

GWG Holdings, Inc.  
Form 424B3  
May 16, 2016

Filed pursuant to Rule 424(b)(3)  
Registration Nos. 333-197227 and  
333-197227-01

PROSPECTUS SUPPLEMENT NO. 1

to Prospectus dated  
April 12, 2016

---

GWG HOLDINGS, INC.

---

This “Prospectus Supplement No. 1 to Prospectus dated April 12, 2016,” supplements and amends our prospectus dated April 12, 2016 (referred to simply as our “prospectus”). You should read this prospectus supplement together with the prospectus since the information contained herein supplements and amends the information contained in the prospectus. Capitalized terms contained in this prospectus supplement have the same meanings as in the prospectus unless otherwise stated herein.

RECENT EVENTS

On May 13, 2016, we filed our Quarterly Report on Form 10-Q for the period ended March 31, 2016. 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 prospectus 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 May 16, 2016

TABLE OF CONTENTS

	Page
RISK RELATING TO FORWARD-LOOKING STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION	2
FINANCIAL INFORMATION	F-1

---

GWG Holdings, Inc.  
220 South Sixth Street, Suite 1200  
Minneapolis, MN 55402  
Tel: (612) 746-1944  
Fax: (612) 746-0445

## 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 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 market of life insurance;
- the relative illiquidity of life insurance policies;
- our ability to satisfy our debt obligations if we were to sell our entire portfolio of life insurance policies;
- life insurance company credit exposure;
- 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 supplement will prove to be accurate. Some of the risks, uncertainties and assumptions are identified in the discussion entitled “Risk Factors” in this prospectus supplement. We caution you that the forward-looking statements in this prospectus supplement are only estimates and predictions, or statements of 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.

## 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 March 31, 2016, filed with the SEC on May 13, 2016. 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 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

GWG Holdings, Inc. is a specialty finance company and a leading financial purchaser of life insurance assets in the secondary market. We create opportunities for consumers owning life insurance to obtain significant value for their policies as compared to the traditional options offered by insurance companies. We also create opportunities for investors to participate in alternative asset classes, such as life insurance, not correlated to traditional financial markets. In so doing, we enable investors to take advantage of financial opportunities dominated by banks prior to the 2008 credit crisis.

We seek to build a profitable and large portfolio of life insurance assets that are well diversified in terms of insurance companies and insureds. We believe that diversification is a key risk mitigation strategy to provide consistent cash flows and reliable investment returns from our portfolio of life insurance assets. To grow our portfolio and achieve the diversification we seek, we offer investors the opportunity to participate in the yield potentially generated by our portfolio of life insurance assets through a variety of financings and securities offerings. We chose to finance our business in this manner after the 2008 credit crisis, during which banks largely ceased financing alternative asset classes as a result of the regulatory response to the financial crisis. We believe we are well positioned to continue providing investors with yield participation opportunities from alternative asset classes once dominated by the banking sector.

### Business Update

In February 2016, we launched a new operating division in the merchant cash industry through a subsidiary entity, GWG MCA Capital, Inc. ("GWG MCA"). GWG MCA provides secured loans to merchant cash advance funders, and also provides merchant cash advances directly to small businesses across the United States. To begin this operating division, we acquired a \$4.3 million portfolio of loans and advances from a subsidiary of Walker Preston Capital. As part of the transaction, we retained the services of Patrick F. Preece as the President and Chief Executive Officer of GWG MCA. Mr. Preece had been the Chief Executive Officer of Walker Preston Capital prior to our acquisition of its loan portfolio and, prior to his work with Walker Preston Capital, Mr. Preece was head of asset securitization for Autobahn Funding, a \$6 billion commercial paper conduit for DZ Bank that specialized in financing alternative classes. To finance our GWG MCA portfolio, we intend to offer investors the opportunity to participate in the yield potentially generated by these alternative assets through a variety of securities offerings.

### 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.

#### Ownership of Life Insurance Policies — Fair Value Option

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 all of our life insurance policies using the fair value method.

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

We initially record our purchase of life insurance policies at the transaction price, which is the amount paid for the policy, inclusive of all external fees and costs associated with the acquisition. The fair value of our investment in the portfolio of insurance policies is evaluated at the end of each subsequent 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.

#### Fair Value Components — Medical Underwriting

Unobservable inputs, as discussed below, are a critical component of our estimate for the fair value of our investments in life insurance policies. We currently use a probabilistic method of estimating and valuing the projected cash flows (policy benefits received and required premium payments made) 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 expected future cash flows to be derived from our portfolio.

