GWG Holdings, Inc.
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Registration Nos. 333-220288 and
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PROSPECTUS SUPPLEMENT NO. 4

to Prospectus dated
December 1, 2017

GWG HOLDINGS, INC.

The information contained in this Prospectus Supplement No. 4 supplements and amends our Prospectus dated December 1, 2017, as supplemented by Prospectus Supplement No. 1 dated March 30, 2018, Prospectus Supplement No. 2 dated May 11, 2018 and Prospectus Supplement No. 3 dated August 15, 2018 (collectively, the "Prospectus"), and should be read in conjunction therewith. This Prospectus Supplement No. 4 should be read in conjunction with, and may not be delivered or utilized without, the Prospectus. This Prospectus Supplement No. 4 is qualified by reference to the Prospectus, except to the extent that the information in this Prospectus Supplement No. 4 updates and supersedes the information contained in the Prospectus. Capitalized terms contained in this Prospectus Supplement No. 4 have the same meanings as in the Prospectus unless otherwise stated herein.

RECENT EVENTS

On November 19, 2018, we filed our Quarterly Report on Form 10-Q for the period ended September 30, 2018. This prospectus supplement has been prepared primarily to set forth certain information contained in that report.

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

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

The date of this prospectus supplement is November 20, 2018

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RISK RELATING TO FORWARD-LOOKING STATEMENTS

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

- changes in the secondary market for life insurance;

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

- 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 epigenetic technology to improve and expand the scope of our business;

- our reliance on information provided and obtained by third parties, including changes in underwriting tables and underwriting methodology;

- federal, state and FINRA regulatory matters;

- competition in the secondary market of life insurance and epigenetic technology;

- 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;

- Beneficient’s financial performance and ability to execute on its business plan;

- an inability to obtain accurate and timely financial information from Beneficient;

- financing requirements;

- the various risks associated with our attempts to commercialize our epigenetic 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.

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

We base these forward-looking statements on current expectations and projections about future events and the information currently available to us. Although we believe that the assumptions for these forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Consequently, no representation or warranty can be given that the estimates, opinions, or assumptions made in or referenced by this prospectus supplement will prove to be accurate. Some of the risks, uncertainties and assumptions are identified in the discussion entitled "Risk Factors" in the prospectus. We undertake no obligation to update our forward-looking statements. We caution you that the forward-looking statements in (or incorporated by reference into) this prospectus supplement are only estimates and predictions, or statements or current intent. Actual results or outcomes, or actions that we ultimately undertake, could differ materially from those anticipated in the forward-looking statements due to risks, uncertainties or actual events differing from the assumptions underlying these statements. These risks, uncertainties and assumptions include, but are not limited to, those discussed in this prospectus supplement.

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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 GWG Holdings are derived from our Quarterly Report on Form 10-Q for the period ended September 30, 2018, filed with the SEC on November 19, 2018. We have not materially updated this discussion in any way, although it may be presented in a different order than in our Quarterly Report. As indicated in that report, this discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. The statements in this discussion and analysis concerning expectations regarding our future performance, liquidity and capital resources, as well as other non-historical statements in this discussion and analysis, are forward-looking statements. See “Risks Relating to Forward-Looking Statements” above and in the prospectus. These forward-looking statements are subject to numerous risks and uncertainties. Our actual results could differ materially from those suggested or implied by any forward-looking statements.

You should read the following discussion in conjunction with the condensed consolidated financial statements and accompanying notes beginning at page F-1 of this prospectus supplement, and the information contained in other sections of our Quarterly Report on Form 10-Q for the period ended September 30, 2018, filed with the SEC on November 19, 2018. This discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012, or JOBS Act, was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933 for complying with new or revised accounting standards. This means that an "emerging growth company" can make an election to delay the adoption of certain accounting standards until those standards would apply to private companies. We have historically qualified as an emerging growth company and have elected to delay our adoption of new or revised accounting standards and, as a result, we may not have complied with new or revised accounting standards at the same time as other public reporting companies that are not "emerging growth companies." Effective upon the Initial Transfer of the transactions contemplated by the Master Exchange Agreement (discussed below), we no longer qualify as an emerging growth company as a result of the aggregate amount of non-convertible debt that we have issued during the prior three year period.

Overview

We are a leading provider of liquidity to consumers owning life insurance policies, an owner of a portfolio of alternative assets, and a developer of epigenetic technology for the life insurance industry and beyond. We built our business providing value to consumers owning illiquid life insurance products across America, delivering more than $564 million in value for their policies since 2006. As of September 30, 2018, we own an alternative asset portfolio of $1.96 billion in face value of life insurance policy benefits.

In addition to providing liquidity and owning alternative assets, we continue to innovate in the life insurance industry through our insurance technology initiative which is based upon the use of step-change epigenetic technology. Our wholly owned insurtech subsidiary, Life Epigenetics is focused on creating intellectual property and commercialized testing from supervised machine learning and advanced epigenetic technology. We believe our technology offers the life insurance industry a step-change opportunity for enhanced life insurance underwriting and risk assessment. Our wholly owned insurtech subsidiary, YouSurance is a digital life insurance agency that is working to offer life insurance directly to consumers in conjunction with our epigenetic testing. We believe that consumers who are interested in their health and wellness and in reducing the cost of their insurance will benefit from working with YouSurance.

