GWG Holdings, Inc.
Form 424B3
October 30, 2013

Filed Pursuant to Rule 424(b)(3)
File Nos. 333-174887 and 333-174887-01

PROSPECTUS SUPPLEMENT NO. 2
to Prospectus dated June 4, 2013

Offering Amount $250,000,000

GWG HOLDINGS, INC.

a Delaware corporation

Renewable Secured Debentures

The information contained in this prospectus supplement amends and updates the prospectus dated June 4, 2013 (relating to our post-effective amendment to registration statement on Form S-1/A, filed with the SEC on April 4, 2013) (SEC File Nos. 333-174887 and 333-174887-01) (and which we refer to herein simply as the "prospectus"), and should be read in conjunction therewith. GWG Life Settlements, LLC, a Delaware limited liability company and wholly owned subsidiary of GWG Holdings, Inc., is also a registrant under the referenced registration statement as a guarantor of the Renewable Secured Debentures offered hereby (the "debentures"). Please keep this prospectus supplement with your prospectus for future reference.

Investing in our debentures may be considered speculative and involves a high degree of risk, including the risk of losing your entire investment. See the "Risk Factors" section of our prospectus for the risks you should consider before buying our debentures. An investment in our debentures is not suitable for all investors. Persons should not invest in the debentures unless they can afford to lose their entire investment. See the "Suitability Standards" section of the prospectus, which sets forth the suitability standards that investors must meet in order to purchase the debentures.

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

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

RECENT EVENTS

On October 30, 2013, we filed our Quarterly Report on Form 10-Q for the period ended September 30, 2013. This prospectus supplement has been prepared primarily to set forth certain information contained in that report.

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

The date of this prospectus supplement is October 30, 2013

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RISK RELATING TO FORWARD-LOOKING STATEMENTS

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

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

Some of the statements in this prospectus supplement that are not historical facts are "forward-looking" statements. Forward-looking statements can generally be identified by the use of words like "believes," "could," "possibly," "probably," "anticipates," "estimates," "projects," "expects," "may," "will," "should," "seek," "intend," "plan," "consider" these expressions or other variations, or by discussions of strategy that involve risks and uncertainties. As indicated above, all forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual transactions, results, performance or achievements to be materially different from any future transactions, results, performance or achievements expressed or implied by such forward-looking statements. The cautionary statements set forth in the "Risk Factors" section and elsewhere in the prospectus, and in this prospectus supplement, identify important factors with respect to such forward-looking statements due to the life insurance focus of our business.

We base these forward-looking statements on current expectations and projections about future events and the information currently available to us. Although we believe that the assumptions for these forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Consequently, no representation or warranty can be given that the estimates, opinions, or assumptions made in or referenced by this prospectus supplement will prove to be accurate. We caution you that the forward-looking statements in the prospectus and this prospectus supplement are only estimates and predictions. Actual results could differ materially from those anticipated in the forward-looking statements due to risks, uncertainties or actual events differing from the assumptions underlying these statements. These risks, uncertainties and assumptions include, but are not limited to, those discussed in the prospectus and this prospectus supplement.

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

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

Note: The following discussion and analysis of the financial condition and results of operations of the Company are derived from our Quarterly Report on Form 10-Q for the period ended September 30, 2013, filed with the SEC effective October 30, 2012. We have not materially updated this discussion in any way, although it may be presented in a different order than in our Quarterly Report. As indicated in that report, this discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. The statements in this discussion and analysis concerning expectations regarding our future performance, liquidity and capital resources, as well as other non-historical statements in this discussion and analysis, are forward-looking statements. See "Risks Relating to Forward-Looking Statements" above. These forward-looking statements are subject to numerous risks and uncertainties. Our actual results could differ materially from those suggested or implied by any forward-looking statements.

You should read the following discussion in conjunction with our condensed consolidated financial statements and related notes beginning at page F-1 of this prospectus supplement, as well as our consolidated financial statements and related notes contained within the prospectus.

Overview

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

In the first nine months of 2013, we recognized $11,396,000 of revenue from the receipt of $15,600,000 in policy benefits. In addition, we recognized revenue from the change in fair value of our life insurance policies, net of premiums and carrying costs, of $10,115,000. Interest expense, including amortization of the deferred financing costs and preferred stock dividends, was $14,946,000 for the nine months ended September 30, 2013, and selling, general and administrative expenses for the nine months ended September 30, 2013 were $8,190,000. Income tax expense for the nine months ended September 30, 2013 was $1,711,000. Our net income for the nine months ended September 30, 2013 was $195,000.

Critical Accounting Policies

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with 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 that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions and conditions. We evaluate our judgments, estimates and assumptions on a regular basis and make changes accordingly. We believe that the judgments, estimates and assumptions involved in the accounting for the valuation of investments in life insurance policies have the greatest potential impact on our consolidated financial statements and accordingly believe these to be our critical accounting estimates. Below we discuss the critical accounting policies associated with these estimates as well as certain other critical accounting policies.

