GWG Holdings, Inc.
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PROSPECTUS SUPPLEMENT NO.

1 to Prospectus dated October 30, 2015

GWG HOLDINGS, INC.

Maximum of 100,000 Shares of Redeemable Preferred Stock

The information contained in this prospectus supplement amends and updates the prospectus dated October 30, 2015 (comprising a part of our registration statement on Form S-1/A, filed with the SEC on October 23, 2015) (SEC File No. 333-206626) (the “prospectus”). GWG Holdings, Inc. is the registrant under the referenced registration statement for the Redeemable Preferred Stock offered hereby (the “Redeemable Preferred Stock”). Please keep this prospectus supplement with your prospectus for future reference.

Investing in our Redeemable Preferred Stock involves a high degree of risk, including the risk of losing your entire investment. See the “Risk Factors” section of our prospectus for the risks you should carefully consider before buying our Redeemable Preferred Stock. Investing in our securities involves a high degree of risk, including the risk of losing your entire investment.

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

RECENT EVENTS

On November 12, 2015, we filed our Quarterly Report on Form 10-Q for the period ended September 30, 2015. 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 November 12, 2015

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RISK RELATING TO FORWARD-LOOKING STATEMENTS

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

- changes in the secondary market for life insurance;
- our limited operating history;
- the valuation of assets reflected on our financial statements;
- the reliability of assumptions underlying our actuarial models, including our life expectancy estimates;
- our reliance on debt financing;
- risks relating to the validity and enforceability of the life insurance policies we purchase;
- our reliance on information provided and obtained by third parties;
- federal, state and FINRA regulatory matters;
- competition in the secondary life insurance market;
- 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;
- general economic outlook, including prevailing interest rates;
- performance of our investments in life insurance policies;
- financing requirements;

- litigation risks;
- restrictive covenants contained in borrowing agreements;
- increases in the cost of premiums charged by insurers for the policies we own; and
- our ability to make cash distributions in satisfaction of dividend obligations and redemption requests.

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

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

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, 2015, filed with the SEC on November 12, 2015. 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. We acquire life insurance policy benefits 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 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 large, profitable portfolio of policies that is diversified in terms of insureds, insurance carriers and the medical conditions of insureds. We believe that diversification among insureds (by age and medical conditions), and insurance carriers will lower our overall risk exposure, and that a larger portfolio of individual policies (diversification in overall number) creates a portfolio of greater value by virtue of improved actuarial stability.

Business Update

GWG's business model provides value-added services to consumers owning life insurance and investors seeking alternative investment opportunities related to the life insurance secondary market. To participate and compete in what we expect to be a growth market, we have spent and intend to continue to spend significant resources: (i) developing resources, strategies, and capabilities for investors to participate in a large portfolio of life insurance policies; and (ii) developing a robust operational platform, strategy, and systems for originating and purchasing life insurance benefits from consumers owning life insurance policies.

We continue to see increasing interest among investors and financial professionals participating in our $1.0 billion L Bond offering. The L Bond offers investors the opportunity to obtain a high yielding investment whose performance is not tied to the stock market, commodities, or real estate. We believe these features are growing in popularity due to i) the prospect of general market interest rates being "lower for longer", ii) increased volatility in traditional financial market (stocks, bonds, real estate, commodities and currencies) and iii) the realization among investors and financial professionals that the life insurance secondary market and related longevity investments are becoming a more main-stream asset class.

We also expect that our recently effective $100,000,000 Redeemable Preferred Stock offering will appeal to investors and financial professionals for the same reasons enumerated above. We expect to continue growing our financial product distribution as awareness, understanding and interest in our asset class increases.

