GWG Holdings, Inc.
Form PRER14C
May 29, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c) of

the Securities Exchange Act of 1934

Check the appropriate box:

x Preliminary Information Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
¨ Definitive Information Statement

GWG HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

¨ Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

GWG HOLDINGS, INC.

NOTICE OF ACTION BY WRITTEN CONSENT

TO THE STOCKHOLDERS OF GWG HOLDINGS, INC.:

This Notice and the accompanying Information Statement are being furnished to the stockholders of GWG Holdings, Inc., a Delaware corporation (the “Company,” “GWG,” “we,” or “us”), in connection with action taken by written consent by the holders of a majority of the issued and outstanding shares of common stock of the Company to approve, as required by NASDAQ Rule 5635(a) and (b), the issuance of up to 40.0 million shares of Company common stock, at a deemed purchase price per share of $10.00, on the terms and subject to the conditions set forth in the Master Exchange Agreement, dated as of January 12, 2018 (as it may be amended from time to time, the “Master Agreement”), among the Company, GWG Life, LLC (the Company’s wholly owned subsidiary), The Beneficient Company Group, L.P., a Delaware limited partnership (“Beneficient”), MHT Financial SPV, L.L.C., a Delaware limited liability company (“MHT SPV”), and certain related trusts (the “Seller Trusts”) (such issuance of our common stock, together with the other transactions contemplated under the Master Agreement, being hereinafter referred to as the “Transaction”).

The approval of the issuance of the shares for purposes of NASDAQ Rule 5635(a) and (b) was taken by written consent pursuant to Section 228 of the Delaware General Corporation Law (the “DGCL”) and Section 2.15 of our bylaws, which provides that any action that may be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. This Information Statement is being furnished to our stockholders of record as of [ ], 2018, referred to as the record date, in accordance with Section 14(c) of the Securities Exchange Act of 1934, as amended, and the rules promulgated by the Securities and Exchange Commission thereunder, solely for the purpose of informing our stockholders of the action taken by the written consent.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Your vote or consent is not requested or required to approve these matters. The accompanying Information Statement is provided solely for your information.

We are mailing this Notice and the accompanying Information Statement to holders of our common stock on or about June [ ], 2018.

Sincerely,

/s/ [ ]

Jon R. Sabes
Chairman and Chief Executive Officer

June [ ], 2018

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GWG HOLDINGS, INC.
220 South Sixth Street, Suite 1200
Minneapolis, MN 55402

INFORMATION STATEMENT

GENERAL INFORMATION

Approval of Share Issuance

GWG Holdings, Inc., a Delaware corporation (the "Company," "GWG," "we," or "us") is sending you this information statement solely for purposes of informing our stockholders of record as of [ ], 2018, which we refer to as the record date, in the manner required by Regulation 14(c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Delaware General Corporation Law (the "DGCL"), of the action taken by written consent by the holders of a majority of the issued and outstanding shares of common stock of the Company to approve, as required by NASDAQ Rule 5635(a) and (b), the issuance of up to 40.0 million shares of Company common stock, at a deemed purchase price per share of $10.00, on the terms and subject to the conditions set forth in the Master Exchange Agreement, dated as of January 12, 2018 (as it may be amended from time to time, the "Master Agreement"), among the Company, GWG Life, LLC (the Company's wholly owned subsidiary), The Beneficient Company Group, L.P., a Delaware limited partnership ("Beneficient"), MHT Financial SPV, L.L.C., a Delaware limited liability company (including its assignees, "MHT SPV"), and certain related trusts (the "Seller Trusts") (such issuance of our common stock, together with the other transactions contemplated under the Master Agreement, being hereinafter referred to as the "Transaction").

NASDAQ Rule 5635(a) requires stockholder approval prior to the issuance of securities in connection with the acquisition of the stock or assets of another company if the number of shares to be issued is equal to or exceeds 20% of the outstanding shares of the Company, and NASDAQ Rule 5635(b) requires stockholder approval prior to any

issuance of securities when the issuance will result in a change of control of the listed company, which NASDAQ generally deems to occur when, as a result of the issuance, an investor owns, or has the right to acquire, 20% or more of the outstanding shares of common stock or voting power and such ownership would be the single largest ownership position in the listed company.

In the case of the Master Agreement, we may issue up to 29.1 million shares of our common stock to the Seller Trusts, each of which are expected to have the same trustees or a group of related trustees. If issued, these shares would represent approximately 64% of our issued and outstanding common stock after giving effect to the Transaction and assuming that all shares (including all common shares issuable to MHT SPV as described in the next following sentence) issuable in the Transaction are issued. Under the Master Agreement, we may also issue and sell, in our sole discretion, between 10.9 million and 12.5 million additional shares of our common stock to MHT SPV. GWG currently expects that the Seller Trusts will receive 24.2 million shares and MHT SPV will receive 15 million shares (the increase in the shares to be issued to MHT SPV above what is provided for in the Master Agreement being offset by eliminating L Bonds that would otherwise be issued to MHT SPV). In all, we may issue up to 40.0 million shares of common stock in the Transaction.

We are subject to NASDAQ Rule 5635(a) and (b) since our common stock is listed and trades on the NASDAQ Capital Market. Accordingly, NASDAQ Rule 5635(a) and (b) requires us to obtain stockholder approval of the issuance of our common shares in the Transaction.

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The approval of the issuance of the shares by written consent requires the approval of the holders of outstanding common stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. As of the record date, there were [5,813,555] shares of our common stock issued and outstanding.

By a written consent dated [ ], 2018, the holders of a majority of the Company's issued and outstanding common stock, Jon R. Sabes, Chairman and Chief Executive Officer of the Company, and Steven F. Sabes, Executive Vice President of Originations and Servicing and Secretary of the Company, approved the issuance of the shares of the Company's common stock pursuant to the Master Agreement for purposes of NASDAQ Rule 5635(a) and (b). Accordingly, the written consent executed by the Messrs. Jon and Steven Sabes is sufficient to approve the issuance of the shares pursuant to the Master Agreement, and no further stockholder action is required. Pursuant to Rule 14c-2(b) promulgated under the Exchange Act, such action may not be effected until at least 20 calendar days following the mailing of this Information Statement to our common stockholders. This Information Statement is first being mailed on or about June [ ], 2018 to the Company's common stockholders of record as of the record date.

The shares will be issued pursuant to available exemptions from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and applicable state securities laws.

Notice Pursuant to the Delaware General Corporation Law

Pursuant to Section 228(e) of the DGCL, we are required to provide prompt notice of the taking of a corporate action by written consent to common stockholders who have not consented in writing to such action. This Information Statement serves as the notice required by Section 228(e) of the DGCL.

OVERVIEW OF THE PROPOSED TRANSACTION

Description of the Master Agreement

Exchange and Purchase and Sale of Securities; Commercial Loan

On January 12, 2018, we entered into the Master Agreement, pursuant to which we have agreed to issue an aggregate of up to 29.1 million shares of Company common stock as partial consideration in exchange for our receipt of outstanding common units of Beneficient we will receive from the Seller Trusts. Our common stock will be issued in the exchange to the Seller Trusts at a deemed purchase price of $10.00 per share. In addition to shares of our common stock, the aggregate consideration to the Seller Trusts will consist of up to $359 million of our L Bonds and payment of $150 million in cash. We may also issue and sell, in our sole discretion, a combination of common stock (at a purchase price of $10.00 per share) and L Bonds to MHT SPV for an aggregate purchase price of $150 million in cash. Under the terms of the Master Agreement, such combination will represent at least 10.9 million additional shares of common stock (including $41 million in L Bonds) but no more than 12.5 million additional shares of our common stock (including $25 million in L Bonds). However, GWG currently expects to issue 15 million shares to MHT SPV and no L Bonds (and to enter into an amendment to the Master Agreement, if necessary, to reflect these allocations). For information regarding Beneficient, see "—Consequences of Our Ownership in Beneficient After the Transaction" below. A description of our L Bonds is set forth in Annex D to this Information Statement.

In considering the Transaction, the Company and the Board of Directors considered and discussed information and analysis provided by its legal and financial advisors. The Board determined that the Transaction will provide significant financial and strategic benefits, including:

- A significant increase in the Company's common equity;
- A significant reduction in the Company's leverage ratio (as measured by debt divided by total equity);
- New and significant opportunities to lower the Company's cost of funds, an important driver of shareholder value;

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- Diversification of the Company's revenue and cash flow sources resulting in more consistent earnings; and

- Increased public float and liquidity in the Company's common stock, thereby increasing our common stockholder base and potentially attracting additional equity analyst coverage, both of which are important factors in maximizing share valuation.

Historical financial information for the Company, including Management's Discussion and Analysis of Financial Condition and Results of Operations, are included as Annex A and B to this Information Statement. In addition, certain pro forma financial information to reflect the Transaction is included as Annex C to this Information Statement.

The Transaction creates opportunities for the Company and Beneficient to pursue strategies that are mutually advantageous, including the opportunity to leverage the Company's knowledge, experience and significant infrastructure in, and the marketing, sales and servicing of, the independent broker dealer market and the related market for illiquid alternative investments – a prime target market for the origination of Beneficient's suite of liquidity products. Additionally, the Company has significant expertise in, and infrastructure dedicated to, the sourcing, pricing and management of life insurance policies acquired in the secondary market. These so-called life settlements are among the asset classes that Beneficient may seek to gain (and are expected to gain, as a result of the Transaction) exposure to through its various strategies.

After considering these primary factors, management and the Board of Directors has determined that the Transaction is in the best interests of the Company.

Under the Master Agreement, we are (a) receiving the common units in Beneficient from the Seller Trusts in exchange for an aggregate of (a) up to $650 million in our common stock at a price of $10.00 per share and five-year L Bonds, and (b) $150 million in cash. We may also issue and sell, in our sole discretion, additional shares of our common stock at $10.00 per share and additional L Bonds to MHT SPV for cash. We currently expect to issue shares to MHT SPV but no L Bonds. The use of proceeds from a sale of securities to MHT SPV would be to facilitate our payment of the cash consideration to the Seller Trusts.

The exact number of shares of common stock and L Bonds of GWG, and the exact number of outstanding common units of Beneficient that will be sold to GWG by the Seller Trusts, at the closing of the Transaction, will be determined approximately five business days prior to closing. The Master Agreement provides, however, that the aggregate value of the consideration (consisting of the GWG common stock, L Bonds and cash) provided to the Seller Trusts in the Transaction will not be less than $550 million nor more than $800 million. Below is a diagram of the Transaction:

GWG Life will make a commercial loan to Beneficient in a principal amount of up to $400 million for working capital and to facilitate the delivery of trust products and services of Beneficient and its subsidiaries (collectively, "BEN"), in order that Beneficient is better able to execute its business strategy. Interest will accrue on the principal amount outstanding under the loan at the per annum rate of 5%. The expected terms of the commercial loan are described below under "—Other Agreements—Commercial Loan Agreement."