Ownership of Life Insurance Policies—Fair Value Option

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

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

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

Valuation of Insurance Policies

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 of life insurance policies, which we believe to be the preferred and most prevalent valuation method in the industry. In this regard, the most significant assumptions we make are the life expectancy estimates of the insureds and the discount rate applied to the projected cash flows to be derived from our portfolio.

In determining life expectancy estimates, we generally use actuarial medical reviews from independent medical underwriters. These medical underwriters summarize the health of the insured by reviewing historical and current medical records. The medical underwriters evaluate the health condition of the insured in order to produce an estimate of the insured’s mortality—a life expectancy report. In the case of a small face policy ($250,000 face value or less), we may use one life expectancy report or estimate life expectancy based on a modified methodology which does not use actuarial medical reviews from independent medical underwriters. The life expectancy estimate represents a range of probabilities for the insured’s mortality against a group of cohorts with the same age, sex and smoking status. These mortality probabilities represent a mathematical curve known as a mortality curve, which is then used to generate a series of expected cash flows from the life insurance policy over the expected lifespan of the insured. A discount rate is used to calculate the net present value of the expected cash flows. The discount rate represents the internal rate of return we expect to earn on investments in a policy or in the portfolio as a whole at the stated fair value. The discount rate used to calculate fair value of our portfolio incorporates the guidance provided by ASC 820, Fair Value Measurements and Disclosures.

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

September 30, 2013	December 31, 2012
11.77%	12.08%

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 in the life insurance secondary market, market interest rates, the credit exposure to the issuing insurance companies and our estimate of the risk premium a purchaser would require to receive the future cash flows derived from our portfolio of life insurance policies. Because we use the discount rate to arrive at the fair value of our portfolio, the rate we choose necessarily 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).

We engaged a third party, Model Actuarial Pricing Systems (MAPS), to prepare a third-party valuation of our life settlement portfolio. MAPS owns and maintains the portfolio pricing software we use. MAPS processed policy data, future premium data, life expectancy estimate data, and other actuarial information we supply to calculate a net present value for our portfolio using the specified discount rate of 11.77%. MAPS independently calculated the net present value of our portfolio of 254 policies to be $214,166,000, which is the same fair value estimate we used on the balance sheet as of September 30, 2013, and furnished us with a letter documenting its calculation.

JOBS Act

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

Deferred Income Taxes

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

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

We have also provided a valuation allowance against the deferred tax asset related to a tax basis capital loss generated with respect to its settlement and subsequent disposal of our investment in Athena Structured Funds. As we have no expectation of generating capital gains within the applicable carry-forward period, we do not believe that it is more likely than not that the deferred asset will be realized.

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

Deferred Financing and Issuance Costs

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

Principal Revenue and Expense Items

We earn revenues from three primary sources as described below.

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

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

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

Our main components of expense are summarized below.

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

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

Results of Operations — Three and Nine months Ended September 30, 2013 Compared to the Same Periods in 2012

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

Revenue. Revenue recognized from the receipt of policy benefits was \$3,668,000 and \$11,396,000 during the three and nine months ended September 30, 2013. Revenue recognized from the receipt of policy benefits was \$4,083,000 during the three and nine months ended September 30, 2012. Revenue recognized from the change in fair value of our life insurance policies, net of premiums and carrying costs, was \$1,769,000 and \$10,115,000 for the three and nine months ended September 30, 2013, and \$4,788,000 and \$6,174,000 for the three and nine months ended September 30, 2012. During the nine-month period ended September 30, 2013, we purchased a higher volume of life insurance policies than we did during the same period in 2012. The change in fair value related to new policies acquired during the three and nine months ended September 30, 2013 was \$6,732,000 and \$19,762,000, respectively, and \$3,231,000 and \$4,898,000 for those acquired during the three and nine months ended September 30, 2012, respectively. In each case, the increases in fair value were due to changes in the discount rates we use to calculate the net present value of cash flows expected from our portfolio of life insurance policies, new policies acquired during the period, and the aging of the policies. The discount rate used to estimate the fair value of the life insurance policies we own was

11.77% as of September 30, 2013, compared to 12.08% for the same date in 2012. The decrease in discount rate was due to, among other things, an increase in the size and diversity of policies held in our portfolio of life insurance policies that resulted in lower risk premium to a potential buyer of the portfolio in its entirety. The carrying value of policies acquired during each quarterly reporting period is adjusted to current value using the fair value discount rate applied to the portfolio as of that reporting date. For more information, please see "Critical Accounting Policies – Valuation of Insurance Policies" above.

