expenses | 1,537,582 | 713,254 |
| TOTAL EXPENSES | 10,679,881 | 7,948,559 |
| INCOME BEFORE INCOME TAXES | 3,653,200 | 73,112 |
| INCOME TAX EXPENSE | 1,728,051 | 462,941 |
| NET INCOME (LOSS) | 1,925,149 | (398,829) |
| Loss (income) attributable to preferred shareholders | 206,284 | (148,321) |
| INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS | \$2,131,433 | \$ (538,150) |
| NET INCOME (LOSS) PER COMMON SHARE | | |
| Basic | \$0.36 | \$ (0.12) |
| Diluted | \$0.27 | \$ (0.12) |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | |
| Basic | 5,870,193 | 4,562,000 |
| Diluted | 7,961,521 | 4,562,000 |

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GWG HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)**

| | Year Ended | |
|--|-----------------------|-----------------------|
| | December | December |
| | 31, 2014 | 31, 2013 |
| REVENUE | | |
| Gain on life settlements, net | \$30,416,127 | \$29,513,642 |
| Gain on termination of agreement with Athena Securities Ltd. | - | 3,252,400 |
| Interest and other income | 60,448 | 298,732 |
| TOTAL REVENUE | 30,476,575 | 33,064,774 |
| EXPENSES | | |
| Interest expense | 26,716,798 | 20,762,644 |
| Employee compensation and benefits | 4,969,636 | 5,043,848 |
| Legal and professional fees | 2,339,235 | 1,754,209 |
| Other expenses | 4,815,434 | 3,525,261 |
| TOTAL EXPENSES | 38,841,103 | 31,085,962 |
| (LOSS) INCOME BEFORE INCOME TAXES | (8,364,528) | 1,978,812 |
| INCOME TAX (BENEFIT) EXPENSE | (2,401,619) | 2,173,767 |
| NET LOSS | (5,962,909) | (194,955) |
| (Income) attributable to preferred shareholders | (138,374) | (806,624) |
| LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS | \$(6,101,283) | \$(1,001,579) |
| NET LOSS PER COMMON SHARE | | |
| Basic | \$(1.24) | \$(0.21) |
| Diluted | \$(1.24) | \$(0.21) |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | |
| Basic | 4,909,657 | 4,758,699 |
| Diluted | 4,909,657 | 4,758,699 |

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\$1,000,000,000

GWG HOLDINGS, INC.

L Bonds

PROSPECTUS SUPPLEMENT

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