On August 10, 2018, we completed the Initial Transfer of the Beneficient Transaction, which governs the strategic exchange of assets among the parties thereto. Through the Beneficient Transaction, we have enhanced and extended our activities from our core competencies of providing liquidity to individuals owning illiquid assets and alternative asset ownership. The Beneficient Transaction is expected to increase our ownership of alternative assets by $695 million, of which the parties exchanged assets valued at $453 million in connection with the Initial Transfer. Upon the Final Closing, which is expected at or near year-end 2018, and which is subject to certain closing conditions, the parties will complete the balance of an estimated $242 million asset exchange. Beneficient operates in a sector of the alternative asset market that is complementary to ours by providing a suite of innovative liquidity and trust products to mid-to-high

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net worth individual investors and small-to-medium institutional owners of professionally managed illiquid alternative investment assets. A summary of the Beneficient Transaction is set forth in our Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 14, 2018 and amended in our Current Report on Form 8-K/A filed with the Securities and Exchange Commission on November 9, 2018.

The Beneficient Transaction solidifies our position as a leading alternative liquidity provider and owner of alternative assets. The Beneficient Transaction builds upon core strengths that we have developed over the past decade in the secondary market for life insurance and the independent broker dealer and registered investment advisor marketplace. In addition to the strategic benefits of the transaction, we expect to experience the benefits that are attendant to a significant increase and diversification in our alternative asset portfolio that is intended to provide us with a new source of earnings and cash flow while at the same time significantly increasing our common shareholder equity.

Application of FASB Accounting Standards Codification Topic 845, Nonmonetary Transactions (ASC 845)

Although the Initial Transfer occurred on August 10, 2018, the Commercial Loan, the Exchangeable Note, the common units of Beneficient issued at the Initial Transfer and the Seller Trust L Bonds are not recorded on our condensed consolidated balance sheet at September 30, 2018 or statements of operations for the three and nine months ended September 30, 2018. These amounts were not recorded because, under ASC 845, the commercial substance of the transaction was not fully known and probable and will not be fully known and probable until the satisfaction of certain conditions to the Final Closing and the occurrence thereof.

It is important to note that, as further described below, the rights and obligations of the assets exchanged, as governed by the transaction documents, are unaffected by our current accounting application. This means that we will benefit from the assets that we received in the exchange and we will be required to meet the obligations of the Seller Trust L Bonds that we issued in the exchange. The result is that our financial condition, including our ability to service our debt and meet our obligations as they become due, may be materially different from that which an investor can discern from a review of our condensed consolidated balance sheets and statements of operations in isolation. Likewise, financial ratios and other metrics based on our publicly filed financial statements and publicly disseminated by financial analysts, news outlets and financial websites do not reflect the assets and liabilities exchanged in the Initial Transfer and the economic consequences thereof.

See Note 1 to the condensed consolidated financial statements for a description of the economic features of the assets received in the exchange at the Initial Transfer and the liabilities that we issued in such exchange.

Critical Accounting Policies

Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with the Generally Accepted Accounting Principles in the United States of America (GAAP) requires us to make significant 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.

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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 — Life Expectancies

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 2.6 million claims on policies from 51 insurance carriers. Life expectancies implied by the 2015 VBT are generally slightly longer for both male and female nonsmokers between the ages of 65 and 80. However, insureds of both genders over the age of 80 have significantly longer life expectancies, approximately 8% to 42% longer, as compared to the 2008 VBT. We adopted the 2015 VBT in our valuation process in 2016.

For life insurance policies with face amounts greater than $1 million and that are not pledged under any senior credit facility (approximately 21.5% of our portfolio by face amount of policy benefits) we attempt to update the life expectancy estimates on a continuous rotating three year cycle. For life insurance policies that are pledged under the LNV amended and restated senior credit facility (approximately 68.7% of our portfolio by face amount of policy benefits) we are presently required to update the life expectancy estimates every two years beginning from the date of the amended facility. For the remaining small face insurance policies (i.e., a policy with $1 million in face value benefits or less) we may employ a range of methods and timeframes to update life expectancy estimates. When deemed appropriate, we may also update life expectancy estimates from time to time in response to the release by independent third party medical-actuarial underwriting firms of updated mortality tables and medical underwriting methodologies (see Note 22).

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 life expectancy estimates has generally, but not always, resulted in longer life expectancies than we had projected. Life expectancy updates resulted in gain to the fair value of our portfolio in the amount of $0.1 million for the three month ended September 30, 2018, and reductions to the fair value of our portfolio in the amounts of $5.4 million for the three months ended September 30, 2017, and reductions of $4.9 million and $14.0 million for the nine months ended September 30, 2018 and 2017, respectively. 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 life expectancy estimates and/or changes to life expectancy tables and methodologies by our third party life expectancy providers (see Note 22).

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

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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 Accounting Standards Codification 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:

September 30, 2018	December 31, 2017

10.45%	10.45%

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 apply to 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 System, 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 1,087 policies to be $791.5 million and furnished us with a letter documenting its calculation. A copy of such letter is filed as Exhibit 99.1 to our Quarterly Report for the period ended September 30, 2018, filed on November 19, 2018.

Deferred Income Taxes

Under Accounting Standards Codification 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 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 carryforward period. As such, a valuation allowance has been established against the total net deferred tax asset as of September 30, 2018 and December 31, 2017, respectively.

Principal Revenue and Expense Items

We earn revenues from the following 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 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 condensed consolidated financial statements.

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

Our main components of expense are summarized below.