Expenses. Interest expense, including amortization of the deferred financing costs, was $5,537,000 for the third quarter of 2013 and $14,946,000 for the nine months ended September 30, 2013, compared to $2,803,000 for the third quarter of 2012 and $7,621,000 for the nine months ended September 30, 2012. Year-to-date interest expense for the first nine months of 2013 has increased $7,325,000 compared to the same period in 2012. The increase in interest expense was due to increased average debt outstanding from $138,710,000 on September 30, 2012 to $225,362,000 on September 30, 2013 as well as an increase of weighted average effective interest rate associated with the revolving line of credit from 2.17% to 6.12% for the nine month periods ended September 30, 2012 and 2013, respectively. The increase of the weighted average effective interest rate along with incurred financing costs associated with the renewal of the revolving line of credit resulted in an increase of the line of credit's interest expense of $2,637,000. Selling, general, and administrative expenses were $2,276,000, and $1,391,000 for the third quarter of 2013 and 2012, respectively, and $8,191,000 and $4,552,000 for the nine months ended September 30, 2013 and 2012, respectively. This represents an increase of $3,639,000 in selling, general, and administrative expenses during the first nine months of 2013 compared to the same period of 2012. This was the result of an increase of $2,239,000 in employee expenses and benefits, $182,000 increased legal expenses, as well as $1,218,000 increase of sales and marketing costs associated with our public offering of Renewable Secured Debentures.

Income Tax Expense. For the three and nine months ended September 30, 2013, we recorded income tax benefit of $657,000 (or 28.7% of income before taxes) and income tax expense of $1,711,000 (or 89.8% of income before taxes), compared to income tax expense of $633,000 (or 121.8% of income before taxes) for the three month ended September 30, 2012 and income tax expense of $104,000 (or 5.6% of income before taxes) for the nine months ended September 30, 2012. The primary difference between our September 30, 2013 effective tax rate and the statutory federal rate result from the accrual of preferred stock dividend expense, state taxes, and other non-deductible expenses. Excluding the impact of the dividends and other permanent differences, the effective tax rate for the three months ended September 30, 2013 would have been 40.5%.

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

Liquidity and Capital Resources

We finance our business through a combination of policy benefit revenues, origination fees, equity offerings, debt offerings, and a credit facility. We have used our debt offerings and credit facility for a combination of policy acquisition, policy servicing, portfolio related financing, and operational expenditures. We typically charge an intercompany origination fee in the amount of one to four percent of the face value of a life insurance policy's benefit when we acquire the related life insurance policy. The origination fee we charge is included in the total purchase price we pay for a life insurance policy for purposes of our valuation and expected internal rate of return calculations, but is not netted against the purchase price we pay to a seller of an insurance policy. We generated cash flows of $1,004,000 and $746,000 from origination fees during the three months ended September 30, 2013 and 2012 respectively, and $2,818,000 and $1,185,000 during the nine months ended September 30, 2013 and 2012 respectively. The higher amount in 2013 was due to a higher volume of purchases of life insurance policies compared to that in the same period of 2012. Profit from intra-company origination fees for life insurance policies we retain is eliminated from our consolidated statements of operations. As such, the origination fees collected under our life insurance policy financing arrangements are reflected in our consolidated statements of cash flows as cash flows from financing activities as they are paid in the form of borrowings used to finance the acquisition. Our revolving bank line allows GWG DLP Funding II to borrow the funds necessary to pay origination fees to GWG Life Settlements, LLC. Our borrowing agreements allow us to use the net proceeds from our sales of Renewable Secured Debentures for policy acquisition, which includes origination fees. See "—Cash Flows" below for further information. We determine the purchase price of life insurance policies in accordance with ASC 325-30, Investments in Insurance Contracts , using the fair value method. Under the fair value method, the initial investment is recorded at the transaction price. Since the origination fees are paid from a wholly owned subsidiary to the parent company, these fees are not included in the transaction price for our consolidated financial statements. For further discussion on our accounting policies for life settlements, please refer to note 1 to our consolidated financial statements.

As of September 30, 2013, we had approximately $32.7 million in combined available cash and available borrowing base surplus capacity under our revolving credit facility for the purpose of paying premiums on existing policies, paying portfolio servicing expenses, and paying principal and interest on our outstanding financing obligations.

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

In June 2011, we registered a $250.0 million debt offering of our Renewable Secured Debentures with the SEC, which registration became effective on January 31, 2012. As of September 30, 2013, we had received $114.6 million in subscriptions for our Renewable Secured Debentures, including $0.9 million of subscriptions in process.

Our wholly owned subsidiary, GWG Life Settlements, LLC, or GWG Life, issued Series I Secured notes beginning in November 2009 on a private placement basis to accredited investors only. This offering was closed in November 2011. As of September 30, 2013, we had approximately $32.6 million in principal amount of Series I Secured notes outstanding.

