ALLERGAN INC
Form PRER14A
October 24, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. 1)

x Filed by the Registrant ¨ Filed by a Party other than the Registrant

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Allergan, Inc.

(Name of Registrant as Specified In Its Charter)

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x No fee required.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Preliminary Proxy Statement Subject to Completion, dated October 23, 2014

2525 Dupont Drive, Irvine, California 92612

Dear Stockholder:

A special meeting of stockholders (the ***Special Meeting***) of Allergan, Inc. (the ***Company*** or ***Allergan***) will be held at a.m., local time, on Thursday, December 18, 2014, at . Details regarding admission to the meeting and the business to be conducted are more fully described in the accompanying Notice of Special Meeting and Proxy Statement. Allergan is calling the Special Meeting in response to requests from holders of more than the percentage of shares of our common stock required to call a special meeting under our Amended and Restated Bylaws. This Proxy Statement and accompanying proxy card are first being mailed to stockholders on or about , 2014.

This Special Meeting is of particular importance to all Allergan stockholders because of the ongoing, unsolicited attempt by Valeant Pharmaceuticals International, Inc. (***Valeant***) to acquire Allergan. **The unanimous view of Allergan s Board of Directors (your *Board*) has been and continues to be that the unsolicited, conditional exchange offer by Valeant substantially undervalues Allergan, creates significant risks and uncertainties for the stockholders of Allergan and is not in the best interests of Allergan and its stockholders. Your Board strongly believes that the prudent course of action is for Allergan to focus on its operational excellence and extending its exemplary track record of substantial growth that your Board is confident will create significantly more value for stockholders than Valeant s unsolicited, conditional exchange offer**. Your Board has successfully pursued, and continues to pursue, a number of key initiatives to increase stockholder value. These include execution of our restructuring plan in the remainder of 2014 that we expect will deliver annual pre-tax savings of approximately $475 million beginning in 2015, continuing to meet our increased guidance and projections, which include expected compounded annual non-GAAP diluted earnings per share growth of more than 20% and free cash flow of approximately $18.0 billion, and consideration of acquisitions and strategic alternatives that increase stockholder value.

Pershing Square Capital Management, L.P. (collectively, with affiliated entities and persons, ***Pershing Square***) and Valeant and certain of its officers and affiliates have filed a proxy statement with the Securities and Exchange Commission seeking your vote on proposals to (i) remove Deborah Dunsire, M.D., Michael R. Gallagher, Trevor M. Jones, Ph.D., Louis J. Lavigne, Jr., Russell T. Ray and Henri A. Termeer from your Board despite such directors having been duly elected by our stockholders at our last annual meeting of stockholders on May 6, 2014, (ii) request that your Board elect or appoint six persons who Pershing Square and Valeant request be appointed to serve on your Board (referred to herein and in the accompanying Proxy Statement as nominees), (iii) amend certain provisions of our Amended and Restated Bylaws and (iv) request that your Board engage with Valeant regarding its proposal to acquire Allergan. These proposals are referred to herein and in the accompanying Proxy Statement as ***Pershing Square and Valeant s Proposals***.

In considering Pershing Square and Valeant s Proposals, it is important for you to recognize that Pershing Square and Valeant s officers and directors have a duty to act in the best interests of their respective stockholders, not Allergan s stockholders, unlike your Board, which has a duty to act in the best interests of all of Allergan s stockholders. Specifically, we believe the interests of Pershing Square, which has multiple arrangements with Valeant and is a

self-proclaimed co-bidder in Valeant s unsolicited bid to acquire Allergan, are not aligned with the interests of all Allergan stockholders.

We strongly urge you to reject Pershing Square and Valeant s efforts to replace the current, duly elected members of your Board, all of whom have substantial relevant industry experience. We believe strongly that Pershing Square and Valeant s nominees lack relevant industry experience and, though anyone ultimately elected as a member to your Board has a fiduciary duty to Allergan s stockholders, in our view, their nominees were selected by Pershing Square and Valeant solely to facilitate an acquisition of Allergan by Valeant in order

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to transfer Allergan s inherent and increasing value to Pershing Square and Valeant at a grossly inadequate price. We also believe that your current directors are significantly more qualified and able than Pershing Square and Valeant s nominees to manage Allergan s affairs and projected strong growth and, in doing so, act in the best interests of Allergan stockholders with respect to Valeant s conditional exchange offer.