In the event GWG secures a valuation opinion from a nationally recognized valuation firm to the effect that the common units of Beneficient will have, as of the closing date of the Transaction, a fair value of less than $9.00 per common unit and a second valuation opinion obtained by GWG and Beneficient ascribes a value to the common units of less than $9.00 per unit, Beneficient will provide, through arrangements with its existing security holders so as to preclude dilution, such additional number of common units to GWG at the closing of the Transaction as shall be necessary to provide an aggregate value to GWG equal to the value the common units would have had at a fair value of $10.00 per unit.

The transactions contemplated by the Master Agreement are expected to close in the second quarter of 2018, subject to the satisfaction of customary closing conditions set forth in the agreement, including, among others, expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and amendment and supplement of the indenture governing GWG's outstanding L Bonds in connection with the terms of the transaction.

In the Master Agreement, each of the parties has made certain customary and negotiated representations and warranties. Our representations and warranties to Beneficient, MHT SPV and the Seller Trusts include, among other things, representations and warranties with respect to our capitalization, tax matters, our business, required consents, our filings with the Securities and Exchange Commission (the "SEC"), our internal controls and disclosure controls, and the issuance of our securities. The representations and warranties made to us by Beneficient, MHT SPV and the Seller Trusts include, among other things, representations and warranties about their respective capitalization, tax matters, businesses, required consents, and the status of the Seller Trusts and MHT SPV as "accredited investors" and their investment intent.

The representations and warranties in the Master Agreement survive until the latest of (i) the resale (as contemplated by the Orderly Marketing Agreement (as defined below)) of the common stock we issue under the Master Agreement to the Seller Trusts, (ii) the satisfaction or refinancing of the L Bonds we issue under the Master Agreement to the Seller Trusts, and (iii) the full satisfaction by Beneficient of all its obligations under the commercial loan we provide under the Master Agreement.

GWG, on the one hand, and any of Beneficient, MHT SPV or the Seller Trusts, on the other hand, may terminate the Master Agreement prior to the closing in certain circumstances, including, among other things, (i) if the closing of the transaction has not occurred by June 30, 2018, (ii) by mutual written consent, and (iii) in connection with another party's breach in a material respect of its representations, warranties, or agreements contained in the Master Agreement that is either not curable or, if curable, has not been cured after at least 30 days prior written notice. In addition, the Seller Trusts may terminate the Master Agreement, prior to the closing, at any time so long as they pay to us a $4 million termination fee concurrently with or prior to such termination.

The Master Agreement is included as Annex E to this Information Statement (and was originally filed as Exhibits 10.7 and 10.8 to GWG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, filed with the SEC on May 11, 2018).

Non-Solicitation Covenant

In order to provide additional assurance to Beneficient, MHT SPV and the Seller Trusts under the Master Agreement, we have agreed to not:

- solicit, initiate, encourage, or facilitate the making, submission or announcement of any "Acquisition Proposal," as defined below, or "Acquisition Inquiry," as defined below, relating to us or any of our subsidiaries or otherwise solicit, initiate, encourage or facilitate any action that could reasonably be expected to lead to an Acquisition Proposal or Acquisition Inquiry relating to us or any of our subsidiaries;
- request or receive any non-public information from any person or provide any non-public information to any person in connection with an Acquisition Proposal or Acquisition Inquiry relating to us or any of our subsidiaries;
- engage in discussions or negotiations with any person with respect to any Acquisition Proposal relating to us or any of our subsidiaries;
- approve, endorse or recommend any Acquisition Proposal or Acquisition Inquiry relating to us or any of our subsidiaries; or
- enter into any letter of intent or similar document or any agreement contemplating or providing for any Acquisition Transaction or Acquisition Proposal relating to us or any of our subsidiaries.

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In the event that we receive an unsolicited bona fide written Acquisition Inquiry or Acquisition Proposal, we, our subsidiaries and their respective representatives may nonetheless take any of the above-described actions only if our Board of Directors concludes in good faith (after consultation with its outside counsel, and with respect to financial matters, its financial advisors) that failure to take any of the such actions would be inconsistent with its fiduciary duties under applicable law.

The Master Agreement defines several terms that are critical to understanding our obligations under the non-solicitation covenant. Specifically, the Master Agreement contains definitions for the following terms:

- "Acquisition Inquiry" means an inquiry, indication of interest or request for information that could reasonably be expected to lead to an "Acquisition Proposal," as defined below.
- "Acquisition Proposal" means any offer, proposal, inquiry or indication of interest relating to any "Acquisition Transaction," as defined below.
- "Acquisition Transaction" means any transaction or series of transactions (other than the transactions contemplated by the Master Agreement) with any person involving: (i) any merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, reorganization, recapitalization, tender offer, exchange offer or other similar transaction; or (ii) any sale, lease, exchange, transfer, license, acquisition or disposition of any business or businesses or assets of such person.

Listing of Beneficient Common Units

In the Master Agreement, Beneficient has agreed to use its commercial best efforts to pursue and obtain a listing of its common units on a nationally recognized stock exchange (a "listing") on or prior to the 40-month anniversary of the closing of the Transaction. If Beneficient does not (i) within 24 months after the closing of the Transaction, file a registration statement with the SEC in connection with a listing, or (ii) secure a listing on or prior to the 40-month anniversary of the closing of the Transaction, then the Master Agreement provides that we may, at our election, cause Beneficient to adopt a strategy to redeem all of the common units of Beneficient then held by us as of the date of our election. If we were to make an election for the redemption of our common units in Beneficient, Beneficient would be obligated to repurchase our common units at a redemption price equal to the greater of $11.00 per unit or the book value per unit as of the date of redemption.

In adopting a strategy to redeem the common units of Beneficient held by us, Beneficient will be obligated to use no less than 75% of its distributable cash flow (calculated quarterly as cash flows derived from operations, plus cash inflows from financings, less mandatory tax distributions) to satisfy our redemption election together with all other

redemption elections, including any redemption elections that may be made by the holders of other interests in Beneficient or interests convertible into interests of Beneficient. In this regard, we are aware that certain "NPC-C Unit Accounts" (which are interests in Beneficient Company Holdings, L.P., a subsidiary limited partnership of Beneficient) also have the right to elect redemption by Beneficient in the event a listing does not occur. If we were to elect redemption, then Beneficient will be obligated under the Master Agreement to use a percentage of its distributable cash flow (as defined above), each quarter, equal to the percentage that the common units held by us on the date of our election bears to the total number of outstanding common units (on an undiluted basis) as of the date of our election, until such time as all of our common units shall have been redeemed.

To help ensure that the value of our redemption right will not be diluted by future issuances of interests entitled to similar redemption rights, the Master Agreement provides that after the closing of the Transaction until the effective date of a listing, if any, none of Beneficient, its subsidiaries or affiliates will, without our prior written consent, issue any additional class of securities with rights of redemption, whether optional or mandatory, ranking senior in priority to the common units we acquire in the Transaction, unless and until all of the common units we acquire in the Transaction are redeemed under the terms of the Master Agreement, are otherwise sold or transferred, or unless we affirmatively elect in writing not to elect redemption.

Certain Restrictions on Beneficient

The Master Agreement provides that, until such time as Beneficient has satisfied all of its obligations to us under the commercial loan that GWG Life will make to Beneficient at the closing, Beneficient will not, without our prior written consent (which we may grant, withhold or condition in our sole discretion), incur additional indebtedness for borrowed money in excess of 45% of Beneficient's net asset value. For purposes of this covenant, each of (i) the bank debt of Beneficient, (ii) the outstanding balance of "NPC-B Unit Accounts" of Beneficient Company Holdings, L.P. (Beneficient's subsidiary limited partnership), and (iii) any guarantees furnished by Beneficient for the debt or obligations of another person will be counted as indebtedness for borrowed money. Nevertheless, with respect to bank debt incurred by Beneficient, the Master Agreement further provides that the bank debt of Beneficient may not exceed at any time the lesser of 30% of Beneficient's net asset value or $200 million.

Our Certificate of Incorporation and Bylaws

The Master Agreement does not require any amendments or changes to our Certificate of Incorporation or corporate bylaws, and we do not anticipate effecting any changes, or seeking the approval of our common stockholders for any such changes, in connection with the Transaction.

Other Agreements

The Master Agreement contemplates a number of other agreements that will be executed and delivered between the date of the Master Agreement and closing, or at the closing, in furtherance of the Transaction. None of these other agreements have been executed and delivered. Generally, the Master Agreement requires the proposed parties to these other agreements to use some level of effort to arrive at terms reasonably acceptable to the parties, or to enter into these other agreements in customary but negotiated form or substance reasonably acceptable to the parties. In all cases, however, the Master Agreement itself provides some of the material terms and conditions that will be included in these other agreements. The captions below summarize certain of these other agreements by identifying their parties, their purpose, the manner in which they are to be reached, the time at which they are to be delivered, and the material terms and conditions that the Master Agreement specifies for these other agreements.

Commercial Loan Agreement

In the Master Agreement, we have agreed to cause GWG Life to provide a commercial loan to Beneficient for working capital and to facilitate the delivery of trust products and services of BEN, in order that Beneficient is better able to execute its business strategy. The commercial loan will be made at the closing of the Transaction. The principal terms to be included in the commercial loan have been negotiated in an arms' length transaction and are summarized below:

- At the closing of the Transaction, GWG Life, as the lender, will enter into a commercial loan agreement (the "Commercial Loan Agreement") with Beneficient, as the borrower;

- The principal amount of the loan is expected to be $300 million, but may be increased by agreement of the parties up to an aggregate maximum amount of $400 million;

- Simple interest will accrue on the principal amount at the rate of 5% per annum, one-half of which will be due and payable in cash on a monthly basis, and one-half of which will accrue and become due and payable in cash on the maturity date;

- The commercial loan will initially have a five-year term, and the maturity date will initially be the 60-month anniversary of the Commercial Loan Agreement. However, the loan term will be automatically extended to ten years if Beneficient either raises at least $100 million in cash from the public sale of its common units or at least 75% of Beneficient's then outstanding NPC-B Unit Accounts have been converted to its common units. In addition, the loan term will be automatically extended to 15 years if Beneficient either (1) raises at least $100 million in cash from the public sale of its common units and at least 75% of its then outstanding NPC-B Unit Accounts have been converted to its common units or (2) raises at least $200 million in cash from the public sale of its common units. In no event will the term for the commercial loan exceed 15 years;

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- The outstanding principal amount of the commercial loan, together with interest thereon, may be prepaid in cash at any time or from time to time without penalty;

- The amounts owing in connection with the Commercial Loan Agreement will rank junior only to Beneficient's bank debt and the NPC-B Unit Accounts of Beneficient Company Holdings, L.P., the subsidiary limited partnership of Beneficient; and

- The Commercial Loan Agreement will contain certain financial covenants.

We expect that, in addition to the above, the Commercial Loan Agreement will contain other terms and conditions that are customary for commercial agreements of this type.

Registration Rights Agreements; Lock-Up Provisions

In connection with the closing of the Transaction, and as contemplated in the Master Agreement, we will enter into two different registration rights agreements, one of which will grant resale registration rights to us with respect to the common units of Beneficient we will receive at the closing (the "Beneficient Resale Registration"), and the other of which will involve our grant of resale registration rights to the Seller Trusts and MHT SPV with respect to the shares of common stock and L Bonds we issue at the closing (the "GWG Resale Registration"). These registration rights agreements are intended to provide the parties with the legal right to sell the securities they receive in the Transaction in compliance with the Securities Act of 1933.