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

Interest Expense. We recognize, and record interest expenses associated with the costs of financing our life insurance portfolio for the current period. These expenses include interest paid to our senior lenders under our senior credit facility with LNV Corporation, as well as 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 — Three and Nine Months Ended September 30, 2018 Compared to the Same Periods in 2017

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

Revenue

Three Months Ended September 30,	Nine Months Ended September 30,

2018	2017	2018	2017

Revenue realized from maturities of life insurance policies	$ 5,646,000	$ 7,414,000	$ 36,542,000	$ 31,940,000

Revenue recognized from change in fair value of life insurance policies	24,840,000	20,182,000	56,058,000	49,301,000

Premiums and other annual fees	(14,765,000)	(13,175,000)	(39,670,000)	(36,124,000)

Gain on life insurance policies, net	15,721,000	14,421,000	52,930,000	45,117,000

Interest and other income	932,000	276,000	2,579,000	1,336,000

Total revenue	$ 16,653,000	$ 14,697,000	$ 55,509,000	$ 46,453,000

Attribution of gain on life insurance policies, net:

Change in estimated probabilistic cash flows, net of premium and other annual fees paid	$ 4,304,000	$ (606,000)	$ 15,813,000	$ 3,909,000

Net revenue recognized at matured policy event	2,323,000	5,193,000	20,217,000	17,189,000

Unrealized gain on acquisitions	9,021,000	7,217,000	21,790,000	25,863,000

Change in discount rates	—	7,987,000	—	12,130,000

Change in life expectancy evaluation	73,000	(5,370,000)	(4,890,000)	(13,974,000)

Gain on life insurance policies, net	$ 15,721,000	$ 14,421,000	$ 52,930,000	$ 45,117,000

Number of policies acquired	89	65	233	187

Face value of purchases	$ 120,430,000	$ 106,871,000	$ 333,078,000	$ 300,366,000

Purchases (initial cost basis)	$ 42,892,000	$ 25,199,000	$ 98,442,000	$ 67,321,000

Unrealized gain on acquisition (% of face value)	7.5 %	6.8 %	6.5 %	8.6 %

Number of policies matured	12	8	44	27

Face value of matured policies	$ 7,973,000	$ 9,747,000	$ 50,100,000	$ 39,657,000

Net revenue recognized at maturity event (% of face value matured)	29.1 %	53.3 %	40.4 %	43.3 %

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Revenue from changes in estimated probabilistic cash flows, net of premiums paid was \$4.3 million and (\$0.6) million for the three months ended and \$15.8 million and \$3.9 million for the nine months ended September 30, 2018 and 2017, respectively. Revenue increases of \$2.0 million and \$9.1 million for the three and nine months ended September 30, 2018 over the comparable prior year periods resulted from premium optimization actions coordinated with our external servicer, leveraging certain guarantee features and shadow accounts on certain life insurance policies in our portfolio, and growth of face value in our portfolio. The gains resulting from the foregoing factors were partially offset by cost of insurance ("COI") increases recognized of \$0 million and \$5.5 million for the three and nine months ended September 30, 2018 compared to \$0 for the three and nine months ended September 30, 2017.

The face value of policies purchased were $120.4 million and $106.9 million for the three months ended and $333.1 million and $300.4 million for the nine months ended September 30, 2018 and 2017, respectively, reflecting increases of face value purchased of $13.5 million and $32.7 million for the three and nine months ended September 30, 2018 over the comparable prior year periods. The resulting unrealized gain on acquisition was $9.0 million and $7.2 million for the three months ended and $21.8 million and $25.9 million for the nine months ended September 30, 2018 and 2017, respectively, reflecting an increase of $1.8 million and a decrease of $4.1 million for the three and nine months ended September 30, 2018 over the comparable prior year periods. Decreased unrealized gain on acquisition in the current periods is the result of increased purchase competition driving down yields in the secondary market for life insurance which we expect to continue for the foreseeable future.

The face value of matured policies was $8.0 million and $9.7 million for the three months ended and $50.1 million and $39.7 million for the nine months ended September 30, 2018 and 2017, respectively, reflecting a decrease of face value of matured policies of $1.7 million and an increase of $10.4 million for the three and nine months ended September 30, 2018 over the comparable prior year periods, respectively. The resulting revenue recognized at matured policy event was $2.3 million and $5.2 million for the three months ended and $20.2 million and $17.2 million for the nine months ended September 30, 2018 and 2017, respectively. Revenue changes from maturity events of ($2.9) million and $3.0 million for the three and nine months ended September 30, 2018 over the comparable prior year periods primarily resulted from the changes of face value of policies matured during those same periods.

Revenue recognized from changes in discount rate were $0 and $8.0 million for the three months ended September 30, 2018 and 2017, respectively, and $0 and $12.1 million for the nine months ended September 30, 2018 and 2017, respectively. The discount rate of 10.45% as of September 30, 2018 remained unchanged from both the prior quarter and year end dates. The discount rate of 10.54% as of September 30, 2017 reflected a decrease from the 10.81% rate used at June 30, 2017 and 10.96% used at December 31, 2016.

Net revenue charges from change in life expectancy evaluation of $0.1 million and ($5.4) million for the three months ended and ($4.9) million and ($14.0) million for the nine months ended September 30, 2018 and 2017, respectively. The resulting net revenue increases of $5.5 million and $9.1 million for the three and nine months ended September 30, 2018 over the comparable prior year periods primarily resulted from a lower number of life insurance policy updates received during the three and nine months ended September 30, 2018 over the comparable prior year periods. The decreased number of life expectancy updates is primarily the result of our cycle update timing and concentrated efforts of our external servicer in the prior year to resolve a backlog of third party evaluations.

Interest and other income is comprised of bank interest and other miscellaneous items. Increased revenue of $0.7 million and $1.2 million for the three and nine months ended September 30, 2018, respectively, were primarily driven by interest income from higher bank account balances and the implementation of a sweep process to move balances to higher interest earning bank accounts.