Accordingly, your Board unanimously recommends that you vote AGAINST Pershing Square and Valeant s Proposals on the enclosed BLUE proxy card TODAY.

Your vote is important. Whether or not you plan to attend the Special Meeting, we hope you will submit your proxy as soon as possible. You may submit a proxy over the internet, by telephone or by signing, dating and returning the enclosed **BLUE** proxy card in the envelope provided. Information about each of these proxy submission methods is set forth in the accompanying Notice of Special Meeting and Proxy Statement.

We urge you NOT to sign or return any white proxy cards sent by Pershing Square or Valeant. If you have previously signed a white proxy card from Pershing Square or Valeant, you can revoke that earlier proxy and vote by proxy against Pershing Square and Valeant s Proposals by signing, dating and returning the enclosed **BLUE** proxy card in the postage-paid envelope provided, by voting by proxy over the internet using the internet address on the **BLUE** proxy card or by voting by proxy by telephone using the toll-free number on the **BLUE** proxy card.

Regardless of the number of shares of common stock of the Company that you own, your vote is important. Thank you for your consideration.

Sincerely yours,

David E.I. Pyott

Chairman of the Board

and Chief Executive Officer

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

, 2014

TO OUR STOCKHOLDERS:

A Special Meeting of the Stockholders of Allergan, Inc., a Delaware corporation (***Allergan*** or the ***Company***), will be held on Thursday, December 18, 2014, at a.m., local time, at (the ***Special Meeting***), for considering the following proposals from Pershing Square Capital Management, L.P. and certain affiliated entities and persons (collectively, ***Pershing Square***) and Valeant Pharmaceuticals International, Inc. (***Valeant***) and certain of its officers and affiliates (collectively, ***Pershing Square and Valeant s Proposals***):

1. to remove from Allergan s Board of Directors (the ***Allergan Board***) Deborah Dunsire, M.D., Michael R. Gallagher, Trevor M. Jones, Ph.D., Louis J. Lavigne, Jr., Russell T. Ray and Henri A. Termeer, despite such directors having been duly elected by Allergan s stockholders at the recent annual meeting of stockholders on May 6, 2014 (the ***2014 Annual Meeting***);

2. to request that the Allergan Board elect or appoint six of Pershing Square and Valeant s nominees to serve as directors for Allergan;

3. to amend Allergan s Amended and Restated Bylaws (the ***Bylaws***) to modify the mechanics for calling a special meeting of the stockholders;

4. to amend the Bylaws to provide specific mechanics for calling a special meeting if no directors or less than a majority of directors are then in office;

5. to amend the Bylaws to modify the mechanics for nominating directors or proposing business at an annual meeting;

6. to amend the Bylaws to fix the authorized number of Allergan directors at nine, if the six proposed members of the Allergan Board are removed;

7. to repeal any amendment to the Bylaws adopted by the Allergan Board without stockholder approval after May 9, 2014 and prior to the effectiveness of the resolution effecting such repeal; and

8. to request that the Allergan Board engage with Valeant, with whom Pershing Square is a self-proclaimed co-bidder, regarding its proposal to acquire Allergan.

The Proxy Statement accompanying this Notice describes each of these proposals in more detail. **The Allergan Board recommends a vote AGAINST all of Pershing Square and Valeant s Proposals.**

The proposals stated above are the only proposals to be acted upon at the Special Meeting. Therefore, in accordance with Article II, Section 3(B) of our Bylaws and Section 222(a) of the Delaware General Corporation Law, no other business will be conducted. Stockholders of record at the close of business on October 30, 2014 are entitled to notice of, and to vote at, the Special Meeting and any adjournments or postponements thereof.

All stockholders as of the close of business on October 30, 2014 are cordially invited to attend the Special Meeting in person, but whether or not you plan to attend, we urge you to review these materials carefully and to vote by proxy by internet, telephone or by submitting your **BLUE** proxy card as promptly as possible.

Please note that Pershing Square and Valeant have filed a proxy statement with the Securities and Exchange Commission in connection with the proposals stated above.