#### Fair Value Components — Required Premium Payments

We must pay the premiums on the life insurance policies within our portfolio in order to collect the policy benefit. The same probabilistic model and methodologies used to generate expected cash inflows from the life insurance policy benefits over the expected life of the insured are used to estimate cash outflows due to required premium payments. Premiums paid are offset against revenue in the applicable reporting period.

#### Fair Value Components — Discount Rate

A discount rate is used to calculate the net present value of the expected cash flows. The discount rate represents the internal rate of return we expect to earn on investments in a policy or in the portfolio as a whole at the stated fair value. The discount rate used to calculate fair value of our portfolio incorporates the guidance provided by ASC 820, *Fair Value Measurements and Disclosures*.

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

March 31, 2016

December 31, 2015

11.08%

11.09%

The change in the discount rate incorporates current information about discount rates applied by other reporting companies owning portfolios of life insurance policies, discount rates observed by us in the life insurance secondary market, market interest rates, credit exposure to the issuing insurance companies, and our estimate of the 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 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 a third party, Model Actuarial Pricing Systems (MAPS), to prepare a third-party calculation of our life insurance 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 supplied to calculate a net present value for our portfolio using the specified discount rate of 11.08%. MAPS independently calculated the net present value of our portfolio of 465 policies to be \$389.8 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 on Form 10-Q, filed with the SEC on May 13, 2016. After accounting for AXA cost of insurance increase the net present value of our portfolio was adjusted to \$387.4 million, which is the same fair value estimate we used on the balance sheet as of March 31, 2016.

#### 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, which has been charged-off for financial reporting purposes, 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 our settlement and subsequent disposal of an earlier investment in Athena Structured Funds PLC. As we have no expectation of generating capital gains with 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 those which are expected to result in a capital loss.

#### Deferred Financing and Issuance Costs

Financing costs incurred under the revolving senior credit facility have been capitalized and are amortized using the straight-line method over the term of the revolving senior 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, as described in Note 9, was reported net of issuance costs, sales commissions, including the fair value of warrants issued, and other direct expenses, which were amortized using the interest method as interest expense over a three-year redemption period. As of December 31, 2015, these costs have been fully amortized. Redeemable Preferred Stock, as described in Note 10, reported net of issuance costs, sales commissions and other direct expenses.

#### Principal Revenue and Expense Items

We earn revenues from the following three primary sources.

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

4

- **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 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 and Dividends.** 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 senior credit facility, as well as all interest paid on our L Bonds and other outstanding indebtedness such as our Series I Secured Notes and dividends on our Series A Preferred Stock and our 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 Months Ended March 31, 2016 Compared to the Same Period in 2015

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

#### Revenue.

	Three Months Ended March 31,	
	2016	2015
Revenue recognized from the receipt of policy benefits	\$ 14,627,000	\$ 25,014,000
Revenue (loss) recognized from the change in fair value of life insurance policies, net of premiums and carrying costs(1)	3,087,000	(8,231,000 )
Gain on life insurance contracts, net	\$ 17,714,000	\$ 16,873,000
Number of policies matured	6	6
The change in fair value related to new policies acquired during the period	\$ 8,019,000	\$ 612,000

(1) The discount rate applied to estimate the fair value of the portfolio of life insurance policies we own was 11.08% as of March 31, 2016, compared to 11.38% as of March 31, 2015. 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 (see “Notes to Condensed Consolidated Financial Statements,” Note 4).

#### Expenses.

	Three Months Ended March 31,		
	2016	2015	Increase

Edgar Filing: GWG Holdings, Inc. - Form 424B3

Employee compensation and benefits(1)	\$ 2,466,000	\$ 1,728,000	\$ 738,000
Interest expense (including amortization of deferred financing costs and preferred stock dividends)(2)	9,661,000	7,176,000	2,485,000
Legal and professional expenses(3)	1,206,000	578,000	628,000
Other expenses(4)	2,412,000	1,479,000	933,000
Total expenses	\$ 15,745,000	\$ 10,961,000	\$ 4,784,000

(1) We hired additional members to our sales, marketing and information technology teams. At the end of 2015 we employed approximately 50 employees, and at March 31, 2016 we employed approximately 66 employees.

(2) The increase in the current period was due to the increase in our average debt outstanding.

- (3) Increase is due to SEC filings and other costs related to securities offerings and compliance.
- (4) Increase is due to increased public relations, sales and marketing costs associated with growing and servicing our network of independent financial advisors.