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Expenses

Three Months Ended September 30,	Nine Months Ended September 30,

2018	2017	Increase/ (Decrease)	2018	2017	Increase/ (Decrease)

Interest expense (including amortization of deferred financing costs)(1)	$ 17,515,000	$ 13,275,000	$ 4,240,000	$ 50,726,000	$ 38,766,000	$ 11,960,000

Employee compensation and benefits(2)	5,549,000	3,792,000	1,757,000	12,527,000	10,696,000	1,831,000

Legal and professional expenses(3)	1,422,000	1,657,000	(235,000)	3,751,000	3,934,000	(183,000)

Other expenses(4)	2,689,000	2,800,000	(111,000)	8,263,000	9,341,000	(1,078,000)

Total expenses	$ 27,175,000	$ 21,524,000	$ 5,651,000	$ 75,267,000	$ 62,737,000	$ 12,530,000

(1) The average debt outstanding increased from approximately $595.6 million during the three months ended September 30, 2017 to approximately $745.5 million during the same period of 2018, and from approximately $573.9 million during the nine months ended September 30, 2017 to approximately $719.8 million during the same period of 2018. The average interest rate of the senior credit facility with LNV Corporation increased from 7.49% to 10.27% for the three months ended September 30, 2017 and 2018, respectively, and from 7.50% to 10.02% for the nine months ended September 30, 2017 and 2018, respectively.

(2) Increase is incentive cost resulting from certain stock-based compensation items in the third quarter of 2018.

(3) Decrease is the result of lower legal fees resulting from our exit of the merchant cash advance business.

(4) Increased contract labor costs, servicing and facility fees were offset by a reduction in charitable contributions and marketing costs, and lower provision for merchant cash advances. See Note 16 for the detailed breakdown of other expenses.

Insurtech Initiatives

During the three and nine month periods ending September 30, 2018 we incurred $1.3 million and $2.9 million of expenses, respectively, in furtherance of our insurtech initiatives which we believe are potentially transformational. These expenses are primarily related to the development of intellectual property surrounding advanced epigenetic testing technology and we expect these costs will increase over the foreseeable future.

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 carryforward period. As such, a valuation allowance has been established against the total net deferred tax asset as of September 30, 2018 and December 31, 2017.

Income Tax Expense

We realized income tax benefit of $0 and $2.8 million for the three months ended September 30, 2018 and 2017, respectively, and $0 and $6.5 million for the nine months ended September 30, 2018 and 2017, respectively. The effective rate for the three months ended September 30, 2018 and 2017 were 0% and 40.5%, respectively, and 0% and 39.8% for the nine months ended September 30, 2018 and 2017, respectively, compared to expected statutory rates of 21.0% and 34.0%, respectively.

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

Three Months Ended	Nine Months Ended

September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017

Statutory federal income tax (benefit)	$ (2,234,000)	21.0 %	$ (2,321,000)	34.0 %	$ (4,173,000)	21.0 %	$ (5,536,000)	34.0 %

State income taxes (benefit), net of federal benefit	(866,000) 8.1 %	(440,000) 6.5 %	(1,558,000) 7.8 %	(1,049,000) 6.4 %

Valuation allowance	3,215,000	(30.2)%	—	—	5,783,000	(29.1)%	—	—

Other permanent differences	(115,000)	1.1 %	(3,000)	(0.0)%	(52,000)	0.3 %	103,000	(0.6)%

Total income tax expense (benefit)	$ —	0.0 %	$ (2,764,000)	40.5 %	$ —	0.0 %	$ (6,482,000)	39.8 %

The Tax Reform Bill enacted by U.S. Federal government in December 2017 changed existing tax law including a reduction of the U.S. Corporate tax rate. The Company re-measured deferred taxes as of the date of enactment, reflecting these changes within deferred tax assets as of December 31, 2017.

The most significant temporary differences between GAAP net income (loss) and taxable net income (loss) are the treatment of interest costs, policy premiums and servicing costs with respect to the acquisition and maintenance of the life insurance policies and revenue recognition with respect to the fair value of the life insurance portfolio.

Liquidity and Capital Resources

We finance our businesses 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 for policy acquisition, policy premiums and servicing costs, working capital and financing expenditures including paying principal, interest and dividends.

As of September 30, 2018 and December 31, 2017, we had approximately $131.4 million and $159.4 million, respectively, in combined available cash, cash equivalents, restricted cash and policy benefits receivable for the purpose of financing our business.

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, if any, exists under the amended and restated senior credit facility with LNV Corporation.

On August 10, 2018 we sold $50 million of Series B in connection with the Initial Transfer of the Beneficient Transaction. Approximately half of the proceeds from this sale were distributed to common shareholders pursuant to a special dividend paid on September 5, 2018 to shareholders of record on August 27, 2018. The remaining amount is expected to be utilized primarily for our insurtech initiatives, although these amounts are available for general corporate purposes. We do not expect to issue any additional Series B.

Financings Summary

We had the following outstanding debt balances as of September 30, 2018 and December 31, 2017(1):

	As of September 30, 2018	As of December 31, 2017

Issuer/Borrower	Principal Amount Outstanding	Weighted Average Interest Rate	Principal Amount Outstanding	Weighted Average Interest Rate

GWG Holdings, Inc. – L Bonds (see Note 8)	$ 586,063,000	7.12	%	$ 461,427,000	7.29	%

GWG DLP Funding IV, LLC – LNV senior credit facility (see Note 6)	171,964,000	10.30	%	222,525,000	9.31	%

Total	$	758,027,000	7.84	%	$	683,952,000	7.95	%

(1) Excluding the Seller Trust L Bonds (see Note 1).