Although the Master Agreement provides that the Beneficient Resale Registration must be in customary and negotiated form reasonably acceptable to the parties, the Master Agreement nonetheless describes certain material terms of the Beneficient Resale Registration. In particular, the Beneficient Resale Registration will provide us with:

- piggyback registration rights affording us the right to include for resale, on any registration statement that Beneficient files with the SEC under the Securities Act for an initial offering of Beneficient common units, our common units of Beneficient received in the Transaction, subject, however, to customary cutback provisions (limiting the total number of shares that may be included in a registration); and

- demand registration rights with respect to any of our common units of Beneficient for which resale registration is not obtained through the piggyback registration rights granted as described immediately above, subject, however, to customary limitations.

Although the Master Agreement provides that the GWG Resale Registration must be in customary and negotiated form reasonably acceptable to the parties, the Master Agreement nonetheless describes certain material terms of the GWG Resale Registration. In particular, the GWG Resale Registration will provide the Seller Trusts with:

- demand registration rights affording the Seller Trusts and their assigns the right to obligate us to register the resale of all of the shares of our common stock issued to the Seller Trusts under the Master Agreement, subject, however, to customary limitations; and
- piggyback registration rights affording the Seller Trusts and their assigns the right to include for resale, on any registration statement we file, any shares of our common stock issued under the Master Agreement and not otherwise included on any demand registration effected pursuant to the rights described immediately above, subject, however, to customary cutback provisions.

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The registration rights to be granted under the Beneficient Resale Registration and the GWG Resale Registration will likely include certain customary conditions and limitations, including the right of underwriters to limit the number of shares to be included in a registration, the right of the issuer to delay or withdraw a registration statement under certain circumstances, and the right to limit the number of shares to be included based on SEC rules, guidance or staff comment. Subject to certain limited but customary exceptions, we expect that the issuer involved in any registration will generally pay all registration expenses incurred in connection with that registration.

Notwithstanding the above-described registration rights granted to the Seller Trusts, the ability of the Seller Trusts to resell the shares of our common stock they receive in the Transaction under the GWG Resale Registration will be limited by the contractual provisions of the Orderly Marketing Agreement (as defined below).

The shares of our common stock that we issue to MHT SPV in the Transaction are not contemplated to be included among the securities for which registration can be obtained through the GWG Resale Registration. Furthermore, that entity's ability to resell the shares of our common stock it receives in the Transaction will be limited by certain lock-up provisions contained in the Master Agreement. In particular, MHT SPV has agreed that, until the earlier of (i) the listing of the common units of Beneficient on a nationally recognized stock exchange and (ii) 40 months from the date of closing, it will not directly or indirectly sell, transfer, distribute, pledge or otherwise dispose of any shares it receives in the Transaction without our prior written consent.

Orderly Marketing Agreement

The Master Agreement obligates us and the Seller Trusts to negotiate in good faith the terms of an agreement (the "Orderly Marketing Agreement") with one or more nationally recognized investment banks, and enter into that agreement at the closing, for the orderly marketing and resale of the shares of our common stock that we issue to the Seller Trusts under the Master Agreement. The purpose of the Orderly Marketing Agreement is to manage the timing and amount of our common shares that are publicly resold in the market since the number of shares of our common stock to be issued under the Master Agreement will substantially increase the total number of our issued and outstanding shares.

Although the Master Agreement provides that the Orderly Marketing Agreement must be in final negotiated form reasonably acceptable to the parties, the Master Agreement nonetheless describes certain material terms of the Orderly Marketing Agreement. In particular, the Orderly Marketing Agreement will obligate the Seller Trusts, severally, to:

- agree with us (and with Beneficient) that no shares of our common stock they receive in the Transaction, including shares a Seller Trust may distribute to the beneficiaries of that trust, will be transferred or sold other than in

accordance with such orderly marketing arrangements contained in the Orderly Marketing Agreement; and

- agree not to assign or distribute any of the shares of our common stock they receive in the Transaction without conditioning that assignment or distribution upon the agreement of the assignee or distributee to comply with provisions of the Orderly Marketing Agreement, including their agreement not to transfer or sell any of common stock other than in accordance with the orderly marketing arrangements contained in the Orderly Marketing Agreement.

The Master Agreement also contains the covenants of GWG, on the one hand, and Beneficient, on the other hand, to use their commercially reasonable efforts to secure the assistance of their respective senior executives to assist the investment bank or banks involved in marketing and resale activities. This assistance may include participating in roadshows from time to time as reasonably requested by the other party. In this regard, it is possible that the parties may determine to include more specific and detailed provisions of this sort in the Orderly Marketing Agreement, in which case we would expect that Beneficient would also become a party to the Orderly Marketing Agreement.

MHT SPV is not expected to be a party to the Orderly Marketing Agreement. Accordingly, the shares of our common stock that we issue to MHT SPV in the Transaction will not be subject to the orderly marketing arrangements contained in that agreement. As explained above, however, under the caption “—Registration Rights Agreements; Lock Up,” MHT SPV has agreed in the Master Agreement to not resell the shares of our common stock it receives in the Transaction until the earlier of (i) the listing of Beneficient’s common units on a nationally recognized stock exchange and (ii) 40 months from the date of the closing of the Transaction.

Shareholders' Agreement

The Master Agreement contemplates and requires the delivery at closing of a shareholders' agreement (the "Shareholders' Agreement") among the Seller Trusts, MHT SPV and GWG. The purpose of the Shareholders' Agreement is to limit the voting power of the Seller Trusts and MHT SPV and the control they would otherwise be entitled to exercise over GWG. The Seller Trusts and MHT SPV have agreed to these concepts and provisions since their main interest in engaging in the Transaction is to obtain liquidity for their common units of Beneficient, which they will obtain by consummating the Transaction and selling to us their common units of Beneficient (which securities are presently not liquid in that they are not listed on any exchange and do not trade) in exchange for our issuance to them of our common stock (which is more liquid in that our common stock is listed on the NASDAQ Capital Market) and L Bonds as described herein. To this end, the Master Agreement provides that the Shareholders' Agreement will contain the following provisions, all of which will bind the Seller Trusts and MHT SPV and their respective transferees:

- all voting securities of GWG over which they have voting control, with respect to all matters including without limitation the election and removal of directors, regardless of whether voted at a regular or special meeting or pursuant to a written consent, will be voted solely in proportion with the votes cast by all other holders of voting securities of GWG on any matter put before them;

- until the earlier of (i) one year from the closing of the Transaction and (ii) the termination of the Orderly Marketing Agreement, no Seller Trust nor its assignees and transferees (other than pursuant to a registered public offering) or their respective affiliates will, without the prior written consent of GWG's Board of Directors, directly or indirectly:

  - acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, any securities or direct or indirect rights to acquire any voting securities of GWG or any of its subsidiaries other than pursuant to the Master Agreement;

  - seek or propose to influence or control the management, Board of Directors, or policies of GWG, make or participate, directly or indirectly, in any "solicitation" of "proxies" (as such terms are used in applicable SEC rules) to vote any voting securities of GWG or any of its subsidiaries, or seek to advise or influence any other person with respect to the voting of any voting securities of GWG or any of its subsidiaries;

  - submit a proposal for or offer of (with or without conditions) any merger, recapitalization, reorganization, business combination, or other extraordinary transaction involving GWG, any of its subsidiaries, or any of their respective securities or assets or, except as required by law, make any public announcement with respect to the foregoing;

  - enter into any discussions, negotiations, arrangements, or understandings with any other person with respect to any of the foregoing, or otherwise form, join, engage in discussions relating to the formation of, or participate in a "group," within the meaning of Section 13(d)(3) of the Exchange Act, in connection with any of the foregoing; or

o advise, assist, or encourage any other person in connection with any of the foregoing.

The Master Agreement provides that the Shareholders' Agreement, containing the above-described provisions together with any other customary and negotiated provisions, shall remain in effect (i) in the case of the Seller Trusts, until the termination of the Orderly Marketing Agreement, and (ii) in the case of MHT SPV, until the termination of the lock-up provisions contained in the Master Agreement.

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Consequences of Our Ownership in Beneficient After the Transaction

Beneficient is a limited partnership organized in the State of Delaware. As such, its business and affairs are managed by its general partner. The general partner of Beneficient is Beneficient Management, LLC, a Delaware limited liability company ("Beneficient Management"). Although Beneficient Management is the general partner of Beneficient, and holds a "general partner interest: in Beneficient, that general partner interest has no associated economic rights.

Upon consummation of the Transaction, we will become the owner of up to 89% of the issued and outstanding common units in Beneficient and we will be required to become a party to the partnership agreement of Beneficient. Under applicable state law and the partnership agreement of Beneficient, GWG will have no right to participate in the control of the business of Beneficient:

- Beneficient Management, as Beneficient's general partner, manages all of Beneficient's operations and activities. Beneficient's general partner is authorized in general to perform all acts that it determines to be necessary or appropriate to carry out Beneficient's purposes and to conduct its business. Owners of common units of Beneficient have only limited voting rights relating to certain matters and, therefore, will have limited or no ability to influence Beneficient's management's decisions regarding its business.

- Any person or group (other than Beneficient's general partner and its affiliates, or a direct or subsequently approved transferee of the general partner or its affiliates or such person or group has the prior approval of the board of directors of the general partner of Beneficient) who acquires, in the aggregate, beneficial ownership of 20% or more of Beneficient's common units (including GWG), will lose voting rights on all of its common units and such common units may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of limited partners, calculating required votes, determining the presence of a quorum or for other similar purposes.

- Prior to a listing, if any, of Beneficient's common units on a national stock exchange or, in lieu thereof, quotation of the common units in an automated quotation system, the executive committee of the board of directors of the general partner of Beneficient will be entitled to cast all of the votes that the limited partners would otherwise be entitled to cast, and no limited partner, in its capacity as such, will be permitted to vote in respect of its common units.

Beneficient's partnership agreement eliminates the fiduciary duties that might otherwise be owed by Beneficient Management, as general partner of Beneficient, under Delaware law and replaces them with the duties expressly set forth in such agreement. Accordingly, Beneficient Management is permitted to manage Beneficient in accordance with the contractual standards set forth in its partnership agreement. Beneficient's partnership agreement provides that, when the general partner is permitted or required to make a decision in its "discretion" or pursuant to a provision not subject to an express standard of "good faith," in making such decision, the general partner has no duty to give any consideration to any interest of or factors affecting Beneficient or any other person. If a decision under Beneficient's partnership agreement is subject to an express standard of "good faith," such decision will not constitute a breach of the agreement if the decision is approved by (i) a majority of the members of the conflicts committee of the board of

directors of the general partner of Beneficient, (ii) holders of a majority of the voting power of the Beneficient's common units entitled to vote (excluding voting common units owned by the general partner and its affiliates), or (iii) the general partner acting without a subjective belief that such decision was adverse to the interests of Beneficient. Potential conflicts of interest may arise among the general partner and its affiliates, on the one hand, and Beneficient, on the other hand, and the general partner may be able to favor its own interest to the detriment of Beneficient and the holders of the common units.