Our Redeemable Preferred Stock Offering is a key tool in strengthening our balance sheet and improving our capital structure. We believe that a successful offering of our Redeemable Preferred Stock will create a virtuous cycle within our capital structure and business. Our strengthened capital position will increase the equity value that is subordinated to our outstanding debt, which will in turn increase the attractiveness of the L Bond offering to financial advisors and investors seeking a high yielding, non-correlated return. These increased L Bond sale proceeds will allow us to grow our portfolio of life insurance and, ultimately, a large and actuarially diverse portfolio of life insurance policies should allow us to reduce our overall cost of capital and thereby enhance the value of the Company for its preferred and common stockholders.

A key strategic initiative of ours is to improve our origination protocols and practices for purchasing life insurance policy benefits. Historically, we have purchased policies in the secondary market through a network of life insurance agents, life insurance settlement brokers, and life settlement providers who assist policy owners in accessing the secondary market. Since the fourth quarter of 2014, we have been expanding our origination practices by marketing directly to consumers and by developing our unique Appointed Agent Program. We have engaged a strategic partner to assist us in the development of a specialized service center whose focus is sourcing qualified leads and processing life insurance policies directly for our purchase. We also recently began implementing (subject to state approval) the use of streamlined contracts and documents used in the purchase of policies, and have implemented the use of electronic signatures where permitted. In conjunction with these activities, we continue to refine the systems, processes and protocols, including a streamlined underwriting process for small face policies ($1,000,000 in face value policy benefits or less) in order to efficiently acquire life insurance policies from our direct origination channels. In that regard we have reached several milestones, most notably, the time in which it takes to complete a preliminary underwriting of a prospective insurance policy for pricing and communicating an offer. In the past, the process of obtaining medical records and additional underwriting data sufficient to review and value a life insurance policy typically took six or more weeks. This has been a historically challenging element of the business, both for purchasers such as the Company, financial advisors, and consumers seeking options for their life insurance. Through continued efforts, we have been able to reduce this elapsed time from approximately six weeks to two days for certain life insurance policy purchases. These processes and methodologies continue to utilize life expectancies received from third-party medical actuarial firms. In addition to obtaining third party life expectancies, we are rapidly working to deploy innovative and sophisticated underwriting techniques for our small face originations by applying advanced medical technologies and socio-economic factors into our underwriting methodology. We expect that these innovations will provide us with a competitive advantage in processing cases and purchasing life insurance policies.

We continue to develop and expand our activities related to recruiting and supporting our Appointed Agent Program with new advanced marketing tools and resources. Our Appointed Agent Program empowers financial professionals to bring the life insurance secondary market's value proposition directly to consumers owning life insurance. Central to the Appointed Agent Program is education, training, and marketing that support and empower financial professionals to offer clients significant value with a program that emphasizes regulatory compliance. Over the last three months, we have deployed new marketing efforts focused specifically on recruiting and expanding the number of financial professionals sourcing life insurance policies directly for us through our Appointed Agent Program. These efforts are being developed with the same strategic partner operating our specialized service center that is assisting us in processing qualified policy holder leads for our direct purchase.

Additionally, we continue to experience growing success in recruiting financial professionals into our Appoint Agent Program who also distribute our investment products. This dual offering enables financial professionals the opportunity to develop expertise in our business model and a specialization for their financial practice. In conjunction with these activities, we have continued to sharpen our service offerings and marketing tools for broker-dealers and financial advisors seeking to market our products and services. We believe these offerings have led to an increasing acceptance by the financial profession of our business model and industry since they address a growing need for post-retirement financial services to seniors owning life insurance.

While these efforts are all still relatively new and ongoing, the initial results and early outcomes from both our Appointed Agent Program and direct-to-consumer initiatives continue to be encouraging and are leading to a further focus on allocating resources to more fully realize the opportunity presented. In the past three months, we continue to experience increasing numbers of life insurance policies that are in our origination pipeline, with a portion of that increase being directly related to our direct origination efforts. All told, these direct origination efforts have accounted for approximately 30% of all new policy purchases during the quarter, up from nil previously, and now making up over 20% of all the life insurance policy benefits in our current origination pipeline as of November 11, 2015. Our origination pipeline includes all the life insurance policies we are currently gathering information, evaluating, bidding on, or in the process of closing a purchase. We expect to continue to work on these systems, including supporting marketing, technology, reporting, processing, and underwriting protocols through the balance of 2015.