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The table below reconciles the face amount of our outstanding debt to the carrying value shown on our balance sheets(1):

As of September 30, 2018	As of December 31, 2017

Senior credit facility with LNV Corporation

Face amount outstanding	$ 171,964,000	$ 222,525,000

Unamortized selling costs	(9,495,000)	(10,287,000)

Carrying amount	$ 162,469,000	$ 212,238,000

L Bonds:

Face amount outstanding	$ 586,063,000	$ 461,427,000

Subscriptions in process	4,718,000	1,560,000

Unamortized selling costs	(20,581,000)	(15,593,000)

Carrying amount	$ 570,200,000	$ 447,394,000

(1) Excluding the Seller Trust L Bonds (see Note 1).

In November 2011, we began offering Series I Secured Notes, which 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. In September 2017, all of the Series I Secured Notes were paid in full and all obligations thereunder were terminated.

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. In October 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. In January 2018, we began publicly offering up to $1.0 billion L Bonds as a follow-on to our earlier L Bond offering. Through September 30, 2018, the total amount of these L Bonds sold, including renewals, was $1.1 billion. As of September 30, 2018 and December 31, 2017, respectively, we had approximately $586.1 million and $461.4 million in principal amount of L Bonds outstanding.

In October 2015, we began publicly offering up to 100,000 shares of our RPS at a per-share price of $1,000. As of December 31, 2017, we had issued approximately $99.1 million stated value of RPS and terminated that offering.

In February 2017, we began publicly offering up to 150,000 shares of our RPS 2 at a per-share price of $1,000. As of September 30, 2018, we have issued approximately $150 million stated value of RPS 2 and terminated that offering.

On August 10, 2018, GWG Holdings, GWG Life and the Trustee, entered into the Supplemental Indenture to the Amended and Restated Indenture. GWG Holdings entered into the Supplemental Indenture to add and modify certain provisions of the Amended and Restated Indenture necessary to provide for the issuance of the Seller Trust L Bonds. Also on August 10, 2018, we issued Seller Trust L Bonds in the amount of $403,234,866 to the Seller Trusts in connection with the Initial Transfer. The maturity date of the Seller Trust L Bonds is August 9, 2023. The Seller Trust L Bonds bear interest at 7.5% per annum. Interest is payable monthly in cash (see Note 1).

In August 2018, we offered and sold 5,000,000 shares of our Series B in reliance upon the exemption from registration provided by Section 4(a)(2) under the Securities Act of 1933. The Series B shares were issued, at a $10 per share value, for cash consideration of $50 million.

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The weighted-average interest rate of our outstanding L Bonds (excluding the Seller Trust L Bonds) as of September 30, 2018 and December 31, 2017 was 7.12% and 7.29%, respectively, and the weighted-average maturity at those dates was 2.67 and 2.38 years, respectively. Our L Bonds have renewal features. Since we first issued our L Bonds, we have experienced $473.7 million in maturities, of which $280.0 million has renewed through September 30, 2018 for an additional term. This has provided us with an aggregate renewal rate of approximately 59.1% for investments in these securities.

Future contractual maturities of L Bonds at September 30, 2018 are(1):

Years Ending December 31,	L Bonds

Three months ending December 31, 2018	$ 26,778,000

2019	150,056,000

2020	137,067,000

2021	87,360,000

2022	39,713,000

2023	53,616,000

Thereafter	91,473,000

$ 586,063,000

(1) Excluding the Seller Trust L Bonds (see Note 1).

The L Bonds and the Seller Trust L Bonds are secured by all of our assets and are subordinate to our amended and restated 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 September 30, 2018 we had approximately $172.0 million outstanding under the senior credit facility with LNV Corporation.

We expect to meet our ongoing operational capital needs for policy acquisition, policy premiums and servicing costs, working capital and financing expenditures including paying principal, interest and dividends through a combination of the receipt of policy benefits from our portfolio of life insurance policies, net proceeds from our L Bond offering, and funding available from our amended and restated 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 L Bonds offering for any reason, 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.

Portfolio Assets and Secured Indebtedness

At September 30, 2018, the fair value of our investments in life insurance policies of $791.5 million plus our cash balance of $117.9 million, restricted cash balance of $3.1 million, policy benefits receivable of $10.5 million, totaled $923.0 million, representing an excess of portfolio assets over secured indebtedness of $165.0 million. 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, our restricted cash balance of $28.3 million, 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.

The following forward-looking table, which excludes assets and liabilities exchanged upon the Initial Transfer, 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 September 30, 2018. In all cases, the sale of the life insurance assets owned by DLP IV will be used first to satisfy all amounts owing under our amended and restated senior credit facility with LNV Corporation. The net sale proceeds remaining after satisfying all obligations under our amended and restated senior credit facility with LNV Corporation would be applied to the L Bonds.