Our ownership in Beneficient's issued and outstanding common units immediately after the consummation of the Transaction does not include (i) an aggregate of approximately 125,657,883 limited partner interests that may be issued upon the conversion of outstanding securities issued by Beneficient or Beneficient Company Holdings, L.P. (a subsidiary limited partnership of Beneficient), all or substantially all of which are beneficially held, directly or indirectly, by the founders of Beneficient or its management members, or (ii) additional limited partner interests that may be issued after the closing of the Transaction. Importantly, the general partner of Beneficient has discretion to cause Beneficient to issue additional limited partner interests from time to time, and Beneficient's partnership agreement contains no meaningful restrictions on this authority. Moreover, the Beneficient organizational structure permits the future issuance of additional securities that can, upon certain circumstances or at the discretion of their holders, be converted into additional limited partner interests in Beneficient.

Informational Rights

In the Master Agreement, we negotiated for certain express informational rights, beyond those provided in the Beneficient's partnership agreement and those provided by the Delaware Revised Uniform Limited Partnership Act, relating to Beneficient:

- Until such time as the common units of Beneficient are listed on a nationally recognized stock exchange, Beneficient will permit us and our representatives, on no less than five business days' prior written notice, to visit and inspect any of Beneficient's properties, including its books of account and other records (and make copies thereof and take extracts therefrom), and to discuss its affairs, finances and accounts with Beneficient's officers and its independent public accountants, all at such reasonable times and as often as we may reasonably request, provided that our rights of access must be exercised in a manner that does not unreasonably interfere with Beneficient's operations; and

- On a timely basis, Beneficient will provide us with all financial and tax information we reasonably request in order to comply with our SEC reporting obligations and prepare and file our tax returns.

The above-described informational rights are subject to certain limited exceptions relating to information that is subject to attorney-client privilege or the provision or disclosure of which is prohibited by applicable law.

In addition, until the closing of the Transaction, each of Beneficient, MHT SPV and the Seller Trusts have agreed in the Master Agreement to afford us and our representatives reasonable access to the books, records, financial statements, information, agreements, officers, and other items of the assets, liabilities, and business of Beneficient and the Seller Trusts, and otherwise provide such assistance as may be reasonably requested by us or our representatives in order that we and our representatives may have a full opportunity to make such investigation and evaluation as we may desire to make of Beneficient, MHT SPV, the Seller Trusts, their respective businesses and the transactions contemplated by the Master Agreement.

Information on The Beneficient Company Group, L.P.

The Beneficient Company Group, L.P. (together with its subsidiaries, "BEN"), is a privately-held company organized as a Delaware master limited partnership, the general partner of which is Beneficient Management, a Delaware limited liability company. Subject to receipt of its regulatory trust charters from the State of Texas, BEN intends to register its common units with the SEC in the future and to apply for listing on a national stock exchange. If so registered and listed, BEN would be considered a publicly traded partnership for IRS purposes. There can be no assurance as to the timing or effectiveness, if any, of the proposed SEC registration and stock exchange listing of the common units.

Upon receipt of its regulatory charters, BEN plans to provide to mid-to-high net worth individuals (i.e., individuals having a net worth of between $5 million and $30 million):

- Trust services and related liquidity products and loans (collectively, “trust services and liquidity products”) for the alternative assets and illiquid investment funds those individuals may own; and
- A variety of other financial services, including custody and clearing of alternative assets, fund and trust administration, retirement funds and insurance services for covering risks attendant to owning or managing alternative assets.

BEN intends to offer its trust services and liquidity products through its U.S.-based subsidiaries, including trust companies for which BEN intends to apply to charter in Texas; and intends to offer its insurance services through its Bermuda regulated insurance companies.

In addition, BEN is developing a third business segment, referred to as financial technologies and online platforms, designed to offer clients online financial technologies and platforms for direct access to BEN's liquidity products and services as well as specialized reporting tools. To expand this segment, BEN has agreed to assume operation of ACE Portal, Inc., which was previously financed in part by the New York Stock Exchange in order to develop and operate a centralized platform for accredited and qualified investors to access the private markets for private placements of equity, debt and fund interests marketed by SEC-registered broker-dealers. BEN's acquisition of the ACE Portal is expected to be completed during 2018 following the closing of the Transaction.

BEN's General Partner and Board of Directors

As a limited partnership, Beneficient is controlled by its general partner, Beneficient Management. The general partner is controlled by, and exclusive and complete authority to manage the operations and affairs of the general partner are granted to, the general partner's board of directors (the "BEN Board"). The BEN Board is currently comprised of the following eight directors:

- ***David H. de Weese*** **-** General Partner at Paul Capital, Chairman of the Board of Capacitor Sciences, Inc., and past President and CEO of Siga Technologies, Cygnus Therapeutic and Machine Intelligence. Mr. de Weese has extensive expertise in credit evaluation and investing.
- ***Richard W. Fisher*** - Past President of the Federal Reserve Bank of Dallas and past member of the Fed's Open Market Committee. Founder of Fisher Capital Management after leaving Brown Brothers Harriman & Co. in 1987. Presently Senior Adviser to Barclays PLC, and a Director of AT&T and PepsiCo.
- ***Brad K. Heppner*** – Chairman and Chief Executive Officer of BEN. Founder and former owner of The Crossroads Group (private equity fund of funds advisor) which was sold to Lehman Brothers, now Neuberger Berman, and founder/former owner of Capital Analytics (alternative asset administration company) now owned by Mitsubishi Union Financial Group.
- ***Thomas O. Hicks*** - Founder and Chairman of Hicks Holdings, L.L.C., private equity industry pioneer and founder of Hicks, Muse, Tate and Furst, which raised over $12 billion in funds. His funds have invested billions of dollars of equity in businesses in the United States, Europe, and Latin America.
- ***Philip J. Jensen*** - Partner at Paul Capital. Previously Mr. Jensen held positions as SVP Finance at Kaiser Permanente and SVP Finance at McKesson and prior to that was a partner at Deloitte. Mr. Jensen has 30 years of experience in the private equity industry and particular expertise in life insurance regulation and market operation.
- ***Bruce W. Schnitzer*** - Founder and Chairman of Wand Partners, a private equity firm specialized in insurance and other specialty financial services, past President and CEO of Marsh, Inc. and past Chief Financial Officer of Marsh &

McLennan Companies, Inc.

- ***Sheldon I. Stein*** - President of Southern Glazer's Wine and Spirits and past Vice Chairman and Head of Southwest Investment Banking for Bank of America, Merrill Lynch. Previously Senior Managing Director and leader of Bear Stearns' Southwest Investment Banking Group for over 20 years.

- ***Bruce Zimmerman -*** Past CEO and Chief Investment Officer of The University of Texas Investment Management Company and the former Global Head of Pension Investments for Citigroup. Mr. Zimmerman has 30 years of investment and financial services experience with particular expertise in capital markets and portfolio risk management.

As noted above, our holding in BEN will not afford us any voting rights or other rights to influence the management or control of the company.

SHARE OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, MANAGEMENT AND DIRECTORS

In General

The tables below sets forth information known to us regarding the beneficial ownership of our common stock as of March 23, 2018, for:

- each person we believe beneficially holds more than 5% of our outstanding common shares (based solely on our review of SEC filings);
- each of our directors;
- each of our "named executive officers" as identified in the summary compensation table contained in our proxy statement filed with the SEC on April 11, 2018; and
- all of our directors and named executive officers as a group.

The number of shares beneficially owned by a person includes shares issuable under options held by that person and that are currently exercisable or that become exercisable within 60 days of March 23, 2018. Percentage calculations assume, for each person and group, that all shares that may be acquired by such person or group pursuant to options currently exercisable or that become exercisable within 60 days of March 23, 2018 are outstanding for the purpose of computing the "Percentage of Common Stock Owned" by such person or group. Nevertheless, shares of common stock that are issuable upon exercise of presently unexercised options are not deemed to be outstanding for purposes of calculating the "Percentage of Common Stock Owned" by any other person or any other group.

Except as otherwise indicated in the table or its footnotes, the persons in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable.

As of March 23, 2018, we had 5,813,555 shares of common stock issued and outstanding.

Beneficial Ownership Prior to the Transaction

Name	Shares Beneficially Owned	Percentage of Shares Beneficially Owned	
Jon R. Sabes[(1)]	2,306,812	38.8	%
Steven F. Sabes[(2)]	2,277,541	38.8	%
William B. Acheson[(3)]	177,920	3.0	%
David H. Abramson[(4)]	84,500	1.4	%
Jeffrey L. McGregor[(5)]	61,600	1.0	%
Charles H. Maguire III[(6)]	59,150	*	
Shawn R. Gensch[(7)]	47,700	*	
Mark E. Schwarzmann[(8)]	8,400	*	
All current directors and officers as a group	5,023,623	77.9	%

* less than one percent.

(1) Mr. Sabes is our Chief Executive Officer and a director of the Company. Shares reflected in the table include 1,228,319 shares held individually, 169,671 shares held by Jon Sabes 1992 Trust No.1, a trust of which Mr. Sabes is the beneficiary, 168,801 shares held by Jon Sabes 12.30.92 Trust, a trust of which Mr. Sabes is a beneficiary, 241,631 shares held by Jon Sabes 1982 Trust, a trust of which Mr. Sabes is a beneficiary, and 163,737 shares held by Jon Sabes 1976 Trust, a trust of which Mr. Sabes is a beneficiary. Also included are 102,192 shares held by Mr. Sabes' immediate family members. The trustees of each of the trusts are Robert W. Sabes, Steve F. Sabes and Ross A. Sabes. The number of shares also includes 132,461 stock options currently exercisable or exercisable within 60 days granted pursuant to stock option agreements. Figures also include 100,000 shares held by Insurance Strategies Fund, LLC, a Delaware limited liability company over whose securities each of Jon R. and Steven F. Sabes exercise voting and dispositive control. Jon R. and Steve F. Sabes disclaim beneficial ownership over the shares held by Insurance Strategies Fund, LLC except to the extent of their pecuniary interest in such shares.

(2) Mr. Sabes is our Executive Vice President of Originations and Servicing, Secretary and a director of the Company. Shares reflected in the table include 1,044,322 shares held individually and 1,072,382 shares held by SFS Holdings, LLC, a limited liability company of which Mr. Sabes is manager. The number of shares also includes 60,837 stock options currently exercisable or exercisable within 60 days granted pursuant to stock option agreements. Figures also includes 100,000 shares held by Insurance Strategies Fund, LLC, a Delaware limited liability company over whose securities each of Jon R. and Steven F. Sabes exercise voting and dispositive control. Jon R. and Steve F. Sabes disclaim beneficial ownership over the shares held by Insurance Strategies Fund, LLC except to the extent of their pecuniary interest in such shares.