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THE ALLERGAN BOARD STRONGLY URGES YOU NOT TO SIGN OR RETURN ANY WHITE PROXY CARD SENT TO YOU BY PERSHING SQUARE OR VALEANT.

If you have previously signed a white proxy card sent to you by Pershing Square or Valeant, you can revoke that earlier proxy and vote by proxy against the matters to be voted on at the Special Meeting by signing, dating and returning the enclosed **BLUE** proxy card in the enclosed postage-paid envelope, by voting by proxy over the internet using the internet address on the **BLUE** proxy card or by voting by proxy by telephone using the toll-free number on the **BLUE** proxy card.

By Order of the Board of Directors,

Matthew J. Maletta

Vice President,

Associate General Counsel and Secretary

Irvine, California

, 2014

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IMPORTANT

Your vote is extremely important. Whether or not you plan to attend the Special Meeting and regardless of the number of shares you own, we urge you to vote promptly by proxy AGAINST Pershing Square and Valeant s Proposals (as described on pages 21-33 of the Proxy Statement).

If you have any questions or need any assistance in voting your shares by proxy, please contact our proxy solicitor:

501 Madison Avenue, 20th Floor

New York, New York 10022

Stockholders may call toll-free: (877) 800-5187

Banks and brokers may call collect: (212) 750-5833

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 18, 2014

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies at the direction of the Board of Directors (our ***Board*** or the ***Allergan Board***) of Allergan, Inc. (***Allergan***, the ***Company***, ***we***, ***our*** or ***us***) for Special Meeting of Stockholders (the ***Special Meeting***) to be held on Thursday, December 18, 2014. This Proxy Statement and accompanying proxy card are first being mailed to stockholders on or about , 2014.

Stockholders of record at the close of business on October 30, 2014 will be entitled to vote at the Special Meeting. At the close of business on October 30, 2014, shares of our common stock, $0.01 par value per share (the ***Common Stock***), were outstanding and entitled to vote. Stockholders are entitled to one vote for each share of Common Stock held.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

Why am I receiving this Proxy Statement?

As you may be aware, Valeant Pharmaceuticals International, Inc. (***Valeant***) has commenced an unsolicited, conditional exchange offer to acquire all of our outstanding Common Stock (the ***Exchange Offer***). In connection with the Exchange Offer, Pershing Square Capital Management, L.P. (collectively, with affiliated entities and persons, ***Pershing Square***) and Valeant and certain of its officers and affiliates solicited proxies to request a special meeting of the Company s stockholders to consider and vote upon the proposals described in this Proxy Statement (***Pershing Square and Valeant s Proposals***). Allergan is calling the Special Meeting in response to requests from holders of more than the percentage of shares of our Common Stock required to call a special meeting under our Bylaws. Allergan has called this Special Meeting to be held on Thursday, December 18, 2014 for the purpose of considering and voting on Pershing Square and Valeant s Proposals.

You are receiving this Proxy Statement as a stockholder of Allergan as of October 30, 2014, the record date.

As further described below, we request that you promptly use the enclosed **BLUE** Proxy Card to vote, by internet, by telephone or by mail, in the event you desire to:

1. express your opposition to Pershing Square and Valeant s Proposals, even if you have not already submitted a proxy to Pershing Square or Valeant (or have no intention to do so); or

2. revoke any proxy that you may have delivered to Pershing Square or Valeant to vote on Pershing Square and Valeant s Proposals.

What proposals are to be presented at the Special Meeting?

The purpose of the Special Meeting is to consider and vote upon Pershing Square and Valeant s Proposals. Although the Allergan Board recommends voting **AGAINST** Pershing Square and Valeant s Proposals, at the Special Meeting our stockholders will be asked to consider proposals to remove Deborah Dunsire, M.D., Michael R. Gallagher, Trevor M. Jones, Ph.D., Louis J. Lavigne, Jr., Russell T. Ray and Henri A. Termeer from the Allergan Board, to request that the Allergan Board elect or appoint six of Pershing Square and Valeant s nominees to serve on the Allergan Board, to amend certain provisions of our Amended and Restated Bylaws (the ***Bylaws***) and to request that the Allergan Board engage with Valeant regarding its proposal to acquire Allergan.