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Portfolio Discount Rate	10%	12%	14%	16%	17%

Value of portfolio	$ 808,019,000	$ 738,893,000	$ 679,850,000	$ 628,979,000	$ 606,131,000

Cash, cash equivalents and policy benefits receivable	131,416,000	131,416,000	131,416,000	131,416,000	131,416,000

Total assets	939,435,000	870,309,000	811,266,000	760,395,000	737,547,000

Senior credit facility	171,964,000	171,964,000	171,964,000	171,964,000	171,964,000

Net after senior credit facility	767,471,000	698,345,000	639,302,000	588,341,000	565,583,000

L Bonds	586,063,000	586,063,000	586,063,000	586,063,000	586,063,000

Net remaining	$ 181,408,000	$ 112,282,000	$ 53,239,000	$ 2,368,000	$ (20,480,000)

Impairment to L Bonds	No impairment	No impairment	No impairment	No Impairment	Impairment

The table illustrates that our ability to fully satisfy amounts owing under the L Bonds would likely be impaired upon the sale or realization of all our life insurance assets at a price equivalent to a discount rate of approximately 16.10% or higher. At December 31, 2017, the likely impairment occurred at a discount rate of approximately 15.04% or higher. The discount rate used to calculate the fair value of our portfolio was 10.45% as of both September 30, 2018 and December 31, 2017.

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 under our amended and restated senior credit facility with LNV Corporation. This table also does not include the yield maintenance fee, which could be substantial, we are required to pay in certain circumstances under our amended and restated senior credit facility with LNV Corporation. You should read the above table in conjunction with the information contained in other sections of this prospectus supplement, including Critical Accounting Policies — Fair Value Components — Discount Rate.

Amendment of Credit Facility

Effective September 27, 2017, DLP IV entered into an amended and restated senior credit facility with LNV Corporation. The amended and restated senior credit facility 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 senior credit facility at the LIBOR rate described below. 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 amended and restated senior credit facility, if any. Interest will accrue on amounts borrowed under the amended and restated senior credit facility 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 September 30, 2018 was 10.30%. Interest payments are made on a quarterly basis.

Under the amended and restated senior credit facility, DLP IV has granted the administrative agent, for the benefit of the lenders under the facility, 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, policy administration and tracking costs. Additionally, we incur significant financing costs, including principal, interest and dividends. Both policy servicing costs and financing costs are excluded from our internal rate of return calculations. We finance our

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businesses through a combination of life insurance policy benefit receipts, equity offerings, debt offerings, and our amended and restated senior credit facility with LNV Corporation.

The amount of payments for anticipated premiums, including the requirement by our senior credit facility with LNV Corporation to maintain a two month cost-of-insurance threshold within each policy cash value account, 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

Three months ending December 31, 2018	$ 14,034,000	$ 345,000	$ 14,379,000

2019	64,852,000	1,381,000	66,233,000

2020	76,664,000	1,381,000	78,045,000

2021	88,681,000	1,381,000	90,062,000

2022	101,411,000	1,381,000	102,792,000

2023	113,676,000	1,381,000	115,057,000

$ 459,318,000	$ 7,250,000	$ 466,568,000

Our anticipated premium expenses are subject to the risk of increased cost-of-insurance charges (i.e., “COI” or premium charges) for the life insurance policies we own. On May 9, 2018 we learned that John Hancock Life Insurance Company (“John Hancock”) had begun notifying policy owners of COI increases on Performance UL policies issued between 2003 and 2010. We identified and received notice on 20 such policies in our portfolio, representing $59.6 million in total face value, and have completed our analysis and incorporation of increased cost of insurance charges into our portfolio as of September 30, 2018 reducing the fair value by approximately $2.9 million. In addition, we received notice and recognized COI increases on four policies issued by the Transamerica Life Insurance Company (“Transamerica”) as of September 30, 2018 with a total face value of $9.2 million and a reduction in fair value of $1.4 million.

We have no known pending cost-of-insurance increases on any policies in our portfolio, but we are aware that cost-of-insurance increases have become more prevalent in the industry. Thus, we may see additional insurers implementing cost-of-insurance increases in the future.

For the quarter-end dates set forth below, the following table illustrates the total amount of face value of policy benefits owned, and the trailing 12 months of life insurance policy benefits 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	%

March 31, 2018	1,758,066,000	60,248,000	53,169,000	113.3	%

June 30, 2018	1,849,079,000	76,936,000	53,886,000	142.8	%

September 30, 2018	1,961,598,000	75,161,000	55,365,000	135.8	%

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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 condensed 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 18).

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, 2018, 95.7% 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.

The assets and liabilities exchanged in the Initial Transfer of the Beneficient Transaction are excluded from this analysis.

Interest Rate Risk

Our amended and restated 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) is generally impacted by prevailing interest rates. Furthermore, while our L Bond offering provides us with fixed-rate debt financing, 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 life insurance 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.

The assets and liabilities exchanged in the Initial Transfer of the Beneficient Transaction are excluded from this analysis.

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 should not be considered in isolation or as a substitute for comparable amounts prepared in accordance with GAAP. See our condensed 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. Management believes our non-GAAP financial measures provide investors an alternative view of the long-term earnings potential without regard to the volatility in GAAP financial results that can, and does, occur during this stage of our portfolio and company growth.

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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 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.

In addition, 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 life insurance portfolio plus the value of all our other assets exceed our total outstanding indebtedness. This ratio is calculated using non-GAAP measures as described below, again without regard to GAAP-based fair value measures.

Non-GAAP Investment Cost Basis of Life Insurance Portfolio	As of September 30, 2018	As of December 31, 2017

GAAP fair value	$ 791,469,000	$ 650,527,000

Unrealized fair value gain(1)	(387,445,000)	(331,386,000)

Adjusted cost basis increase(2)	393,078,000	325,100,000

Non-GAAP investment cost basis(3)	$ 797,102,000	$ 644,241,000

(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 investment cost basis in life insurance policies from which our expected internal rate of return is calculated.