(3) Mr. Acheson is our Chief Financial Officer. Shares reflected in the table include 177,920 of vested stock options granted pursuant to our 2013 Stock Incentive Plan.

(4) Mr. Abramson is a director of the Company. Shares reflected in the table include 84,500 of stock options vested or vesting within 60 days, granted pursuant to our 2013 Stock Incentive Plan.

(5) Mr. McGregor is a director of the Company. Shares reflected in the table include 61,600 of stock options vested or vesting within 60 days, granted pursuant to our 2013 Stock Incentive Plan.

(6) Mr. Maguire III is a director of the Company. Shares reflected in the table include 59,150 of stock options vested or vesting within 60 days, granted pursuant to our 2013 Stock Incentive Plan.

(7) Mr. Gensch is a director of the Company. Shares reflected in the table include 47,700 of vested stock options vested or vesting within 60 days, granted pursuant to our 2013 Stock Incentive Plan.

(8) Mr. Schwarzmann is a director of the Company. Shares reflected in the table include 8,400 of vested stock options vested or vesting within 60 days, granted pursuant to our 2013 Stock Incentive Plan.

Beneficial Ownership After the Transaction

The table below provides beneficial ownership information as of March 23, 2018 and assuming the closing of the Transaction and the issuance by GWG of the maximum of 40,000,000 shares of our common stock in accordance with the terms of the Master Agreement and assuming the maximum amount of shares to be issued to MHT SPV. The actual number of shares to be issued to the Seller Trusts and MHT SPV will be determined approximately five business days prior to closing.

Name

	Shares Beneficially Owned	Percentage of Shares Beneficially Owned	
Seller Trusts[(1)]	27,500,000	60.0	%
MHT Financial SPV, LLC[(2)]	12,500,000	27.3	%
Jon R. Sabes	2,306,812	5.0	%
Steven F. Sabes	2,277,541	5.0	%
William B. Acheson	177,920	*	
David H. Abramson	84,500	*	
Jeffrey L. McGregor	61,600	*	
Charles H. Maguire III	59,150	*	
Shawn R. Gensch	47,700	*	
Mark E. Schwarzmann	8,400	*	
All current directors and officers as a group	5,023,623	10.8	%

* less than one percent.

(1) The Seller Trusts are a group of individual common law trusts expected to receive shares of GWG common stock in the Transaction. The trustee of each of the Seller Trusts is Delaware Trust Company. The trust advisors of each trust are two unrelated individuals, Jeffrey S. Hinkle and Murray T. Holland, who have sole decision-making authority with respect to each trust. The beneficiary of each of the Seller Trusts is MHT Financial, LLC. The members of MHT Financial, LLC are Shawn T. Terry, Mike McGill and Murray T. Holland. The names of the various trusts comprising the Seller Trusts are as follows: The LT-1 Exchange Trust, The LT-2 Exchange Trust, The LT-3 Exchange Trust, The LT-4 Exchange Trust, The LT-5 Exchange Trust, The LT-6 Exchange Trust, The LT-7 Exchange Trust, The LT-8 Exchange Trust, The LT-9 Exchange Trust, and The LT-12 Exchange Trust. Additional trusts are expected to participate in the Transaction up to the maximum amount of shares to be issued; however, no individual Seller Trust is expected to hold more than 10% of our common stock following the consummation of the Transaction.

(2) MHT Financial SPV, LLC is a Delaware limited liability company expected to receive shares of GWG common stock in the Transaction. MHT Financial SPV, LLC is wholly owned by MHT Financial, LLC. The members of MHT Financial, LLC are Shawn T. Terry, Mike McGill and Murray T. Holland.

OTHER BUSINESS

Householding of Materials

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of our Information Statement may have been sent to multiple stockholders in each household unless otherwise instructed by such stockholders. We will deliver promptly a separate copy of the Information Statement to any common stockholder upon written or oral request to our Corporate Secretary, at GWG Holdings, Inc., 220 South Sixth Street, Suite 1200, Minneapolis, Minnesota 55402, telephone: (612) 746-1944. Any stockholder wishing to receive separate copies of our proxy statement or annual report to stockholders in the future, or any stockholder who is receiving multiple copies and would like to receive only one copy per household, should contact the stockholder's bank, broker, or other nominee record holder, or the stockholder may contact us at the above address and phone number.

Costs

We will make arrangements with brokerage firms and other custodians, nominees and fiduciaries who are record holders of our common stock for the forwarding of this Information Statement to the beneficial owners of our common stock. We will reimburse these brokers, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses they incur in connection with the forwarding of the Information Statement.

Annex A

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

You should read the following discussion in conjunction with the consolidated financial statements and accompanying notes and the information contained in other sections of this report. This discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Subject to completion of the pending Exchange Transaction contemplated by the Master Exchange Agreement with Beneficient, among others, we intend to account for our acquisition of common units of Beneficient under the equity method of accounting. However, this discussion and analysis does not take into account the potential impact that such pending Exchange Transaction may have on our future financial condition and the results of our future obligations.

Risk Relating to Forward-Looking Statements

This report contains forward-looking statements that reflect our current expectations and projections about future events. Actual results could differ materially from those described in these forward-looking statements.

The words "believe," "could," "possibly," "probably," "anticipate," "estimate," "project," "expect," "may," "will," "should," "
"plan," "expect," or "consider" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from such statements.

Such risks and uncertainties include, but are not limited to:

changes in the secondary market for life insurance;

changes resulting from the evolution of our business model and strategy with respect to the life insurance industry;

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 and continued access to the capital markets;

- our history of operating losses;

- risks relating to the validity and enforceability of the life insurance policies we purchase;

- risks relating to our ability to license and effectively apply 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 policies;
- general economic outlook, including prevailing interest rates;
- performance of our investments in life insurance policies;
- financing requirements;
- risks associated with the merchant cash advance business;
- risks associated with our attempts to commercialize our M-Panel technology;
- risks associated with our ability to protect our intellectual property rights;
- litigation risks;
- restrictive covenants contained in borrowing agreements; and
- our ability to make cash distributions in satisfaction of dividend obligations and redemption requests.

We caution you that the foregoing list of factors is not exhaustive. Forward-looking statements are only estimates and predictions, or statements of current intent. Actual results, outcomes or actions that we ultimately undertake, could differ materially from those anticipated in the forward-looking statements due to risks, uncertainties or actual events differing from the assumptions underlying these statements.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012, or JOBS Act, was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933 for complying with new or revised accounting standards. This means that an "emerging growth company" can make an election to delay the adoption of certain accounting standards until those standards would apply to private companies. We 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 (which will occur in 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 committed to 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 in a secondary market as compared to the traditional options offered by the insurance industry. 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 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 and evaluating deferred taxes have the greatest potential impact on our consolidated financial statements and accordingly believe these to be our critical accounting estimates. Below we discuss the critical accounting policies associated with these estimates as well as certain other critical accounting policies.

Ownership of Life Insurance Policies — Fair Value Option

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

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

expectancy estimates and discount rate assumptions.

We initially record our purchase of life insurance policies at the transaction price, which is the amount paid for the policy, inclusive of all external fees and costs associated with the acquisition. At each subsequent reporting period, we re-measure the investment at fair value in its entirety and recognize the change in fair value as unrealized gain (revenue) in the current period, net of premiums paid. Changes in the fair value of our portfolio are based on periodic evaluations and are recorded in our consolidated statements of operations as changes in fair value of life insurance policies.

Fair Value Components — 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 2015 Valuation Basic Table (“2015 VBT”) finalized by the Society of Actuaries is based on a much larger dataset of insured lives, face amount of policies and more current information compared to the dataset underlying the 2008 Valuation Basic Table. The 2015 VBT dataset includes 266 million policies compared to the 2008 VBT dataset of 75 million. The experience data in the 2015 VBT dataset includes 2.55 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.

For life insurance policies with face amounts greater than $1 million and that are not pledged under any senior credit facility (approximately 11% of our portfolio by face amount of policy benefits) we attempt to update the independent life expectancy estimates on a continuous rotating three year cycle. For life insurance policies with face amounts greater than $750,000 that are pledged under the senior credit facility with LNV Corporation (approximately 82.6% of our portfolio by face amount of policy benefits) we are presently required to update the independent life expectancy estimates every two years beginning from the date of the amended facility.

We conduct medical underwriting on the life insurance policies we own with life expectancy reports produced by independent third-party medical-actuarial underwriting firms. Each life expectancy report summarizes the underlying insured person's medical history based on the underwriter's review of recent and historical medical records. We obtain two such life expectancy reports for almost all policies, except for small face value insurance policies (i.e., a policy with $1 million in face value benefits or less) for which we have obtained at least one fully underwritten or simplified third-party report. A simplified third-party underwriting report is based on a medical interview, which may be supplemented with additional information obtained from a pharmacy benefit manager database. For valuation purposes, we use the life expectancy estimate, using the average in the case of multiple reports, expressed as the number of months at which the individual will have a 50% probability of mortality.

Our prior experience in updating independent life expectancy estimates has generally resulted in shorter life expectancies of the updated insureds within our portfolio, but often not as short as we had projected. As our life insurance portfolio continues to grow, we may experience additional and material adjustments to the fair value of our portfolio due to updating independent life expectancy estimates. For more information about life expectancy estimates and their impact upon our business and financial statements, please see Risk Factors ("*If actuarial assumptions we obtain from third-party providers* . . . ."), and Note 4 to our consolidated financial statements.

During 2017 we received notice of, or support for, COI rate changes on 8 policies with combined face value of $23.5 million in our portfolio. These increased charges resulted in a $1.9 million reduction in the fair value of our portfolio.

We are aware of additional pending COI increases affecting three policies in our portfolio for which we are in receipt of notice and expect to quantify and recognize in the following months. We have requested additional information and policy illustrations reflecting the increased rates from the insurers which will enable us to revise our projections and valuations on the affected policies.

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*.

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

December 31, 2017	December 31, 2016
10.45%	10.96%

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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 operational risk premium a purchaser would require to receive the future cash flows derived from our portfolio of life insurance policies. Management has discretion regarding the combination of these and other factors when determining the discount rate. The discount rate we choose assumes an orderly and arms-length transaction (i.e., a non-distressed transaction in which neither seller nor buyer is compelled to engage in the transaction), which is consistent with related GAAP guidance. The carrying value of policies acquired during each quarterly reporting period are adjusted to their current fair value using the fair value discount rate applied to the entire portfolio as of that reporting date.

We engaged Model Actuarial Pricing Systems, LP (“MAPS”), owner of the actuarial portfolio pricing software we use, to prepare a calculation of our life insurance portfolio. MAPS processed policy data, future premium data, life expectancy estimate data, and other actuarial information to calculate a net present value for our portfolio using the specified discount rate of 10.45%. MAPS independently calculated the net present value of our portfolio of 898 policies to be $650.5 million and furnished us with a letter documenting its calculation. A copy of such letter is filed as Exhibit 99.1 to this report.