Income Tax Expense. For the three months ended March 31, 2016, we had \$2.2 million of income before income taxes and recorded income tax expense of \$1.1 million, or 50.2%. In the same period of 2015, we had \$5.9 million of income before income taxes and recorded income tax expense of \$2.6 million, or 44.4%. 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 primary permanent difference between our effective tax rate and the statutory federal rate are the accrual of preferred stock dividend expense, state income taxes, and other non-deductible expenses. The dividends charged to interest expense were \$0.5 million during both the first three month of 2016 and 2015.

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 March 31, 2016			Three Months Ended March 31, 2015		
Statutory federal income tax (benefit)	\$ 734,000	34.0	%	\$ 1,998,000	34.0	%
State income taxes, net of federal benefit	175,000	8.1	%	416,000	7.1	%
Series A Preferred Stock dividends	174,000	8.0	%	183,000	3.1	%
Other permanent and temporary differences	2,000	0.1	%	12,000	0.2	%
Total income tax expense (benefit)	\$ 1,085,000	50.2	%	\$ 2,609,000	44.4	%

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

#### Liquidity and Capital Resources

We finance our business through a combination of policy benefit revenues, origination fees, equity offerings, debt offerings, and a senior revolving credit facility. We have used our debt offerings and a senior revolving credit facility primarily for policy acquisition, policy servicing, and portfolio related financing expenditures.

As of March 31, 2016 and December 31, 2015, we had approximately \$50.8 million and \$74.4 million, respectively, in combined available cash and available borrowing base surplus capacity under our revolving credit facility for the purpose of purchasing additional life insurance policies, paying premiums on existing policies, paying portfolio servicing expenses, and paying principal and interest on our outstanding financing obligations.

#### Debt Financings Summary

We had the following outstanding debt balances as of March 31, 2016:

Issuer/Borrower	Principal Amount Outstanding	Weighted Average Interest Rate
GWG Holdings, Inc. – L Bonds	\$ 306,831,000	7.14 %

Edgar Filing: GWG Holdings, Inc. - Form 424B3

GWG Life, LLC – Series I Secured Notes	18,508,000	8.61	%
GWG DLP Funding II, LLC – Revolving credit facility	85,011,000	5.69	%
Total	\$ 410,350,000	6.91	%

Our total revolving senior credit facility and other indebtedness balance as of March 31, 2016 and December 31, 2015 was \$410.3 million and \$370.8 million, respectively. At March 31, 2016, the total outstanding face amount under our Series I Secured Notes outstanding was \$18.5 million, less unamortized selling costs of \$0.3 million, resulting in a carrying amount of \$18.2 million. At December 31, 2015, the total outstanding face amount under our Series I Secured Notes outstanding was \$23.6 million, less unamortized selling costs of \$0.3 million, resulting in a carrying amount of \$23.3 million. At March 31, 2016, the total outstanding face amount of L Bonds was \$306.8 million plus \$4.6 million of subscriptions in process, less unamortized selling costs of \$9.5 million resulting in a carrying amount of \$301.9 million. At December 31, 2015, the total outstanding face amount of L Bonds was \$282.2 million plus \$3.0 million of subscriptions in process, less unamortized selling costs of \$8.2 million resulting in a carrying

## Edgar Filing: GWG Holdings, Inc. - Form 424B3

The weighted-average interest rate of our outstanding Series I Secured Notes as of March 31, 2016 and December 31, 2015 was 8.61% and 8.47%, respectively, and the weighted-average maturity at those dates was 1.27 and 1.06 years, respectively. The Series I Secured Notes have renewal features. Since we first issued our Series I Secured Notes, we have experienced \$159.3 million in maturities, of which \$120.0 million has renewed for an additional term as of March 31, 2016. This has provided us with an aggregate renewal rate of approximately 75% for investments in these securities.

The weighted-average interest rate of our outstanding L Bonds as of March 31, 2016 and December 31, 2015 was 7.14% and 7.18%, respectively, and the weighted-average maturity at those dates was 2.04 and 2.02 years, respectively. Our L Bonds have renewal features. Since we first issued our L Bonds, we have experienced \$189.4 million in maturities, of which \$123.9 million has renewed for an additional term as of March 31, 2016. This has provided us with an aggregate renewal rate of approximately 65% for investments in these securities.