Pershing Square and Valeant have filed a proxy statement with the U.S. Securities and Exchange Commission (the *SEC*). You may receive proxy solicitation materials with a white proxy card from Pershing Square or Valeant. **OUR BOARD STRONGLY URGES YOU NOT TO SIGN OR RETURN ANY WHITE PROXY CARD SENT TO YOU BY PERSHING SQUARE OR VALEANT.**

When will the Special Meeting be held?

The Special Meeting is scheduled to be held on Thursday, December 18, 2014.

Who is soliciting my vote?

In this Proxy Statement, the Allergan Board of Directors is soliciting your vote.

Giving us your proxy means that you authorize the proxy holders identified on the **BLUE** proxy card Matthew J. Maletta and Arnold A. Pinkston to vote your shares at the Special Meeting in the manner you direct. You may also abstain from voting. If you sign and return the enclosed **BLUE** proxy card but do not specify how your shares are to be voted, your shares will be voted in accordance with the recommendations of the Allergan Board, including against Pershing Square and Valeant s Proposals (see below).

What does the Allergan Board recommend?

The Allergan Board unanimously recommends that you vote by proxy using the **BLUE** proxy card with respect to Pershing Square and Valeant s Proposals, as follows:

AGAINST the proposal to remove Deborah Dunsire, M.D., Michael R. Gallagher, Trevor M. Jones, Ph.D., Louis J. Lavigne, Jr., Russell T. Ray and Henri A. Termeer from the Allergan Board (see pages 21 to 25);

AGAINST the proposal to request that the Allergan Board elect or appoint six of Pershing Square and Valeant s nominees to serve as directors for Allergan (see pages 26 to 27);

AGAINST the proposal to amend our Bylaws to modify the mechanics for calling a special meeting of the stockholders (see page 28);

AGAINST the proposal to amend to our Bylaws to provide specific mechanics for calling a special meeting if no directors or less than a majority of directors are then in office (see page 29);

AGAINST the proposal to amend to our Bylaws to modify the mechanics for nominating directors or proposing business at an annual meeting (see page 30);

AGAINST the proposal to amend to our Bylaws to fix the authorized number of Allergan directors at nine directors, if the six members of the Allergan Board are removed under the first proposal (see page 31);

AGAINST the proposal to repeal any Bylaw amendment adopted by the Allergan Board without stockholder approval after May 9, 2014 and prior to the effectiveness of the resolution effecting such repeal (see page 32); and

AGAINST the proposal to request that the Allergan Board engage with Valeant regarding its proposal to acquire Allergan (see page 33).

Our Board urges you NOT to sign or return any white proxy card sent to you by Pershing Square or Valeant. If you have previously signed a white proxy card sent to you by Pershing Square or Valeant you can revoke that earlier proxy and vote by proxy against the matters to be voted on at the Special Meeting by signing, dating and returning the enclosed **BLUE** proxy card in the postage-paid envelope provided, by voting by proxy over the internet using the internet address on the **BLUE** proxy card or by voting by proxy by telephone using the toll-free number on the **BLUE** proxy card.

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What is the position of the Allergan Board regarding the conditional Exchange Offer?

After careful consideration, including a thorough review of the terms and conditions of the conditional Exchange Offer with Allergan s financial and outside legal advisors, the Allergan Board, by unanimous vote of all of its directors at a meeting held on June 21, 2014, determined that the conditional Exchange Offer is grossly inadequate to Allergan stockholders and that the Exchange Offer is not in the best interests of Allergan or its stockholders. The Allergan Board believes that the conditional Exchange Offer substantially undervalues Allergan s business, does not adequately reflect the true value of Allergan s unique market position and business opportunities, and creates significant risks and uncertainties for the stockholders of Allergan, and that the interests of stockholders will be best served by Allergan continuing to pursue its strategic plan.

Since this unanimous determination by the Allergan Board, Allergan s value has further increased. In line with Allergan s raised projections, which include expected compounded annual non-GAAP diluted earnings per share (***Adjusted EPS***) growth of more than 20% and free cash flow of approximately $18.0 billion, Allergan reported its strongest quarterly results ever, beating analysts estimates for revenue and earnings and has announced a restructuring plan that is expected to result in approximately $475 million in annual pre-tax savings beginning in 2015. Accordingly, our Board unanimously recommends that Allergan s stockholders reject the conditional Exchange Offer and not exchange their shares of Common Stock.