Deferred Income Taxes

Under Accounting Standards Codification 740, *Income Taxes*, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established for deferred tax assets that are not considered “more likely than not” to be realized. Realization of deferred tax assets depends upon having sufficient past or future taxable income in periods to which the deductible temporary differences are expected to be recovered or within any applicable carryback or carryforward periods or sufficient tax planning strategies. After assessing the realization of the net deferred tax assets, we believe that there is substantial uncertainty that our net deferred tax asset will be realized during the applicable carryover period. As such, a valuation allowance has been established against the total net deferred tax asset as of December 31, 2017.

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, net of premium costs, as shown in our consolidated financial statements.

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

Our main components of expense are summarized below.

Selling, General and Administrative Expenses. We recognize, and record expenses incurred in our business operations, including operations related to the purchasing and servicing of life insurance policies. These expenses include salaries and benefits, sales, marketing, occupancy and other expenditures.

Interest Expense. We recognize, and record interest expenses associated with the costs of financing our life insurance portfolio for the current period. These expenses include interest paid to our senior lender under our senior credit facility with LNV Corporation, interest paid on our L Bonds and other outstanding indebtedness. When we issue debt, we amortize the financing costs (commissions and other fees) associated with such indebtedness over the outstanding term of the financing and classify it as interest expense.

Results of Operations — 2017 Compared to 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	Years Ended December 31, 2017	2016
Revenue recognized from maturities of life insurance contracts	$ 48,649,000	$ 37,459,000
Revenue recognized from change in fair value of life insurance contracts	66,761,000	70,582,000
Premiums and other annual fees	(53,296,000)	(40,239,000)
Gain on life insurance policies, net	62,114,000	67,802,000
Other income	2,020,000	1,675,000
Total revenue	$ 64,134,000	$ 69,477,000
Number of policies matured	47	23
Face value of matured policies	$ 64,719,000	$ 48,452,000
The change in fair value related to new policies acquired during the year	$ 31,019,000	$ 38,205,000

The discount rate applied to estimate the fair value of the portfolio of life insurance policies we own was 10.45% and 10.96% as of December 31, 2017 and 2016, respectively.

Expenses

	2017	2016	Increase	
Interest expense (including amortization of deferred financing costs)	$ 54,419,000	$ 42,343,000	$ 12,076,000	(1)
Employee compensation and benefits	14,870,000	11,784,000	3,086,000	(2)
Legal and professional expenses	5,096,000	3,948,000	1,148,000	(3)
Provision for MCA advances	1,308,000	600,000	708,000	(4)
Other expenses	11,171,000	10,077,000	1,094,000	(5)
Total expenses	$ 86,864,000	$ 68,752,000	$ 18,112,000	

(1) Increase is primarily due to the increase in the average debt outstanding from $471.4 million in 2016 to $597.5 million in 2017, contributing $11.4 million of interest expense.

(2)

Increase is primarily due to increases of $2.1 million for expense attributable to stock options and SARs and $0.8 million in severance payments made to several former executives.

(3) Increase is due to legal fees associated with MCA collections as well as increased costs related to securities offerings and on-going compliance.

(4) Increase is due to continued impairment of the Nulook loan due to decreased recovery estimates.

(5) Increase is primarily due to increases of $0.5 million for sales and marketing costs associated with growing and servicing our network of independent financial advisors and appointed agents and $0.8 million in technology costs.

Deferred Income Taxes

Under ASC 740, Income Taxes ("ASC 740"), deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established for deferred tax assets that are not considered "more likely than not" to be realized. Realization of deferred tax assets depends upon having sufficient past or future taxable income in periods to which the deductible temporary differences are expected to be recovered or within any applicable carryback or carryforward periods. After assessing the realization of the net deferred tax assets, we believe that there is substantial uncertainty that our net deferred tax asset will be realized during the applicable carryover period. As such, a valuation allowance has been established against the total net deferred tax asset as of December 31, 2017.

Income Tax Expense

We realized a net income tax benefit of $2.1 million for the year ended December 31, 2017 and a net income tax expense of $0.3 million for the year ended December 31, 2016. The effective rate for the years ended December 31, 2017 and 2016 was 9.2% and 46.0%, respectively, compared to an expected 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:

	2017		2016	
Statutory federal income tax (benefit)	$ (7,728,000)	34.0 %	$ 247,000	34.0 %
State income taxes (benefit), net of federal benefit	(1,433,000)	6.3 %	56,000	7.8 %
Impact of change in enacted rate	2,605,000	(11.4)%	—	—
Change in valuation allowance	4,222,000	(18.6)%	—	—
Other permanent differences	237,000	(1.1)%	30,000	4.2 %
Total income tax expense (benefit)	$ (2,097,000)	9.2 %	$ 333,000	46.0 %

The Tax Reform Bill enacted by the U.S. federal government in December 2017 changed existing tax law including a reduction of the U.S. corporate income tax rate. The Company re-measured deferred taxes as of the date of enactment, resulting in a $2,605,000 reduction of net deferred income tax assets and a corresponding decrease to earnings in 2017. With the Tax Reform Bill, we expect our effective tax rate in 2018 will be approximately 28.7%.

The most significant temporary differences between GAAP net income (loss) and taxable net income (loss) 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 our life insurance portfolio.

Liquidity and Capital Resources

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

As of December 31, 2017 and December 31, 2016, we had approximately $159.4 million and $121.7 million, respectively, in combined available cash, cash equivalents, and policy benefits receivable 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. Additional future borrowing base capacity for premiums and servicing costs, created as the premiums and servicing costs of pledged life insurance policies become due and by additional policy pledges to the facility or not, exists under the amended and restated senior credit facility with LNV Corporation.

Financings Summary

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

	As of December 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 (see Note 8)	$ 461,427,000	7.29 %	$ 387,067,000	7.23 %
GWG Life, LLC – Series I Secured Notes	—	N/A	16,614,000	8.68 %
GWG DLP Funding IV, LLC – senior credit facility with LNV Corporation (see Note 6)	222,525,000	9.31 %	162,725,000	7.34 %
Total	$ 683,952,000	7.95 %	$ 566,406,000	7.30 %

As of September 8, 2017, all of the Series I Secured Notes had been paid in full and all obligations thereunder had been terminated.

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The Series I Secured Notes were governed by an Intercreditor Agreement, a Third Amended and Restated Note Issuance and Security Agreement dated November 1, 2011, as amended, and a related Pledge Agreement. Upon the redemption of the Series I Secured Notes and the termination of all obligations outstanding thereunder, those agreements were terminated effective as of September 8, 2017.

In June 2011, we concluded a private placement offering of Series A Preferred Stock for new investors, having received an aggregate $24.6 million in subscriptions for our Series A Preferred Stock. These subscriptions consisted of $14.0 million in conversions of outstanding Series I Secured Notes into Series A Preferred Stock and $10.6 million of new investments.

On October 9, 2017, we exercised our contractual right to call for the redemption of the Series A Preferred Stock and all related outstanding warrants and paid an aggregate of approximately $22.2 million.

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

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

In January 2015, we began publicly offering up to $1.0 billion of L Bonds as a follow-on to our earlier $250.0 million public debt offering. Through December 31, 2017, the total amount of these L Bonds sold, including renewals, was $856.3 million. As of December 31, 2017 and December 31, 2016, respectively, we had approximately $461.4 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 Redeemable Preferred Stock (RPS) at a per-share price of $1,000. As of December 31, 2017, we had issued approximately $99.1 million stated value of RPS and have terminated that offering.

On February 14, 2017, we began publicly offering up to 150,000 shares of Series 2 Redeemable Preferred Stock (RPS 2) at a per-share price of $1,000. As of December 31, 2017, we have issued approximately $88.7 million stated value of RPS 2.

On January 2, 2018, we began publicly offering up to $1.0 billion L Bonds as a follow-on to our earlier $1.0 billion L Bond offering. As of December 31, 2017, we have not issued any L Bonds in our follow-on offering.

The weighted-average interest rate of our outstanding L Bonds as of December 31, 2017 and December 31, 2016 was 7.29% and 7.23%, respectively, and the weighted-average maturity at those dates was 2.38 and 2.13 years, respectively. Our L Bonds have renewal features. Since we first issued our L Bonds, we have experienced $394.9 million in maturities, of which $234.7 million has renewed through December 31, 2017 for an additional term. This has provided us with an aggregate renewal rate of approximately 59.4% for investments in these securities.

Future contractual maturities of L Bonds at December 31, 2017 are:

Years Ending December 31,	L Bonds
2018	$ 105,916,000
2019	151,689,000
2020	78,402,000
2021	30,759,000
2022	40,018,000
Thereafter	54,643,000
	$ 461,427,000

The L Bonds are secured by all of our assets and are subordinate to our senior credit facility with LNV Corporation.

On September 27, 2017, we entered into a $300 million amended and restated senior credit facility with LNV Corporation in which DLP IV is the borrower. We intend to use the proceeds from this facility to grow and maintain our portfolio of life insurance policies, for liquidity and for general corporate purposes. As of December 31, 2017 we had approximately $222.5 million outstanding under the senior credit facility with LNV Corporation.

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 facility with LNV Corporation. We estimate that our liquidity and capital resources are sufficient for our current and projected financial needs for at least the next twelve months given current assumptions. However, if we are unable to continue our 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 fail to renew with the frequency we have historically experienced. In such a case, we could be forced to sell our investments in life insurance policies to service or satisfy our debt-related and other obligations. A sale under such circumstances may result in significant impairment of the recognized value of our portfolio.

Capital expenditures have historically not been material and we do not anticipate making material capital expenditures in 2018 or beyond.

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 December 31, 2017	As of December 31, 2016
Total senior facilities and other indebtedness:		
Face amount outstanding	$ 222,525,000	$ 162,725,000
Unamortized selling costs	(10,287,000)	(6,660,000)
Carrying amount	$ 212,238,000	$ 156,065,000
Series I Secured Notes:		
Face amount outstanding	$ —	$ 16,614,000
Unamortized selling costs	—	(209,000)
Carrying amount	$ —	$ 16,405,000
L Bonds:		
Face amount outstanding	$ 461,427,000	$ 387,067,000
Subscriptions in process	1,560,000	5,882,000
Unamortized selling costs	(15,593,000)	(11,636,000)
Carrying amount	$ 447,394,000	$ 381,313,000

Portfolio Assets and Secured Indebtedness

At December 31, 2017, the fair value of our investments in life insurance policies of $650.5 million plus our cash balance of $114.4 million and our restricted cash balance of $28.3 million, plus matured policy benefits receivable of $16.7 million, totaled $809.9 million, representing an excess of portfolio assets over secured indebtedness of $126.0 million. 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 December 31, 2017. In all cases, the sale of the life insurance assets owned by DLP IV will be used first to satisfy all amounts owing under the respective senior credit facility with LNV Corporation. The net sale proceeds remaining after satisfying all obligations under the senior credit facility with LNV Corporation would be applied to L Bonds on a pari passu basis.