Excess Spread of Life Insurance Portfolio. Management uses the “total excess spread” to gauge expected profitability of our investment in our life insurance portfolio. 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 September 30, 2018	As of December 31, 2017

Expected IRR(1)	10.12 %	10.48 %

Total weighted-average interest rate on indebtedness for borrowed money, excluding the Seller Trust L Bonds (see Note 1)(2)	7.84	%	7.95	%

Total excess spread(3)	2.28	%	2.53	%

(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 (Excluding the Seller Trust L Bonds)	As of September 30, 2018	As of December 31, 2017

Senior credit facility with LNV Corporation	$ 171,964,000	$ 222,525,000

L Bonds	586,063,000	461,427,000

Total	$ 758,027,000	$ 683,952,000

Interest Rates on Indebtedness

Senior credit facility with LNV Corporation	10.30	%	9.31	%

L Bonds	7.12	%	7.29	%

Weighted-average interest rates paid on indebtedness	7.84	%	7.95	%

(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 its adjusted costs during the same period to calculate our net income on an adjusted non-GAAP basis.

	Three Months Ended September 30,	Nine Months Ended September 30,

2018	2017	2018	2017

GAAP net income (loss) attributable to common shareholders	$ (14,836,000)	$ (7,611,000)	$ (32,114,000)	$ (17,249,000)

Unrealized fair value gain(1)	(24,840,000)	(20,182,000)	(56,058,000)	(49,301,000)

Adjusted cost basis increase(2)	29,704,000	24,207,000	83,154,000	68,667,000

Accrual of unrealized actuarial gain(3)	9,325,000	9,032,000	20,898,000	21,448,000

Total adjusted non-GAAP net income (loss)	$ (647,000)	$ 5,446,000	$ 15,880,000	$ 23,565,000

(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 September 30, 2018	As of December 31, 2017

GAAP net worth(1)	$ 181,157,000	$ 133,672,000

Less intangible assets(2)	(35,345,000)	(30,354,000)

GAAP tangible net worth	145,812,000	103,318,000

Unrealized fair value gain(3)	(387,445,000)	(331,386,000)

Adjusted cost basis increase(4)	393,078,000	325,100,000

Accrual of unrealized actuarial gain(5)	179,140,000	158,241,000

Total adjusted non-GAAP tangible net worth	$ 330,585,000	$ 255,273,000

(1) Excludes assets exchanged pursuant to the Initial Transfer of the Beneficient Transaction (see Note 1).

(2) Unamortized portion of deferred financing costs and pre-paid insurance.

(3) Reversal of cumulative unrealized GAAP fair value gain or loss of life insurance policies.

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

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

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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. The table below excludes the assets exchanged pursuant to the Initial Transfer of the Beneficient Transaction (see Note 1).

	As of September 30, 2018	As of December 31, 2017

Life insurance portfolio policy benefits	$ 1,961,598,000	$ 1,676,148,000

Discount rate of future cash flows(1)	7.84	%	7.95	%

Net present value of life insurance portfolio policy benefits	$ 896,903,000	$ 737,625,000

Cash and cash equivalents	120,943,000	142,771,000

Life insurance policy benefits receivable	10,473,000	16,659,000

Other assets(2)	13,022,000	—

Total Coverage	$ 1,041,341,000	$ 897,055,000

Senior credit facility with LNV Corporation	$ 171,964,000	$ 222,525,000

L Bonds	586,063,000	461,427,000

Total Indebtedness	$ 758,027,000	$ 683,952,000

Debt Coverage Ratio	72.79	%	76.24	%

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

(2) The Total Coverage amount as of September 30, 2018 includes "other assets" of GWG Holdings as reflected on its most recently available balance sheet prepared in accordance with GAAP.

As of September 30, 2018 and December 31, 2017, we were in compliance with the Debt Coverage Ratio.

Life Insurance Portfolio Information

Our portfolio of life insurance policies, owned by our subsidiaries as of September 30, 2018, is summarized below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$ 1,961,598,000

Average face value per policy	$ 1,805,000

Average face value per insured life	$ 2,018,000

Average age of insured (years)*	82.1

Average life expectancy estimate (years)*	6.7

Total number of policies	1,087

Number of unique lives	972

Demographics	76% Male; 24% Female

Number of smokers	43

Largest policy as % of total portfolio face value	0.68	%

Average policy as % of total portfolio	0.09	%

Average annual premium as % of face value	2.90	%

* Averages presented in the table are weighted averages.

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Our portfolio of life insurance policies, owned by our wholly owned subsidiaries as of September 30, 2018, organized by the insured's current age and the associated number of policies and policy benefits, is summarized below:

Distribution of Policies and Policy Benefits by Current Age of Insured

Percentage of Total

Min Age	Max Age	Number of Policies	Policy Benefits	Number of Policies	Policy Benefits	Wtd. Avg. LE (yrs.)

95	100	14	$ 19,954,000	1.3	%	1.0	%	1.2

90	94	129	254,332,000	11.9	%	13.0	%	2.8

85	89	215	458,646,000	19.8	%	23.4	%	4.6

80	84	239	468,474,000	22.0	%	23.9	%	6.2

75	79	212	383,160,000	19.5	%	19.5	%	8.9

70	74	195	289,030,000	17.9	%	14.7	%	10.5

60	69	83	88,002,000	7.6	%	4.5	%	9.7

Total	1,087	$ 1,961,598,000	100.0 %	100.0 %	6.7

Our portfolio of life insurance policies, owned by our subsidiaries as of September 30, 2018, organized by the insured's estimated life expectancy and associated policy benefits, is summarized below:

Distribution of Policies by Current Life Expectancies (LE) of Insured

Percentage of Total

Min LE (Months)	Max LE (Months)	Number of Policies	Policy Benefits	Number of Policies	Policy Benefits

1	47	307	$ 521,969,000	28.3 %	26.6 %

48	71	213	407,180,000	19.6 %	20.8 %

72	95	220	393,943,000	20.2 %	20.1 %

96	119	162	300,075,000	14.9 %	15.3 %

120	143	108	155,617,000	9.9	%	7.9	%

144	179	64	139,598,000	5.9	%	7.1	%

180	228	13	43,216,000	1.2	%	2.2	%

Total	1,087	$ 1,961,598,000	100.0 %	$ 100.0 %

We track concentrations of pre-existing medical conditions among insured individuals within our portfolio based on information contained in life expectancy reports including the underwriter's designation of primary impairment. We track these medical conditions within the following ten primary categories: (1) cancer, (2) cardiovascular, (3) cerebrovascular, (4) dementia, (5) diabetes, (6) multiple conditions, (7) neurological disorders, (8) respiratory disease, (9) other, and (10) no diseases. Currently, the primary disease categories within our portfolio that represent a concentration of over 10% are multiple conditions, cardiovascular, and other which constitute 25.4%, 21.3%, and 12.4%, respectively, of the face amount of insured benefits of our portfolio as of September 30, 2018.

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

The average yield to maturity of publicly traded life insurance company bonds data we consider when valuing our portfolio of life insurance policies was 4.10% as of September 30, 2018. We believe that this reflects, in part, the financial market's judgment that credit risk is low with regard to these carriers' financial obligations. It should be noted that the obligations of life insurance carriers to pay life insurance policy benefits ranks senior to all of their other financial obligations, such as the aforementioned senior bonds they issue.

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As of September 30, 2018, approximately 95.7% of the face value of policy benefits in our life insurance portfolio were issued by insurance companies with investment-grade credit ratings from Standard & Poor's. Our ten largest life insurance company credit exposures and the Standard & Poor's credit rating of their respective financial strength and claims-paying ability is set forth below:

Distribution of Policy Benefits by Top 10 Insurance Companies

Rank	Policy Benefits	Percentage of Policy Benefit Amount	Insurance Company	Ins. Co. S&P Rating

1	$ 279,443,000	14.2	%	John Hancock Life Insurance Company	AA-

2	219,332,000	11.2	%	AXA Equitable Life Insurance Company	A+

3	207,966,000	10.6	%	Lincoln National Life Insurance Company	AA-

4	192,938,000	9.8	%	Transamerica Life Insurance Company	AA-

5	122,532,000	6.3	%	Metropolitan Life Insurance Company	AA-

6	92,568,000	4.7	%	American General Life Insurance Company	A+

7	79,998,000	4.1	%	Pacific Life Insurance Company	AA-

8	64,093,000	3.3	%	Massachusetts Mutual Life Insurance Company	AA+

9	59,601,000	3.0	%	ReliaStar Life Insurance Company	A

10	55,202,000	2.8	%	Security Life of Denver Insurance Company	A

$ 1,373,673,000	70.0	%

Secondary Life Insurance — Portfolio Return Modeling

The goal of our portfolio of life insurance assets is to earn superior risk-adjusted returns. At any time, we calculate our returns from our life insurance assets based upon (i) our historical results; and (ii) the future cash flows we expect to realize from our statistical forecasts. To forecast our expected future cash flows and returns, we use the probabilistic method of analysis. The expected internal rate of return of our portfolio is based upon future cash flow forecasts derived from a probabilistic analysis of policy benefits received and policy premiums paid in relation to our non-GAAP investment cost basis. As of September 30, 2018, the expected internal rate of return on our portfolio of life insurance assets was 10.12% based on our portfolio benefits of $1.96 billion and our non-GAAP investment cost basis of $797.1 million (including purchase price, premiums paid, and financing costs incurred to date). This calculation excludes returns realized from our matured policy benefits which are substantial.

We seek to further enhance our understanding of our expected future cash flow and returns by using a stochastic analysis, sometimes referred to as a "Monte Carlo simulation," to provide us with a greater understanding of the variability of our projections. The stochastic analysis we perform provides internal rates of return calculations for different statistical confidence intervals. The results of our stochastic analysis, in which we run 10,000 random mortality scenarios, demonstrates that the scenario ranking at the 50th percentile of all 10,000 results generates an internal rate of return ("IRR") of 10.09%, which is very near to our expected IRR ("Expected IRR") of our portfolio of 10.12%. Our Expected IRR 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. The stochastic analysis results also indicate that our portfolio is expected under this hypothetical analysis to generate an internal rate of return of 9.64% or better in 75% of all generated scenarios; and an internal rate of return of 9.25% or better in 90% of all generated scenarios. As the portfolio continues to grow in size and diversity, all else equal, the hypothetical scenario results cluster closer to each other around our median, or 50th percentile, internal rate of return expectation, thereby lowering future cash flow volatility and potentially justifying our use of lower discount rates to value our portfolio as size and diversification continue to increase over time.

The complete detail of our portfolio of life insurance policies, owned by our wholly owned subsidiaries as of September 30, 2018, organized by the current age of the insured and the associated policy benefits, sex, estimated life expectancy, issuing insurance carrier, and the credit rating of the issuing insurance carrier, is set forth in Exhibit 99.2 to this our Quarterly Report for the period ended September 30, 2018, filed on November 19, 2018.

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FINANCIAL INFORMATION

GWG HOLDINGS, INC.

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Condensed Consolidated Balance Sheets as of September 30, 2018, and December 31, 2017