We have also expanded our own footprint in the various states and jurisdictions where secondary market life settlement transactions are regulated. Of the 42 jurisdictions that require licensure, our wholly-owned subsidiaries GWG Life and GWG Life USA presently hold 35 licenses and have pending applications in another three jurisdictions.

As for the life insurance secondary market itself, we continue to see positive growth trends, evidenced by continued competition for policy purchases through traditional channels, continued consumer-direct marketing efforts by market participants, and a stable regulatory environment. One recent life insurance market development has been the notification from several life insurance carriers to policy owners of an increase in the cost of insurance (i.e., premiums) on select universal life insurance products. While the impacts of these increases are not yet known, nor is it known whether this trend will continue, the changes in cost of insurance have caused the industry to review its practices and pricing assumptions in relation to the specific products and insurance carriers involved. At this time, the Company has identified that it has potential exposure to a cost of insurance increase announced by AXA Equitable Life Insurance Company. Nevertheless, the impact, if any, on our consolidated financial results has yet to be quantified.

In the first nine months of 2015, we recognized $25.9 million of revenue from the receipt of $29.7 million 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 $7.5 million. In the first nine months of 2015, interest expense, including amortization of the deferred financing costs and preferred stock dividends, was $23.1 million, and selling, general and administrative expenses were $13.8 million. Income tax benefit for the first nine months of 2015 was $0.7 million. Our net income before interest, taxes and amortization was $19.9 million and our net loss after tax was $2.6 million for the first nine months of 2015.

In the first nine months of 2014, we recognized $2.3 million of revenue from the receipt of $3.3 million 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 $13.8 million. Interest expense, including amortization of the deferred financing costs and preferred stock dividends, was $19.7 million for the nine months ended September 30, 2014, and selling, general and administrative expenses were $8.4 million. Income tax benefit for the nine months ended September 30, 2014 was $4.1 million. Our net income before interest, taxes and amortization was $7.7 million and our net loss after tax was $7.9 million for the first nine months of 2014.

To date, we have financed our business principally through the issuance of debt, including our registered public offerings of L Bonds and debt incurred by our subsidiary DLP Funding II under a senior revolving credit facility provided by Autobahn/DZ Bank. See the "Liquidity and Capital Resources" caption below.

Critical Accounting Policies

Critical Accounting Estimates

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

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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 Financial Accounting Standards Board's Accounting Standards Codification (FASB 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.

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 based on the weighted average expected internal rate of return of the policies. 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 evaluate the health of the insured by reviewing historical and current medical records. This evaluation is performed to produce an estimate of the insured's mortality—a life expectancy report. In the case of a small face policy ($1.0 million face value of policy benefits or less), we may use modified life expectancy methodologies that do 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 an actuarial 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*. Many of our current underwriting review processes, including our policy of obtaining actuarial medical reviews from independent medical underwriters as described above, are undertaken in satisfaction of obligations under our L Bond debt offerings and revolving credit facility. As a result, we may in the future modify our underwriting review processes if permitted under our borrowing arrangements.

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

September 30, 2015	December 31, 2014
11.07%	11.43%

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 secondary market, market interest rates, the credit exposure to the insurance company that issued the life insurance policy and management estimate of the risk premium a purchaser would require to receive the future cash flows derived from our portfolio of life insurance policies. The discount rate to arrive at the fair value of our portfolio 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 11.07%. MAPS independently calculated the net present value of our portfolio of 343 policies to be $329.6 million, which is the same fair value estimate we used on the balance sheet as of September 30, 2015, and furnished us with a letter documenting its calculation. A copy of such letter is filed as Exhibit 99.1 to our Quarterly Report on Form 10-Q for the period ended September 30, 2015, filed with the SEC on November 12, 2015.