Portfolio Discount Rate	10%	11%	12%	13%	14%	15%	1
Value of portfolio	$ 664,849,000	$ 633,741,000	$ 605,099,000	$ 578,666,000	$ 554,216,000	$ 531,554,000	$ 5
Cash, cash equivalents and policy benefits receivable	159,430,000	159,430,000	159,430,000	159,430,000	159,430,000	159,430,000	1
Total assets	824,279,000	793,171,000	764,529,000	738,096,000	713,646,000	690,984,000	6
Senior credit facility	222,525,000	222,525,000	222,525,000	222,525,000	222,525,000	222,525,000	2
Net after senior credit facility	601,754,000	570,646,000	542,004,000	515,571,000	491,121,000	468,459,000	4
L Bonds	461,427,000	461,427,000	461,427,000	461,427,000	461,427,000	461,427,000	4
Net after L Bonds	140,327,000	109,219,000	80,577,000	54,144,000	29,694,000	7,032,000	(
Impairment to L Bonds	No impairment	No impairment	No impairment	No impairment	No impairment	No impairment	I

The table illustrates that our ability to fully satisfy amounts owing under the L Bonds would likely be impaired upon the sale of all our life insurance assets at a price equivalent to a discount rate of approximately 15.04% or higher. At December 31, 2016, the likely impairment occurred at a discount rate of approximately 13.94% or higher. The discount rates used to calculate the fair value of our portfolio were 10.45% and 10.96% as of December 31, 2017 and December 31, 2016, respectively.

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. This table also does not include the yield maintenance fee, which could be substantial, we are required to pay in certain circumstances under our senior credit facility with LNV Corporation. You should read the above table in conjunction with the information contained in other sections of this report, including our discussion of discount rates included under the "Critical Accounting Policies — Fair Value Components —

Discount Rate" caption above.

Amendment of Credit Facility

Effective September 27, 2017, DLP IV entered into an Amended and Restated Loan and Security Agreement with LNV Corporation, as lender, and CLMG Corp., as the administrative agent on behalf of the lenders under the agreement. The Loan and Security Agreement makes available a total of up to $300,000,000 in credit to DLP IV with a maturity date of September 27, 2029. Additional advances are available under the Amended and Restated Loan Agreement at the LIBOR rate as defined in the Amended and Restated Loan Agreement. Advances are available as the result of additional borrowing base capacity, created as the premiums and servicing costs of pledged life insurance policies become due and by additional policy pledges to the facility or not. Interest will accrue on amounts borrowed under the Amended and Restated Loan Agreement at an annual interest rate, determined as of each date of borrowing or quarterly if there is no borrowing, equal to (A) the greater of 12-month LIBOR or the federal funds rate (as defined in the agreement) plus one-half of one percent per annum, plus (B) 7.50% per annum. The effective rate at December 31, 2017 was 9.31%. Interest payments are made on a quarterly basis.

Under the Amended and Restated Loan and Security Agreement, DLP IV has granted the administrative agent, for the benefit of the lenders under the agreement, a security interest in all of DLP IV's assets. As with prior collateral arrangements relating to the senior secured debt of GWG Holdings and its subsidiaries (on a consolidated basis), GWG Holdings' equity ownership in DLP IV continues to serve as collateral for the obligations of GWG Holdings under the L Bonds (although the life insurance assets owned by DLP IV will not themselves serve directly as collateral for those obligations).

Cash Flows

The payment of premiums and servicing costs to maintain life insurance policies represents our most significant requirement for cash disbursement. When a policy is purchased, we are able to calculate the minimum premium payments required to maintain the policy in-force. Over time as the insured ages, premium payments will increase. Nevertheless, the probability we will actually be required to pay the premiums decreases as mortality becomes more likely. These scheduled premiums and associated probabilities are factored into our expected internal rate of return and cash-flow modeling. Beyond premiums, we incur policy servicing costs, including annual trustee, 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 facility with LNV Corporation, when permitted, and through the issuance of debt securities, including the L Bonds, and equity securities including our preferred stock offerings.

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
2018	$ 53,548,000	$ 1,102,000	$ 54,650,000
2019	61,125,000	1,102,000	62,227,000
2020	69,886,000	1,102,000	70,988,000
2021	79,081,000	1,102,000	80,183,000
2022	89,102,000	1,102,000	90,204,000
	$ 352,742,000	$ 5,510,000	$ 358,252,000

Our anticipated premium expenses are subject to the risk of increased cost-of-insurance charges (i.e., premium charges) for the universal life insurance policies we own. We are aware of additional pending COI increases affecting three policies in our portfolio that we have received notice on and expect to quantify and recognize in the following months. As a result, we expect that our premium expense will increase and the fair value of the affected policies and our portfolio will be negatively impacted once we receive additional information and policy illustrations reflecting the increased rates from the insurers to revise our projections and valuations. 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 may see additional insurers implementing COI increases in the future. See also the Risk Factor section of this report *(“Cost-of-insurance (premium) increases could materially and adversely affect our profitability and financial condition.”).*

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

Quarter End Date	Portfolio Face Amount ($)	12-Month Trailing Benefits Realized	12-Month Trailing Premiums Paid	12-Month Trailing Benefits/Premium Coverage Ratio	
March 31, 2015	754,942,000	46,675,000	23,786,000	196.2	%
June 30, 2015	806,274,000	47,125,000	24,348,000	193.5	%
September 30, 2015	878,882,000	44,482,000	25,313,000	175.7	%
December 31, 2015	944,844,000	31,232,000	26,650,000	117.2	%
March 31, 2016	1,027,821,000	21,845,000	28,771,000	75.9	%
June 30, 2016	1,154,798,000	30,924,000	31,891,000	97.0	%
September 30, 2016	1,272,078,000	35,867,000	37,055,000	96.8	%

December 31, 2016	1,361,675,000	48,452,000	40,239,000	120.4	%
March 31, 2017	1,447,558,000	48,189,000	42,753,000	112.7	%
June 30, 2017	1,525,363,000	49,295,000	45,414,000	108.5	%
September 30, 2017	1,622,627,000	53,742,000	46,559,000	115.4	%
December 31, 2017	1,676,148,000	64,719,000	52,263,000	123.8	%

We believe that the portfolio cash flow results set forth above are consistent with our general investment thesis: that the life insurance policy benefits we receive will continue to increase over time in relation to the premiums we are required to pay on the remaining polices in the portfolio. Nevertheless, we expect that our portfolio cash flow on a period-to-period basis will remain inconsistent until such time as we achieve our goal of acquiring a larger, more diversified portfolio of life insurance policies.

Inflation

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

Off-Balance Sheet Arrangements

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

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 December 31, 2017, 96.7% of our life insurance policies, by face value benefits, were issued by companies that maintained an investment-grade rating (BBB or better) by Standard & Poor's.

Interest Rate Risk

Our senior credit facility with LNV Corporation is floating-rate financing. In addition, our ability to offer interest and dividend rates that attract capital (including in our continuous offering of L Bonds and RPS 2) is generally impacted by prevailing interest rates. Furthermore, while our L Bond and RPS 2 offerings provide us with fixed-rate debt and equity financing, respectively, our debt coverage ratio is calculated in relation to the interest rate on all of our debt financing. Therefore, fluctuations in interest rates impact our business by increasing our borrowing costs and reducing availability under our debt financing arrangements. We calculate our portfolio earnings based upon the spread generated between the return on our life insurance portfolio and the total cost of our financing. As a result, increases in interest rates will reduce the earnings we expect to achieve from our investments in life insurance policies.

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 management's assessment of our financial condition and operating results without regard to GAAP fair value standards. The application of current GAAP fair value standards, especially during a period of significant growth of our portfolio and our Company may result in current period GAAP financial results that may not be reflective of our long-term earnings potential 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 does, occur during this stage of our portfolio and company growth.

Therefore, in contrast to a GAAP fair valuation, we seek to measure the accrual of the actuarial gain occurring within the portfolio of life insurance policies at our expected internal rate of return (exclusive of future interest costs) based on statistical mortality probabilities for the insureds (using primarily the insured's age, sex, health and smoking status). The expected internal rate of return tracks actuarial gain occurring within the policies according to a mortality table as the insureds' age increases. By comparing the actuarial gain accruing within our portfolio of life insurance policies against our adjusted operating costs during the same period, we can estimate, manage and evaluate the overall financial performance of our business without regard to fair value volatility. We use this information to balance our life insurance policy purchasing and manage our capital structure, including the issuance of debt and utilization of our other sources of capital, and to monitor our compliance with borrowing covenants. We believe that these non-GAAP financial measures provide information that is useful for investors to understand period-over-period operating results separate and apart from fair value items that can have a disproportionately positive or negative impact on GAAP results in any particular reporting period.

Our senior credit facility with Autobahn/DZ Bank, which we terminated effective as of September 12, 2017, required us to maintain a "positive net income" and "tangible net worth," each of which were calculated on an adjusted non-GAAP basis using the method described below, without regard to GAAP-based fair value measures. In addition, our senior credit facility with Autobahn/DZ Bank required 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 senior credit facility with Autobahn/DZ Bank's interest rate.

In addition, the note issuance and security agreement governing our Series I Secured Notes, which we terminated effective as of September 8, 2017, and the Indenture governing our L Bonds requires us to maintain a "debt coverage ratio" designed to provide reasonable assurance that the buy and hold value of our portfolio plus certain short-term assets exceed 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.

Non-GAAP Investment Cost Basis	As of December 31, 2017	As of December 31, 2016
GAAP fair value	$ 650,527,000	$ 511,192,000
Unrealized fair value gain[1]	(331,386,000)	(264,625,000)
Adjusted cost basis increase[2]	325,100,000	248,377,000
Investment cost basis[3]	$ 644,241,000	$ 494,944,000

(1) This represents the reversal of cumulative unrealized GAAP fair value gain of life insurance policies.
(2) Adjusted cost basis is increased to interest, premiums and servicing fees that are expensed under GAAP.
(3) This is the non-GAAP cost basis in life insurance policies from which our expected internal rate of return is calculated.

Excess Spread. Management uses the "total excess spread" to gauge expected profitability of our investments. The Expected IRR of our portfolio is based upon future cash flow forecasts derived from a probabilistic analysis of our policy benefits received and policy premiums paid in relation to our non-GAAP investment cost basis.

	As of December 31, 2017		As of December 31, 2016	
Expected IRR[1]	10.48	%	11.34	%
Total weighted-average interest rate on indebtedness for borrowed money[2]	7.95	%	7.30	%
Total excess spread[3]	2.53	%	4.04	%

(1) Excludes IRR realized on matured life insurance policies – which are substantial.

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

Indebtedness	As of December 31, 2017	As of December 31, 2016
Senior credit facility with LNV Corporation	$ 222,525,000	$ 162,725,000
Series I Secured Notes	—	16,614,000
L Bonds	461,427,000	387,067,000
Total	$ 683,952,000	$ 566,406,000

Interest Rates on Indebtedness		
Senior credit facility with LNV Corporation	9.31 %	7.34 %
Series I Secured Notes	—	8.68 %
L Bonds	7.29 %	7.23 %
Weighted-average interest rates on indebtedness	7.95 %	7.30 %

(3) Calculated as the Expected IRR minus the weighted-average interest rate on interest-bearing indebtedness[(2)].