These Adjusted EPS expectations reflect current assumptions as to certain business and market conditions that are subject to change, including, but are not limited to: double-digit revenue growth estimated by management from 2014 to 2019; continued implementation of Allergan s restructuring plan; research and development spend to be approximately 13% of product net sales, as targeted by management over the next five years, resulting in additional sales associated with that spend and improved net earnings over that period of time, including 2015 and 2016; selling, general and administrative expenses to be as targeted by management over the next five years, resulting in improved net earnings over that period of time, including 2015 and 2016; retention of intellectual property rights that are important to the anticipated sales growth across Allergan s products; stable reimbursement of pharmaceutical and medical device products by federal and state government authorities, private health insurers and other organizations, including health maintenance and managed care organizations; preservation of Allergan s reputation among and relationships with physicians, patients and other customers; absence of unanticipated increases to Allergan s effective tax rate; and stable global economic conditions and absence of natural disasters and geo-political events that adversely affect our business in the United States or internationally.

These assumptions reflect the Allergan management s analysis of existing trends and information and represent their judgment only as of the date of this Proxy Statement, and are further subject to the following limitations, among others: changing competitive, market and regulatory conditions; Allergan s ability to obtain and maintain adequate protection for its intellectual property rights; the timing and uncertainty of the results of both the research and development and regulatory processes; domestic and foreign health care and cost containment reforms, including government pricing, tax and reimbursement policies; technological advances and patents obtained by competitors; the performance, including the approval, introduction, and consumer and physician acceptance of new products and the continuing acceptance of currently marketed products; the effectiveness of advertising and other promotional campaigns; the timely and successful implementation of strategic initiatives; the results of any pending or future litigation, investigations or claims; the uncertainty associated with the identification of and successful consummation and execution of external corporate development initiatives and strategic partnering transactions; and Allergan s ability to obtain and successfully maintain a sufficient supply of products to meet market demand in a timely manner. In addition, U.S. and international economic conditions, including higher unemployment, political instability, financial hardship, consumer confidence and debt levels, taxation, changes in interest and currency exchange rates, international relations, capital and credit availability, the status of financial markets and institutions, fluctuations or devaluations in

the value of sovereign government debt, as well as the general impact of continued economic volatility, can materially affect Allergan s results or Allergan s ability to achieve the Adjusted EPS.

Our Board s reasons and recommendations regarding the conditional Exchange Offer are highlighted on pages 6-8 of this Proxy Statement and a more detailed description is contained in Allergan s Solicitation/

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Recommendation Statement on Schedule 14D-9 filed with the SEC on June 23, 2014, as amended (the ***Schedule 14D-9***), which is available on the SEC s website at *www.sec.gov*. We urge you to read the Schedule 14D-9 (including any amendments and supplements thereto) because these documents contain important information regarding the Exchange Offer.

A vote for any of Pershing Square and Valeant s Proposals will help support Valeant s conditional Exchange Offer.

Why is the Allergan Board recommending against Pershing Square and Valeant s Proposals?

Our Board strongly believes that Pershing Square and Valeant s Proposals are not in the best interests of Allergan or its stockholders. We believe that Pershing Square and Valeant s Proposals are solely designed to enable Pershing Square and Valeant s nominees to take control of our Board in order to facilitate Valeant s acquisition of Allergan pursuant to a proposal that our Board has determined is grossly inadequate to Allergan s stockholders and not in the best interests of Allergan and its stockholders.

Valeant s incentives for supporting these proposals are apparent, as Valeant seeks to facilitate an acquisition of Allergan at a price most favorable to Valeant. In addition, as a self-proclaimed co-bidder with Valeant, the interests of Pershing Square as a stockholder of Allergan are also not aligned with the interests of all of our stockholders. Pershing Square has announced a web of agreements with Valeant, including an agreement with Valeant under which Pershing Square would receive a fixed number of common shares of Valeant (***Valeant Common Shares***) if the conditional Exchange Offer were to close on its current terms and an agreement under which Pershing Square could purchase $400 million of Valeant Common Shares at a 15% discount. With these arrangements in place, we believe Pershing Square is financially incentivized to help pursue a transaction with Valeant where Valeant would not pay more to other Allergan stockholders than it must to consummate the transaction. Furthermore, it has been widely reported that Pershing Square has already received inquiries about structuring additional transactions in the future that are similar to its current arrangement with Valeant. Therefore, we believe Pershing Square is incentivized to show that this business model provides a quick and cost-effective approach for future acquirors.