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 PLC (see “Notes to Consolidated Financial Statements” Note 10). 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 L Bonds 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 a three-year redemption period. As of December 31, 2014 these costs have been fully amortized.

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.

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.

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.

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 L Bonds 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, 2015 Compared to the Same Periods in 2014

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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue recognized from the receipt of policy benefits (1)	$277,000	$2,070,000	$25,909,000	$2,301,000
Revenue recognized from the change in fair value of life insurance policies, net of premiums and carrying costs (2)	7,912,000	3,049,000	7,538,000	13,819,000
Gain on life settlements, net	$8,189,000	$5,118,000	$33,447,000	$16,120,000
Number of policies matured	1	4	8	7
The change in fair value related to new policies acquired	$7,423,000	$964,000	$12,546,000	$7,523,000

(1) In the first nine months of 2015, we recognized $25.9 million of revenue from the receipt of $29.7 million in policy benefits. In the first nine months of 2014, we recognized $2.3 million of revenue from the receipt of $3.3 million in policy benefits.

(2) The change in the discount rate incorporates current information about discount rates applied by other reporting companies owning portfolios of life insurance policies, discount rates observed by us in the life insurance secondary market, market interest rates, 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). The discount rate applied to estimate the fair value of the portfolio of life insurance policies we own was 11.07% as of September 30, 2015, compared to 11.56% as of September 30, 2014. The decrease in discount rate was primarily due to an increase in prices our competitors were purchasing life insurance policies in the secondary market, an increase in the size and diversity of our portfolio that we believe results in a lower risk premium due to an increase in actuarial stability for any potential buyer. 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.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Increase	2015	2014	Increase
Employee compensation and benefits (1)	$2,308,000	$1,377,000	$931,000	$6,181,000	$3,524,000	$2,657,000
	8,650,000	6,797,000	1,853,000	23,149,000	19,731,000	3,418,000

Interest expense (including amortization of deferred financing costs and preferred stock dividends) (2)						
Legal and professional expenses (3)	822,000	760,000	62,000	1,988,000	1,628,000	360,000
Other expenses (4)	2,232,000	1,453,000	779,000	5,646,000	3,278,000	2,368,000
Total expenses	$14,012,000	$10,387,000	$3,625,000	$36,964,000	$28,161,000	$8,803,000

(1) We employed more staff and hired additional members to our sales, marketing and information technology teams.
(2) The increase was due to the increase in the average debt outstanding.
(3) Increase is due to increased compliance work and SEC filings related to securities offerings.
(4) Marketing, recruiting and other expenses increased due to the continued development of a direct marketing campaign and related service center costs, increased activity related to our public offering of L Bonds and continued technology and infrastructure costs.

Income Tax Expense. For the three and nine months ended September 30, 2015, we had a loss of $5,729,000 and $3,285,000, respectively before income taxes and we recorded income tax benefits of $2,098,000 and $665,000, respectively, or 36.6% and 20.2%, respectively. In the same periods of 2014, we had a loss of $5,258,000 and $12,018,000 before income taxes and recorded income tax benefit of $1,858,000 and $4,130,000, respectively, or 35.3% and 34.4%, respectively. The primary differences between our effective tax rate and the statutory federal rate are the accrual of preferred stock dividend expense, state taxes, and other non-deductible expenses.

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 September 30, 2015		Nine Months Ended September 30, 2015		Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
Statutory federal income tax	$(1,948,000)	34.0%	$(1,117,000)	34.0%	$(1,788,000)	34.0%	$(4,086,000)	34.0%
State income taxes, net of federal benefit	(334,000)	5.8%	(105,000)	3.2%	(297,000)	5.6%	(649,000)	5.4%
Series A preferred stock dividends	175,000							