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Adjusted Non-GAAP Net Income. We calculate our adjusted non-GAAP net income by recognizing the actuarial gain accruing within our life insurance portfolio at the Expected IRR against our adjusted cost basis without regard to fair value. We net this actuarial gain against our adjusted operating costs during the same period to calculate our net income on a non-GAAP basis.

	Years Ended December 31, 2017	2016
GAAP net (loss) attributable to common shareholders	$ (33,335,000)	$ (3,145,000)
Unrealized fair value gain[1]	(66,761,000)	(70,582,000)
Adjusted cost basis increase[2]	99,320,000	72,818,000
Accrual of unrealized actuarial gain[3]	25,434,000	31,873,000
Total adjusted non-GAAP net income attributable to common shareholders	$ 24,658,000	$ 30,964,000

(1) Reversal of unrealized GAAP fair value gain on life insurance policies for current period.
(2) Adjusted cost basis is increased to include interest, premiums and servicing fees that are expensed under GAAP.
(3) Accrual of actuarial gain at Expected IRR.

Adjusted Non-GAAP Tangible Net Worth. We calculate our adjusted non-GAAP tangible net worth by recognizing the actuarial gain accruing within our life insurance policies at the Expected IRR of the policies we own without regard to fair value. We net this actuarial gain against our costs during the same period to calculate our adjusted tangible net worth on a non-GAAP basis.

	As of December 31, 2017	As of December 31, 2016
GAAP net worth	$ 133,672,000	$ 67,298,000
Less intangible assets[1]	(30,354,000)	(19,442,000)
GAAP tangible net worth	103,318,000	47,856,000
Unrealized fair value gain[2]	(331,386,000)	(264,625,000)
Adjusted cost basis increase[3]	325,100,000	248,377,000
Accrual of unrealized actuarial gain[4]	158,241,000	132,808,000
Total adjusted non-GAAP tangible net worth	$ 255,273,000	$ 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 expensed under GAAP.

(4) Accrual of cumulative actuarial gain at Expected IRR.

Debt Coverage Ratio. Our L Bonds borrowing covenants require us to maintain a debt coverage ratio of less than 90%. The debt coverage ratio is calculated by dividing the sum of our total interest-bearing indebtedness by the sum of our cash, cash equivalents, and policy benefits receivable by the net present value of the life insurance portfolio, and, without duplication, the value of all of our other assets as reflected on our most recently available balance sheet prepared in accordance with GAAP (see Item 9B).

	As of December 31, 2017		As of December 31, 2016	
Life insurance portfolio policy benefits	$ 1,676,148,000		$ 1,361,675,000	
Discount rate of future cash flows[1]	7.95	%[1]	7.30	%[1]
Net present value of life insurance portfolio policy benefits	$ 737,625,000		$ 614,908,000	
Cash, cash equivalents	142,771,000		116,314,000	
Life insurance policy benefits receivable	16,659,000		5,345,000	
Total Coverage	$ 897,055,000		$ 736,567,000	
Senior credit facilities	$ 222,525,000		$ 162,725,000	
Series I Secured Notes	—		16,614,000	
L Bonds	461,427,000		387,067,000	
Total Indebtedness	$ 683,952,000		$ 566,406,000	
Debt Coverage Ratio	76.24	%	76.90	%

(1) Weighted average-interest rate paid on indebtedness.

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

Expected Portfolio Internal Rate of Return at Purchase. Expected portfolio IRR at purchase is calculated as the weighted average (by face amount of policy benefits) derived from a probabilistic analysis of policy benefits received and policy premiums paid relative to our purchase price for all life insurance policies in the portfolio. This non-GAAP measure isolates our IRR expectation at purchase utilizing our underwriting life expectancy assumptions at the time of purchase. 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 IRR.

	2017	2016
Life insurance portfolio policy benefits	$ 1,676,148,000	$ 1,361,675,000
Total number of polices	898	690

Non-GAAP Expected Portfolio Internal Rate of Return at Purchase	15.32 %	15.64 %

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of GWG Holdings, Inc. and Subsidiaries:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of GWG Holdings, Inc. and Subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, changes in stockholders' equity, and cash flows, for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework: (2013)* issued by COSO.

Basis for Opinion

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Baker Tilly Virchow Krause, LLP
Minneapolis, Minnesota

We have served as the Company's auditor since 2013.

March 29, 2018

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 114,421,491	$ 78,486,982
Restricted cash	28,349,685	37,826,596
Investment in life insurance policies, at fair value	650,527,353	511,192,354
Secured MCA advances	1,661,774	5,703,147
Life insurance policy benefits receivable	16,658,761	5,345,000
Other assets	7,237,110	4,688,103
TOTAL ASSETS	$ 818,856,174	$ 643,242,182
LIABILITIES & STOCKHOLDERS' EQUITY		
LIABILITIES		
Senior Credit Facilities	$ 212,238,192	$ 156,064,818
Series I Secured Notes	—	16,404,836
L Bonds	447,393,568	381,312,587
Accounts payable	6,394,439	2,226,712
Interest and dividends payable	15,427,509	16,160,599
Other accrued expenses	3,730,723	1,676,761
Deferred taxes, net	—	2,097,371
TOTAL LIABILITIES	$ 685,184,431	$ 575,943,684
STOCKHOLDERS' EQUITY		
CONVERTIBLE PREFERRED STOCK – SERIES A (par value $0.001; shares authorized 40,000,000; shares outstanding 0 and 2,640,521; liquidation preference of $0 and $19,804,000 as of December 31, 2017 and 2016, respectively)	—	19,701,133
REDEEMABLE PREFERRED STOCK (par value $0.001; shares authorized 100,000; shares outstanding 98,611 and 59,183; liquidation preference of $99,186,000 and $59,183,000 as of December 31, 2017 and 2016, respectively)	92,840,243	59,025,164
SERIES 2 REDEEMABLE PREFERRED STOCK (par value $0.001; shares authorized 150,000; shares outstanding 88,709 and 0; liquidation preference of $89,208,000 and $0 as of December 31, 2017 and 2016, respectively)	80,275,204	—
COMMON STOCK (par value $0.001: shares authorized 210,000,000; shares issued and outstanding 5,813,555 and 5,980,190 as of December 31, 2017 and 2016, respectively)	5,813	5,980
Additional paid-in capital	—	7,383,515

Accumulated deficit	(39,449,517)	(18,817,294)
TOTAL STOCKHOLDERS' EQUITY	133,671,743	67,298,498
TOTAL LIABILITIES & EQUITY	$ 818,856,174	$ 643,242,182

The accompanying notes are an integral part of these Consolidated Financial Statements.

GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2017	December 31, 2016
REVENUE		
Gain on life insurance policies, net	$ 62,114,403	$ 67,801,565
MCA income	554,341	929,303
Interest and other income	1,465,174	746,466
TOTAL REVENUE	64,133,918	69,477,334
EXPENSES		
Interest expense	54,419,444	42,343,374
Employee compensation and benefits	14,869,749	11,784,296
Legal and professional fees	5,095,643	3,947,376
Provision for MCA advances	1,308,000	600,000
Other expenses	11,170,676	10,076,976
TOTAL EXPENSES	86,863,512	68,752,022
INCOME (LOSS) BEFORE INCOME TAXES	(22,729,594)	725,312
Income tax expense (benefit)	(2,097,371)	333,403
NET INCOME (LOSS)	(20,632,223)	391,909
Preferred stock dividends	12,702,341	3,537,287
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (33,334,564)	$ (3,145,378)
NET LOSS PER SHARE		
Basic	$ (5.72)	$ (0.53)
Diluted	$ (5.72)	$ (0.53)
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	5,826,033	5,967,274
Diluted	5,826,033	5,967,274

The accompanying notes are an integral part of these Consolidated Financial Statements.

GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Stock Shares	**Preferred Stock**	**Common Shares**	**Common Stock (par)**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Total Equity**
Balance, December 31, 2015	2,781,735	$ 20,784,841	5,941,790	$ 5,942	$ 14,563,834	$ (19,209,203)	$ 16,145,414
Net income	—	—	—	—	—	391,909	391,909
Issuance of common stock	—	—	36,450	36	244,149	—	244,185
Redemption of Series A Preferred Stock	(239,749)	(1,788,451)	1,950	2	19,498	—	(1,768,951
Issuance of Series A Preferred Stock	98,535	704,743	—	—	—	—	704,743
Issuance of Redeemable Preferred Stock	59,183	59,025,164	—	—	(4,133,526)	—	54,891,638
Preferred stock dividends	—	—	—	—	(3,537,287)	—	(3,537,287
Stock-based compensation	—	—	—	—	226,847	—	226,847
Balance, December 31, 2016	2,699,704	$ 78,726,297	5,980,190	$ 5,980	$ 7,383,515	$ (18,817,294)	$ 67,298,498
Net loss	—	—	—	—	—	(20,632,223)	(20,632,22
Issuance of common stock	—	—	33,810	33	320,970	—	321,003

Redemption of common stock	—	—	(200,445)	(200)	(1,603,360)	—	(1,603,560
Issuance of Series A preferred stock	71,237	498,659	—	—	—	—	498,659
Redemption of Series A preferred stock	(2,711,916)	(20,199,792)	—	—	—	—	(20,199,79
Issuance of redeemable preferred stock	129,622	122,933,106	—	—	(2,338,457)	—	120,594,64
Redemption of redeemable preferred stock	(1,328)	(1,327,776)	—	—	—	—	(1,327,776
Preferred stock dividends	—	(8,925,807)	—	—	(3,776,534)	—	(12,702,34
Stock-based compensation	—	1,410,760	—	—	13,866	—	1,424,626
Balance, December 31, 2017	187,319	$ 173,115,447	5,813,555	$ 5,813	$ —	$ (39,449,517)	$ 133,671,74

The accompanying notes are an integral part of these Consolidated Financial Statements.

GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2017	December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (20,632,223)	$ 391,909
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Change in fair value of life insurance policies	(66,760,811)	(70,582,383)
Amortization of deferred financing and issuance costs	8,780,847	8,445,252
Provision for MCA advances	1,308,000	600,000
Deferred income taxes	(2,097,371)	333,402
Preferred stock issued in lieu of cash dividends	498,659	689,742
(Increase) decrease in operating assets:		
Life insurance policy benefits receivable	(11,313,761)	(5,345,000)
Other assets	(3,088,071)	(1,427,816)
Increase (decrease) in operating liabilities:		
Accounts payable	4,167,728	709,272
Interest and dividends payable	2,708,623	5,171,168
Other accrued expenses	2,622,822	(4,999,443)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(83,805,558)	(66,013,897)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in life insurance policies	(88,643,819)	(94,952,879)
Carrying value of matured life insurance policies	16,069,632	10,992,624
Investment in Secured MCA advances	—	(8,727,924)
Proceeds from Secured MCA advances	2,762,784	2,553,466
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(69,811,403)	(90,134,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on Senior Credit Facilities	59,799,649	104,825,508
Payments for issuance costs of senior debt	(4,510,388)	(7,111,556)
Payments for redemption of Series I Secured Notes	(16,613,667)	(7,469,462)
Proceeds from issuance of L Bonds	131,796,220	153,874,402