Future contractual maturities of Series I Secured Notes and L Bonds at December 31, 2016 are:

Years Ending December 31,	Series I		Total
	Secured Notes	L Bonds	
2016	\$ 6,581,000	\$ 76,618,000	\$ 83,199,000
2017	7,956,000	73,736,000	81,692,000
2018	1,596,000	75,804,000	77,400,000
2019	444,000	33,648,000	34,092,000
2020	1,766,000	19,602,000	21,368,000
Thereafter	165,000	27,423,000	27,588,000
	\$ 18,508,000	\$ 306,831,000	\$ 325,339,000

The L Bonds and Series I Secured Notes are secured by all of our assets, and are subordinate to our revolving senior credit facility with Autobahn/DZ Bank. The L Bonds and Series I Secured Notes are pari passu with respect to a security interest in our assets pursuant to an intercreditor agreement (see “Notes to Condensed Consolidated Financial Statements,” Notes 6 and 7).

We maintain a \$105 million revolving senior credit facility with Autobahn/DZ Bank through GWG Life’s wholly owned subsidiaries DLP II and DLP III. The revolving senior credit facility is used to pay the premium expenses related to our portfolio of life insurance policies. As of March 31, 2016 and December 31, 2015, we had approximately \$85.0 million and \$65.0 million, respectively, outstanding under the revolving senior credit facility, and maintained an available borrowing base surplus of \$20.0 million and \$40.0 million, respectively. Effective May 11, 2015, we amended and restated our senior credit facility to reduce the interest cost and extend the term of the facility to June 2018 (see “Notes to Condensed Consolidated Financial Statements,” Note 5).

Capital expenditures have historically not been material and we do not anticipate making material capital expenditures in 2016 or beyond.

### Corporate Financing History

In November 2009, our wholly owned subsidiary GWG Life offered Series I Secured Notes in a private placement to accredited investors only. This offering was closed in November 2011. As of March 31, 2016 and December 31, 2015, we had approximately \$18.5 million and \$23.6 million, respectively, in principal amount of Series I Secured Notes outstanding.

In September 2011, we concluded a private placement offering of Series A Preferred Stock, 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 and \$10.6 million of new investments. As of March 31, 2016 and December 31, 2015, respectively, we had approximately \$20.3 million and \$20.8 million of Series A

Preferred Stock outstanding.

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 January 2015.

In September 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.

7



In January 2015, we began publicly offering up to \$1.0 billion of L Bonds as a follow-on offering to our earlier \$250.0 million public debt offering. Through March 31, 2016, the total amount of these L Bonds sold, including renewals, was \$496.3 million. As of March 31, 2016 and December 31, 2015, respectively, we had approximately \$306.8 million and \$282.2 million, respectively, in principal amount of L Bonds outstanding.

In October 2015, we began publicly offering up to 100,000 shares of our Redeemable Preferred Stock at a per-share price of \$1,000. As of March 31, 2016 we had issued approximately \$1.4 million of Redeemable Preferred Stock.

#### Portfolio Assets and Secured Indebtedness

At March 31, 2016, the fair value of our investments in life insurance policies of \$387.4 million plus our cash balance of \$11.0 million, our restricted cash balance of \$19.8 million and our policy benefits receivable of \$15.9 million, totaled \$434.1 million, representing an excess of portfolio assets over secured indebtedness of \$23.8 million. At December 31, 2015, the fair value of our investments in life insurance policies of \$356.6 million plus our cash balance of \$34.4 million and our restricted cash balance of \$2.3 million, totaled \$393.3 million, representing an excess of portfolio assets over secured indebtedness of \$22.5 million. The L Bonds and Series I Secured Notes are secured by all of our assets and are subordinate to our revolving senior credit facility with Autobahn/DZ Bank. The L Bonds and Series I Secured Notes are pari passu with respect to a security interest in our asset pursuant to an intercreditor agreement.

The following forward-looking table seeks to illustrate the impact of the sale of our portfolio of life insurance assets at various discount rates in order to satisfy our debt obligations as of March 31, 2016. In all cases, the sale of the life insurance assets owned by DLP III will be used first to satisfy all amounts owing under the revolving senior credit facility with Autobahn/DZ Bank. The net sale proceeds remaining after satisfying all obligations under the revolving senior credit facility would be applied to L Bonds and Series I Secured Notes on a pari passu basis.