The weighted-average interest rate of our outstanding Series I Secured notes as of September 30, 2013 was 8.30% and the weighted-average maturity at that date was 2.54 years. The Series I Secured notes have renewal features. Since we first issued our Series I Secured notes, we have experienced $103,436,000 in maturities, of which $79,402,000 has renewed for an additional term as of September 30, 2013. This has provided us with an aggregate renewal rate of approximately 77% for investments in our subsidiary secured notes. Future contractual maturities of Series I Secured notes payable at September 30, 2013 are as follows:

Years Ending December 31,	
Three months ending December 31, 2013	$ 4,189,000
2014	14,901,000
2015	6,675,000
2016	2,030,000
2017	4,085,000
Thereafter	818,000
	$ 32,698,000

The weighted-average interest rate of our outstanding Renewable Secured Debentures as of September 30, 2013 was 7.53% and the weighted-average maturity at that date was 3.78 years. Our Renewable Secured Debentures have renewal features. Since we first issued our Renewable Secured Debentures, we have experienced $20,018,000 in maturities, of which $13,542,000 has renewed for an additional term as of September 30, 2013. This has provided us with an aggregate renewal rate of approximately 68% for investments in our Renewable Secured Debentures. Future contractual maturities of Renewable Secured Debentures at September 30, 2013 are as follows:

Years Ending December 31,	
Three months ending December 31, 2013	$ 7,735,000
2014	23,060,000
2015	35,467,000
2016	21,974,000
2017	6,843,000
Thereafter	18,585,000
	$ 113,664,000

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

We maintain a $100 million revolving credit facility with Autobahn/DZ Bank through our wholly owned subsidiary GWG DLP Funding II, or DLP Funding II. As of September 30, 2013, we had $79.0 million outstanding under the revolving credit facility and maintained an available borrowing base surplus of $0.3 million (see note 6 to our consolidated financial statements).

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

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

Debt Financings Summary

We had the following outstanding debt balances as of September 30, 2013:

Issuer/Borrower	Principal Amount Outstanding	Weighted Average Interest Rate
GWG Holdings, Inc. - Renewable Secured Debentures	$ 113,664,000	7.53%
GWG Life Settlements, LLC -Series I Notes, secured	32,698,000	8.30%
GWG DLP Funding II, LLC - Revolving credit facility	79,000,000	6.19%
Total	$ 225,362,000	7.17%

Our total revolving credit facility and other indebtedness balance as of September 30, 2013 was $225,362,000. The total outstanding face amount under our Series I Secured notes outstanding at September 30, 2013 was $32,698,000, less unamortized selling costs of $660,000, resulting in a carrying amount of $32,038,000. The total outstanding face amount of Renewable Secured Debentures outstanding at September 30, 2013 was $113,664,000 plus $937,000 of subscriptions in process, less unamortized selling costs of $4,541,000, resulting in a carrying amount of $110,060,000. The total outstanding under our revolving credit facility at September 30, 2013 was $79,000,000. The fair value of our investments in life insurance assets of $214,166,000 plus our cash balance of $32,429,000 and our restricted cash balance of $3,510,000, totaled $250,105,000, representing an excess of life insurance assets over secured indebtedness of $24,743,000 at September 30, 2013. The Renewable Secured Debentures and Series I Secured notes are secured by all our assets and are structurally subordinate to our ownership of DLP Funding II, and the revolving credit facility with Autobahn/DZ Bank. The Renewable Secured Debentures and Series I Secured notes are pari passu with respect to shared collateral pursuant to an inter-creditor agreement.

The following forward-looking table seeks to illustrate the impact of the sale of our portfolio of life insurance assets at various discount rates in order to satisfy our debt obligations as of September 30, 2013. In all cases, the sale of the life insurance assets owned by DLP Funding II will be used first to satisfy all amounts owing under the revolving credit facility with Autobahn/ DZ Bank. The net sale proceeds remaining after satisfying all obligations under the revolving credit facility would be applied to Renewable Secured Debentures and Series I Secured Notes on a pari passu basis.

As of September 30, 2013 Portfolio Discount Rate	11%	12%	13%	14%	15%
Value of portfolio	$ 223,459,107	$ 211,505,455	$ 200,509,302	$ 190,372,948	$ 181,010,522
Cash and cash equivalents	35,938,944	35,938,944	35,938,944	35,938,944	35,938,944
Total assets	259,398,051	247,444,399	236,448,246	226,311,892	216,949,466
Revolving credit facility Autobahn/DZ Bank	79,000,000	79,000,000	79,000,000	79,000,000	79,000,000
Net after revolving credit facility	180,398,051	168,444,399	157,448,246	147,311,892	137,949,466
Series I Secured notes and Renewable Secured Debentures	146,361,603	146,361,603	146,361,603	146,361,603	146,361,603
Net after Series I Secured notes and Renewable Secured Debentures	34,036,448	22,082,797	11,086,644	950,290	(8,412,137)
Impairment to Series I Secured notes and Renewable Secured Debentures	No impairment	No impairment	No impairment	No impairment	Impairment