As described below under the caption Legal Proceedings in Connection with the Exchange Offer, Allergan has brought an action against Valeant, Pershing Square and its principal, William A. Ackman, for violations of federal securities laws. The complaint alleges that the defendants violated federal securities laws prohibiting insider trading, engaged in other fraudulent practices and failed to disclose legally required information. The complaint seeks, among other remedies, a declaration from the court that Pershing Square and Valeant violated insider trading and disclosure laws, and an order rescinding Pershing Square s purchase of the Allergan Shares that it acquired illegally. Allergan also seeks to enjoin PS Fund 1, LLC, an entity affiliated with Valeant and Pershing Square (***PS Fund 1***) from exercising any of the privileges of ownership attaching to its 9.7% stake in Allergan, including voting or acting at the Special Meeting, and to enjoin the defendants from voting any proxies solicited by them on the basis of disclosures that violated federal securities laws, unless and until corrective disclosures are made.

Our Board strongly believes that the more prudent course of action than that demanded by Valeant and Pershing Square (a stockholder with specific short-term interests that are not aligned with the interests of all of our stockholders) is for Allergan to focus on its operational excellence and to extend its track record of strong and increasing growth that our Board is confident will create significantly more value for stockholders than Pershing Square and Valeant s Proposals. Our Board had successfully pursued, and continues to pursue, a number of key initiatives to increase stockholder value. These include execution of our restructuring plan in the remainder of 2014 that we expect will deliver annual pre-tax savings of approximately $475 million beginning in 2015, meeting our increased guidance and projections, which include expected compounded annual Adjusted EPS growth of more than 20% and free cash flow of approximately $18.0 billion, and consideration of acquisitions and strategic alternatives

that increase stockholder value.

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If I have already voted by proxy in favor of Pershing Square and Valeant s Proposals, can I still change my mind?

Yes. To change your vote by proxy, simply sign, date and return the enclosed **BLUE** proxy card in the accompanying postage-paid envelope, or vote by proxy by telephone or via the internet in accordance with the instructions in the **BLUE** proxy card. We strongly urge you to revoke any proxy card you may have returned to Pershing Square or Valeant and to vote by proxy **AGAINST** Pershing Square and Valeant s Proposals. Only your latest dated proxy will count at the Special Meeting.

Will my shares be voted if I do nothing?

If your shares of our Common Stock are held in registered name, you must sign and return a proxy card in order for your shares to be voted, unless you attend the Special Meeting and vote in person. If your shares of our Common Stock are held in street name and you do not instruct your broker or other nominee how to vote your shares, then, because all of Pershing Square and Valeant s Proposals are non-routine matters, your broker or other nominee would not have discretionary authority to vote your shares on Pershing Square and Valeant s Proposals. If your shares of our Common Stock are held in street name, your broker, bank or nominee has enclosed a voting instruction form with this Proxy Statement. We strongly encourage you to authorize your broker or other nominee to vote your shares by following the instructions provided on the voting instruction card.

Please return your **BLUE** proxy card to your nominee and contact the person responsible for your account to ensure that a **BLUE** proxy card is voted on your behalf.

The way to support our Board is to vote AGAINST all of Pershing Square and Valeant s Proposals by signing, dating and returning the enclosed BLUE proxy card today in the envelope provided. You may also vote by proxy over the internet using the internet address on the BLUE proxy card or by telephone using the toll-free number on the BLUE proxy card. If your shares are held in street name, you should follow the instructions on your voting instruction form and provide specific instructions to your broker to vote as described above.

Whom should I call if I have questions about the Special Meeting?

If you have any questions or need any assistance in voting your shares by proxy, please contact our proxy solicitor:

501 Madison Avenue, 20th Floor

New York, New York 10022

Stockholders may call toll-free: (877) 800-5187

Banks and brokers may call collect: (212) 750-5833

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Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Stockholders to be held on Thursday, December 18, 2014

Each of the Notice of Special Meeting and this Proxy Statement is available at https://www.proxyvotenow.com/agn.