Portfolio Discount Rate	10%	11%	12%	13%	14%
Value of portfolio	\$ 409,819,000	\$ 391,220,000	\$ 374,077,000	\$ 358,240,000	\$ 343,577,000
Cash, cash equivalents and policy benefits receivable	46,740,000	46,740,000	46,740,000	46,740,000	46,740,000
Total assets	456,559,000	437,960,000	420,817,000	404,980,000	390,317,000
Revolving senior credit facility					
Autobahn/DZ Bank	85,011,000	85,011,000	85,011,000	85,011,000	85,011,000
Net after revolving senior credit facility	371,548,000	352,949,000	335,806,000	319,969,000	305,306,000
Series I Secured Notes and L Bonds	325,339,000	325,339,000	325,339,000	325,339,000	325,339,000
Net after Series I Secured Notes and L Bonds	46,209,000	27,610,000	10,467,000	(5,370,000 )	(20,033,000 )
Impairment to Series I Secured Notes and L Bonds	No impairment	No impairment	No impairment	Impairment	Impairment

The table illustrates that our ability to fully satisfy amounts owing under the L Bonds and Series I Secured Notes would likely be impaired upon the sale of all our life insurance assets at a price equivalent to a discount rate of approximately 12.65% or higher. At December 31, 2015, the impairment occurred at a discount rate of approximately 12.58% or higher. The discount rates used to calculate the fair value of our portfolio were 11.08% and 11.09% as of

March 31, 2016 and December 31, 2015, respectively.

The table does not include any allowance for transactional fees and expenses associated with a portfolio sale (which expenses and fees could be substantial), and is provided to demonstrate how various discount rates used to value our portfolio could affect our ability to satisfy amounts owing under our debt obligations in light of our senior secured lender's right to priority payments. You should read the above table in conjunction with the information contained in other sections of this prospectus supplement, including our discussion of discount rates included under the "— Critical Accounting Policies — Fair Value Components — Discount Rate" caption above. This discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management.

#### 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 of actually needing to pay the premiums decreases as the probability of mortality increases. These scheduled premiums and associated probabilities are factored into our expected internal rate of return and cash-flow modeling. Beyond premiums, we incur policy servicing costs, including annual trustee, tracking costs, and debt servicing costs, including principal and interest payments, all of which are excluded from our internal rate of return calculations. Until we receive a stable amount of proceeds from the policy benefits, we intend to pay these costs from our senior credit facility, when permitted, and through the issuance of debt securities, including the L Bonds, and equity securities including our Redeemable Preferred Stock.

The amount of payments for anticipated premiums and servicing costs that we will be required to make over the next five years to maintain our current portfolio, assuming no mortalities, is set forth in the table below.

Years Ending December 31,	Premiums	Servicing	Premiums and Servicing Fees
Nine months ending December 31, 2016	\$ 25,258,000	\$ 558,000	\$ 25,816,000
2017	36,083,000	558,000	36,641,000
2018	39,398,000	558,000	39,956,000
2019	44,304,000	558,000	44,862,000
2020	49,314,000	558,000	49,872,000
2021	54,825,000	558,000	55,383,000
	\$ 249,182,000	\$ 3,348,000	\$ 252,530,000

Our anticipated premium expenses are subject to the risk of increased cost-of-insurance (COI) charges (i.e., premium charges) for the universal life insurance policies we own. As of April 21, 2016 we were in receipt of updated life insurance policy illustrations reflecting increased COI for certain policies issued by AXA. The change in fair value associated with these policies was \$2.4 million. We have been notified of potential cost of insurance increases on certain universal life policies in our portfolio by other life insurance companies. Although we cannot now precisely quantify the impact of the increase upon our costs, or upon the fair value of our portfolio, less than 4% of the fair value of our portfolio is attributable to such policies. As a result, we expect that our premium expense will increase and the fair value of our portfolio will be negatively impacted once we have the required information regarding the proposed increases.

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

Quarter End Date	Portfolio Face Amount	12-Month Trailing Benefits Collected	12-Month Trailing Premiums Paid	12-Month Trailing Benefits/Premium Coverage Ratio
March 31, 2012	\$ 482,455,000	\$ 4,203,000	\$ 14,977,000	28.1 %
June 30, 2012	489,255,000	8,703,000	15,412,000	56.5 %
September 30, 2012	515,661,000	7,833,000	15,837,000	49.5 %
December 31, 2012	572,245,000	7,350,000	16,597,000	44.3 %
March 31, 2013	639,755,000	11,350,000	18,044,000	62.9 %
June 30, 2013	650,655,000	13,450,000	19,182,000	70.1 %
September 30, 2013	705,069,000	18,450,000	20,279,000	91.0 %
December 31, 2013	740,648,000	16,600,000	21,733,000	76.4 %
March 31, 2014	771,940,000	12,600,000	21,930,000	