The table illustrates that our ability to fully satisfy amounts owing under the Renewable Secured Debentures and Series I Secured Notes would likely be impaired upon the sale of all our life insurance assets at a price equivalent to a discount rate of approximately 14.10% or higher. The discount rates used to calculate the fair value of our portfolio for mark-to-market accounting were 11.77% as of September 30, 2013, and 12.08% as of December 31, 2012. 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 (including the debentures), in light of our senior secured lender's right to priority payments. You should read the above table in conjunction with the information contained in other sections of this document, including our discussion of discount rates included under the "—Critical Accounting Policies – Valuation of Insurance Policies" caption above. This discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. The forward-looking presentation above is subject to numerous risks and uncertainties. Our actual results could differ materially from those suggested or implied by the above table. Please see "Risk Relating to Forward-Looking Statements" above.

Cash Flows

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

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

Quarter End Date	Portfolio Face Amount	12-Month Trailing Benefits Collected	12-Month Trailing Premiums Paid	12-Month Trailing Benefits/Premium Coverage Ratio
March 31, 2012	$ 482,455000	$ 4,203,000	$ 14,977,000	28.06%
June 30, 2012	489,255,000	8,703,000	15,412,000	56.47%
September 30, 2012	515,661,000	7,833,000	15,837,000	49.46%
December 31, 2012	572,245,000	7,350,000	16,597,000	44.28%
March 31, 2013	639,755,000	11,350,000	18,044,000	62.90%
June 30, 2013	650,655,000	13,450,000	19,182,000	70.11%
September 30, 2013	$ 705,069,000	$ 18,450,000	$ 20,279,000	90.98%

We believe that the portfolio cash flow results set forth above are consistent with our 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. As our receipt of life insurance policy benefits continues to increase, we expect to begin servicing and paying down our outstanding indebtedness, or alternatively purchasing additional life insurance policies, from these cash flows. As indicated above under “Liquidity and Capital Resources,” we presently expect that by 2015, the cash inflows from the receipt of policy benefits will exceed the premium obligations on the remaining life insurance policies held within the portfolio. See “Business—Portfolio Management.”

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 is set forth in the table below.

Year	Premiums and Servicing
Three months ending December 31, 2013	$ 6,040,000
2014	22,997,000
2015	24,835,000
2016	27,217,000
2017	30,269,000
Total	$ 111,358,000

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

Inflation

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

Off-Balance Sheet Arrangements

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

Three months ending December 31, 2013	$	25,000
2014	$	104,000
2015	$	70,000
Total	$	199,000

Credit Risk

We review the credit risk associated with our portfolio of life insurance policies when estimating its fair value. In evaluating the policies' credit risk we consider insurance company solvency, credit risk indicators, economic conditions, ongoing credit evaluations, and company positions. We attempt to manage our credit risk related to life insurance policies typically by purchasing policies issued only from companies with an investment grade credit rating by either Standard & Poor's, Moody's, or A.M. Best Company. As of September 30, 2013, 99.60% of our life insurance policies, by face value benefits, were issued by companies that maintained an investment grade rating (BBB- or better) by Standard & Poor's.

Interest Rate Risk

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

Non-GAAP Financial Measures

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

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

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

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

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

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

	Three Months Ended September 30,		Nine months Ended September 30,	
	2013	2012	2013	2012
GAAP net income (loss)	$ (1,629,000)	$ (113,000)	$ 195,000	$ (1,964,000)
Unrealized fair value gain (1)	(6,960,000)	(8,882,000)	(25,904,000)	(19,872,000)
Adjusted cost basis increase (2)	9,360,000	6,475,000	28,256,000	19,407,000
Accrual of unrealized actuarial gain (3)	5,208,000	4,598,000	15,406,000	12,437,000
Total adjusted non-GAAP income (4)	$ 5,979,000	$ 2,078,000	$ 17,953,000	$ 10,008,000

(1) Reversal of unrealized fair value gain of life insurance policies for current period.
(2) Adjusted cost basis is increased to include those acquisition and servicing expenses which are not capitalized by GAAP.
(3) Accrual of actuarial gain at expected internal rate of return based on investment cost basis for the period.
(4) We must maintain an annual positive consolidated net income, calculated on a non-GAAP basis, to maintain compliance with our revolving credit facility with DZ Bank/Autobahn.

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

Non-GAAP statement of operations:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Income				
Investments in life settlement contracts (Unrealized)	$ 5,208,000	$ 4,598,000	15,406,000	12,437,000
Investments in life settlement contracts (Realized)	3,668,000	-	11,396,000	4,083,000
Origination fees and other income	239,000	654,000	4,950,000	1,142,000
Total Income	9,115,000	5,252,000	31,752,000	17,662,000
Expenses				
Operations	2,909,000	1,572,000	10,088,000	6,246,000
Facility, Series I secured notes and renewable secured debentures marketing and deferred financing costs	883,000	394,000	2,000,000	1,304,000
Total Expenses	3,792,000	1,966,000	12,088,000	7,550,000
Net income before tax	5,323,000	3,286,000	19,664,000	10,112,000
Income tax expense (benefit)	(656,000)	1,208,000	1,711,000	104,000
Net Income	5,979,000	2,078,000	17,953,000	10,008,000
Income per share				
Basic and diluted	$ 0.66	$ 0.21	$ 1.84	$ 1.00
Fully diluted assuming conversion of preferred stock	$ 0.40	$ 0.15	$ 1.15	$ 0.67
Weighted average shares outstanding				
Basic and diluted	9,124,000	9,978,250	9,735,425	9,989,000
Fully diluted assuming conversion of preferred stock	14,978,001	14,154,546	15,607,894	14,991,360

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

	As of September 30, 2013	As of December 31, 2012
GAAP net worth (1)	$ 19,706,000	$ 22,644,000
Less intangible assets	(5,989,000)	(3,650,000)
GAAP tangible net worth	13,717,000	18,994,000
Unrealized fair value gain (2)	(101,310,000)	(75,406,000)
Adjusted cost basis increase (3)	95,118,000	67,123,000
Accrual of unrealized actuarial gain (4)	43,250,000	27,845,000
Total adjusted non-GAAP tangible net worth (5)	$ 50,775,000	$ 38,556,000

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

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

	As of September 30, 2013	As of December 31, 2012
Weighted-average expected IRR (1)	12.13%	12.84%
Weighted-average revolving credit facility interest rate (2)	6.19%	2.02%
Excess spread (3)	5.94%	10.82%
Total weighted-average interest rate on indebtedness for borrowed money (4)	7.17%	5.39%
Total excess spread	4.96%	7.45%

(1) This represents the weighted-average expected internal rate of return of the life insurance policies as of the measurement date based upon our investment cost basis of the insurance policies and the expected cash flows from the life insurance portfolio. Our investment cost basis is calculated as our cash investment in the life insurance policies, without regard to GAAP-based fair value measurements, and is set forth below:

Investment Cost Basis	As of September 30, 2013	As of December 31, 2012
GAAP fair value	$ 214,166,000	$ 164,317,000
Unrealized fair value gain (A)	(101,310,000)	(75,406,000)
Adjusted cost basis increase (B)	95,118,000	67,123,000
Investment cost basis (C)	$ 207,974,000	$ 156,034,000

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

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

(C) This is the full cash investment cost basis in life insurance policies from which our expected internal rate of return is calculated.

(2) This is the weighted-average revolving credit relating to our revolving credit facility interest rate as of the measurement date.

(3) We must maintain an excess spread of 2.00% relating to our revolving credit facility to maintain compliance under such facility.

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

Outstanding Indebtedness	As of September 30, 2013	As of December 31, 2012
Revolving credit facility	$ 79,000,000	$ 71,000,000
Series I Subsidiary secured notes	32,698,000	38,570,000
Renewable Secured Debentures	113,664,000	57,609,000

Total	$ 225,362,000	$ 167,179,000
Interest Rates on Indebtedness		
Revolving credit facility	6.19%	2.02%
Series I subsidiary secured notes	8.30%	8.22%
Renewable Secured Debentures	7.53%	7.65%
Weighted-average interest rates on indebtedness	7.17%	5.39%

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

	As of September 30, 2013	As of December 31, 2012
Life insurance portfolio policy benefits	$ 705,069,000	$ 572,246,000
Discount rate of future cash flows	7.17%	5.39%
Net present value of life insurance portfolio policy benefits	$ 280,319,000	$ 248,702,000
Cash and cash equivalents	35,939,000	29,590,000
Total Coverage	316,258,000	278,292,000
Revolving credit facility	79,000,000	71,000,000
Series I Subsidiary secured notes	32,698,000	38,570,000
Renewable Secured Debentures	113,664,000	57,609,000
Total Indebtedness	$ 225,362,000	$ 167,179,000
Debt Coverage Ratio	71.26%	60.07%
Subordination Ratio	24.98%	25.51%

As of September 30, 2013, we were in compliance with both the debt coverage ratio and the subordination ratio as required under our related financing agreements for Renewable Secured Debentures and Series I subsidiary secured notes.

Our Portfolio

Our portfolio of life insurance policies, owned by our subsidiaries as of September 30, 2013, is summarized below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$ 705,069,000
Average face value per policy	$ 2,776,000
Average face value per insured life	$ 3,039,000
Average age of insured (yrs.) *	81.9
Average life expectancy estimate (yrs.) *	7.41
Total number of policies	254
Demographics	66% Males; 34% Females
Number of smokers	No insureds are smokers
Largest policy as % of total portfolio	1.42 %
Average policy as % of total portfolio	0.39 %

Average Annual Premium as % of face value	3.18	%

* Averages presented in the table are weighted averages. Standard life expectancy as adjusted for insured's specific circumstances where an updated life expectancy estimate has not been obtained.

Our portfolio of life insurance policies, owned by our subsidiaries as of September 30, 2013, organized by the insured's current age and the associated policy benefits, is summarized below:

Distribution of Policy Benefits by Current Age of Insured

Min Age	Max Age	Policy Benefits	Distribution
65	69	$ 5,156,000	0.73%
70	74	49,017,000	6.95%
75	79	195,961,000	27.79%
80	84	230,935,000	32.76%
85	89	207,429,000	29.42%
90	95	16,571,000	2.35%
Total		$ 705,069,000	100.00%

Our portfolio of life insurance policies, owned by our subsidiaries as of September 30, 2013, organized by the insured's current age and number of policies owned, is summarized below:

Distribution of Policies by Current Age of Insured

Min Age	Max Age	Policies	Distribution
65	69	5	1.97%
70	74	18	7.09%
75	79	64	25.19%
80	84	86	33.86%
85	89	73	28.74%
90	95	8	3.15%
Total		254	100.00 %

Our portfolio of life insurance policies, owned by our subsidiaries as of September 30, 2013, organized by the insured's estimated life expectancy estimates and associated policy benefits, is summarized below:

Distribution of Policy Benefits by Current Life Expectancy Estimates of Insured

Min LE (Months)	Max LE (Months)	Policy Benefits	Distribution
144	177	$ 24,200,000	3.43%
120	143	79,415,000	11.26%
96	119	191,835,000	27.21%
72	95	198,319,000	28.13%
48	71	157,001,000	22.27%
24	47	54,299,000	7.70%
Total		$ 705,069,000	100.00%

We track concentrations of pre-existing medical conditions among insured individuals within our portfolio based on information contained in life expectancy reports. We track these medical conditions with ten primary disease categories: (1) cardiovascular, (2) cerebrovascular, (3) dementia, (4) cancer, (5) diabetes, (6) respiratory disease, (7) neurological disorders, (8) other, no disease, or multiple. Our primary disease categories are summary generalizations based on the ICD-9 codes we track on each insured individuals within our portfolio. ICD-9 codes, published by the World Health Organization, are used worldwide for medical diagnoses and treatment systems, as well as morbidity and mortality statistics. Currently, cardiovascular is the only primary disease category within our portfolio that represents a concentration over 10%.

Our portfolio of life insurance policies, owned by our subsidiaries as of September 30, 2013, organized by the primary disease categories of the insured and associated policy benefits, is summarized below:

Distribution of Policy Benefits by Primary Disease Category

Primary Disease Category	Policy Benefits	Distribution
Cancer	$ 44,400,000	6.30%
Cardiovascular	147,838,000	20.97%
Cerebrovascular	36,985,000	5.24%
Dementia	34,399,000	4.88%
Diabetes	39,067,000	5.54%
Multiple	170,810,000	24.23%
Neurological Disorders	13,000,000	1.84%
No Disease	69,986,000	9.93%
Other	96,884,000	13.74%
Respiratory Diseases	51,700,000	7.33%
Total Policy Benefits	$ 705,069,000	100.00 %

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

The possible insolvency or loss by a life insurance company is a significant risk to our business. To manage this risk, we seek to purchase policies that are issued by insurance companies with investment-grade ratings from either A.M. Best, Moody's or Standard & Poor's. To further mitigate risk, we seek to limit the face value of policy benefits issued by any one life insurance company within the total portfolio to 20%. State guaranty funds generally guaranty policy benefits up to $200,000. In addition, to assure diversity and stability in our portfolio, we regularly review the various metrics of our portfolio relating to credit risk. We track industry rating agency reports and industry journals and articles in order to gain insight into possible financial problems of life insurance companies. Finally, we will only purchase those life insurance policies that meet the underwriting standards established in the indenture.

As of September 30, 2013, 99.60% of insurance companies in our portfolio hold an investment-grade rating by Standard & Poor's (BBB- or better), and the face value of policy benefits issued by one life insurance company with in the portfolio was 16.21%. Of the 40 insurance companies that insure the policies we own, ten companies insure approximately 74.07% of total face value of insurance benefits and the remaining thirty one insurance companies insure the remaining approximately 25.93% of total face value of insurance benefits. The concentration risk of our ten largest insurance company holdings as of September 30, 2013 is set forth in the table below.

Rank	Policy Benefits	Percentage of Policy Benefit Amt.	Insurance Company	Ins. Co. S&P Rating
1	$ 114,280,000	16.21%	AXA Equitable Life Insurance Company	A+
2	$ 79,995,000	11.35%	John Hancock Life Insurance Company (U.S.A)	AA-

3	$ 68,193,000	9.67%	Transamerica Life Insurance Company	AA-
4	$ 55,769,000	7.91%	Jefferson-Pilot Life Insurance Company	AA-
5	$ 51,215,000	7.26%	ING Life Insurance and Annuity Company	A-
6	$ 38,250,000	5.43%	American General Life Insurance Company	A+
7	$ 37,735,000	5.35%	Massachusetts Mutual Life Insurance Company	AA+
8	$ 29,000,000	4.11%	Pacific Life Insurance Company	A+
9	$ 25,450,000	3.61%	West Coast Life Insurance Company	AA-
10	$ 22,333,000	3.17%	Metropolitan Life Insurance Company	AA-

Life Insurance Portfolio Detail
(as of September 30, 2013)

Face Amount	Gender	Age (1)	LE (2)	Carrier	S&P
$ 1,100,000	M	93	34.3	ING Life Insurance and Annuity Company	A-
$ 4,000,000	M	92	41.2	MetLife Investors USA Insurance Company	AA-
$ 1,770,726	F	92	38.8	Aviva Life Insurance Company	A-
$ 3,200,000	M	92	75.0	West Coast Life Insurance Company	AA-
$ 1,000,000	F	91	47.8	Transamerica Life Insurance Company	AA-
$ 1,000,000	F	90	26.9	American General Life Insurance Company	A+
$ 2,500,000	M	90	34.4	Columbus Life Insurance Company	AA
$ 2,000,000	F	90	35.9	Pruco Life Insurance Company	AA-
$ 5,000,000	F	89	70.2	American General Life Insurance Company	A+
$ 5,000,000	F	89	40.0	John Hancock Life Insurance Company (U.S.A)	AA-
$ 1,000,000	F	89	51.6	Protective Life Insurance Company	AA-
$ 5,000,000	M	88	47.1	John Hancock Life Insurance Company (U.S.A)	AA-
$ 3,500,000	F	88	74.2	John Hancock Life Insurance Company (U.S.A)	AA-
$ 3,100,000	F	88	50.1	Lincoln Benefit Life Company	BBB+
$ 1,500,000	F	88	80.3	Jefferson-Pilot Life Insurance Company	AA-
$ 3,000,000	F	88	49.6	Jefferson-Pilot Life Insurance Company	AA-
$ 5,000,000	F	88	56.6	ING Life Insurance and Annuity Company	A-
$ 5,000,000	F	88	33.6	Lincoln National Life Insurance Company	AA-
$ 1,000,000	M	88	20.9	ING Life Insurance and Annuity Company	A-
$ 1,203,520	M	88	59.7	Columbus Life Insurance Company	AA
$ 1,350,000	F	88	52.1	Jefferson-Pilot Life Insurance Company	AA-
$ 600,000	F	88	59.1	Columbus Life Insurance Company	AA
$ 5,000,000	F	87	52.1	Massachusetts Mutual Life Insurance Company	AA+
$ 2,500,000	F	87	64.7	American General Life Insurance Company	A+
$ 2,500,000	M	87	50.6	Pacific Life Insurance Company	A+
$ 1,000,000	F	87	67.6	United of Omaha Life Insurance Company	A+
$ 2,500,000	F	87	70.6	AXA Equitable Life Insurance Company	A+
$ 2,500,000	F	87	70.6	AXA Equitable Life Insurance Company	A+

Face Amount	Gender	Age (1)	LE (2)	Carrier	S&P
$ 8,985,000	M	87	44.2	Massachusetts Mutual Life Insurance Company	AA+
$ 715,000	F	87	77.7	Jefferson-Pilot Life Insurance Company	AA-
$ 2,225,000	F	87	88.4	Transamerica Life Insurance Company	AA-
$ 2,000,000	F	87	39.3	American General Life Insurance Company	A+
$ 3,500,000	F	87	67.3	Lincoln National Life Insurance Company	AA-
$ 1,682,773	M	86	77.3	Hartford Life and Annuity Insurance Company	BBB+
$ 500,000	F	86	58.1	Sun Life Assurance Company of Canada (U.S.)	BBB
$ 250,000	M	86	78.9	Metropolitan Life Insurance Company	AA-
$ 4,000,000	F	86	86.5	Transamerica Life Insurance Company	AA-
$ 5,000,000	M	86	78.0	AXA Equitable Life Insurance Company	A+
$ 1,500,000	M	86	53.6	John Hancock Life Insurance Company (U.S.A)	AA-
$ 1,500,000	M	86	53.6	John Hancock Life Insurance Company (U.S.A)	AA-
$ 5,000,000	F	86	47.5	Penn Mutual Life Insurance Company	A+
$ 1,000,000	M	86	71.3	AXA Equitable Life Insurance Company	