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PERSHING SQUARE AND VALEANT S EXCHANGE OFFER AND PROXY SOLICITATION

The purpose of the conditional Exchange Offer as stated by Valeant is to acquire control of, and the entire equity interest in, Allergan. Valeant has also stated that it intends, as soon as practicable after the consummation of the Exchange Offer, to seek to consummate a merger of Valeant with Allergan. The Exchange Offer was initially scheduled to expire on August 15, 2014, but Valeant extended the expiration date to December 31, 2014 after announcing that only approximately 4.2% of our Common Stock had been validly tendered. For a more detailed description of the background of the Exchange Offer, please refer to the Schedule 14D-9, which is available on the SEC s website at *www.sec.gov*.

Reasons for Recommendation Against the Conditional Exchange Offer

After careful consideration, including a thorough review of the terms and conditions of the conditional Exchange Offer with Allergan s financial and legal advisors, our Board unanimously determined that the conditional Exchange Offer is grossly inadequate to holders of shares of Common Stock and that the Exchange Offer is not in the best interests of Allergan and its stockholders. Our Board believes that the conditional Exchange Offer substantially undervalues Allergan s business, does not adequately reflect the true value of Allergan s unique market position and business opportunities, and creates significant risks and uncertainties for the stockholders of Allergan, and that the interests of stockholders will be best served by Allergan continuing to pursue its strategic plan.

Since this unanimous determination by our Board, Allergan s value has further increased. In line with Allergan s raised projections, which include expected compounded annual Adjusted EPS growth of more than 20% and free cash flow of approximately $18.0 billion, Allergan reported its strongest quarterly results ever, beating analysts estimates for revenue and earnings and has announced a restructuring plan that is expected to result in approximately $475 million in annual pre-tax savings beginning in 2015. In reaching its determination to reject the conditional Exchange Offer, our Board considered numerous factors in consultation with Allergan s management and financial and legal advisors, including, but not limited to, the following:

1. **The Exchange Offer is Grossly Inadequate and Substantially Undervalues our Board s Assessment of Allergan s Industry-Leading Position, Financial Performance, Strong Balance Sheet, Exceptional Management and Accelerating Growth**

Our Board believes that the conditional Exchange Offer is grossly inadequate and substantially undervalues Allergan because it does not reflect our Board s assessment of the underlying value of Allergan s assets, operations and prospects, including its industry-leading position and accelerating growth. Specifically, our Board believes the conditional Exchange Offer does not reflect Allergan s:

- longstanding track record of innovation and operational excellence that has created strong and sustainable stockholder value over a substantial period of time;

- promising outlook that should create significant near-term and long-term value for stockholders;

future prospects that are driven by a robust pipeline of new products and services arising from a longstanding and successful dedication to research and development (***R&D***);

previously announced restructuring that is expected to result in annual pre-tax savings of approximately $475 million beginning in 2015 while preserving Allergan s robust R&D pipeline and commitment to innovation;

strong quarterly results after the announcement of the conditional Exchange Offer;

five-year strategic plan that our Board believes will generate compounded annual Adjusted EPS growth of more than 20%, which translates into $10.25 per share of Adjusted EPS in 2016; and

strong balance sheet and ample leverage capacity that gives Allergan tremendous capacity to consider and engage in strategic alternatives in the future that increase stockholder value.

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2. **We Believe Valeant s Business Model Creates Significant Risks and Uncertainties for Allergan s Stockholders**

The conditional Exchange Offer is not an all-cash offer, and it is very likely that Allergan s stockholders will be required to accept Valeant Common Shares in the Exchange Offer. Our Board believes that Allergan s stockholders are exposed to significant risks and uncertainties on account of the substantial Valeant Common Share component of the conditional Exchange Offer. We believe these risks include:

- the possibility that Valeant s acquisition-based revenue growth is unsustainable, and that Valeant s low organic growth is driven by price increases that will prove unsustainable;
- the aggressive nature of Valeant s projected synergies claims;
- a lack of investment by Valeant that would put Allergan s core business at risk under Valeant s ownership;
- Valeant s financial statements, which we believe provide less disclosure with regard to (i) revenue by franchise, product group, therapeutic class, product and brand (ii) the contribution of individual products to variance and (iii) qualitative discussion of product- or brand-level results or consumer trends, in each case, as compared to Allergan and its industry peers;
- Valeant s lack of R&D capabilities when compared to Allergan s track record of innovation and value creation;
- Valeant s significant long-term debt, in excess of $17.0 billion as of June 30, 2014, which would further dramatically increase if the conditional Exchange Offer were to be consummated and severely limit strategic flexibility on an ongoing basis (as compared to Allergan, which has tremendous capacity for future strategic options to increase stockholder value); and
- Valeant s dramatic loss of market share of its filler and toxin assets when in head-to-head competition with Allergan s business. In its quarterly report on Form 10-Q for the quarter ended June 30, 2014, Valeant disclosed a decrease in product sales of $33.7 million and $57.2 million in the second quarter and first half of 2014, respectively, related to filler and toxin assets. Based on our analysis, Allergan s market share of the U.S. dermal facial fillers market increased from approximately 40% in the second quarter of 2013 to approximately 64% in the second quarter of 2014 while Valeant s market share fell from approximately 36% to approximately 17% over the same period.

3. **Pershing Square and Valeant Have Used Highly Questionable Tactics in an Attempt to Facilitate a Series of Grossly Inadequate Proposals that we Believe Violated Insider Trading Laws**

Valeant s self-proclaimed co-bidder, Pershing Square, only became a stockholder of Allergan in 2014, after a rapid and originally undisclosed accumulation of beneficial ownership of approximately 9.7% of our Common Stock. When Pershing Square acquired beneficial ownership of its shares of Common Stock, it knew but did not disclose to other

Allergan stockholders or those from whom it purchased such shares that Valeant was planning to announce an unsolicited proposal to acquire Allergan.

As described below under the caption Legal Proceedings in Connection with the Exchange Offer, Allergan has brought an action against Valeant, Pershing Square and its principal, William A. Ackman, for violations of federal securities laws. The complaint alleges that the defendants violated federal securities laws prohibiting insider trading, engaged in other fraudulent practices and failed to disclose legally required information. The complaint seeks, among other remedies, a declaration from the court that Pershing Square and Valeant violated insider trading and disclosure laws, and an order rescinding Pershing Square s purchase of the Allergan Shares that it acquired illegally.

4. We Believe the Quantity and Nature of the Exchange Offer s Conditions Create Significant Uncertainty and Risk

Our Board believes that the numerous conditions set forth in the Exchange Offer create significant uncertainty and risk as to whether the Exchange Offer can be completed and the timing for completion. As

described in Item 2. Identity and Background of Filing Person Offer and in Annex A attached to the Schedule 14D-9, the Exchange Offer is subject to a litany of conditions, some of which are beyond the control of either Valeant or Allergan.

Our Board believes that the effect of these, and other numerous conditions, is that Allergan s stockholders cannot be assured that Valeant will be able to consummate the Exchange Offer. The conditions to the Exchange Offer are for the sole benefit of Valeant and may be asserted by Valeant regardless of the circumstances (including any action or inaction by Valeant) giving rise to any such conditions or may, to the extent permitted by law, be waived by Valeant in whole or in part at any time and from time to time in Valeant s sole discretion.

While certain conditions to the Exchange Offer, such as the condition relating to the redemption or inapplicability of the rights issued pursuant to the Rights Agreement (as defined below), are within the control of Allergan, the majority are beyond Allergan s control, and there are others that are not waivable by Valeant, including the antitrust condition, the Valeant shareholder approval condition, the stock exchange listing condition and the anti-takeover devices condition. Additionally, certain prongs of the anti-takeover devices condition are not capable of being satisfied. Therefore, Valeant cannot accept for exchange any shares of Common Stock tendered in the Exchange Offer until all of these conditions are satisfied. None of these conditions is satisfied as of the date of this Proxy Statement and it is uncertain whether and when these conditions will be satisfied, if at all.

5. Allergan Has Received an Inadequacy Opinion From Each of its Financial Advisors

Our Board considered the fact that on June 21, 2014, each of Goldman, Sachs & Co. (***Goldman Sachs***) and Merrill Lynch, Pierce, Fenner & Smith Incorporated (***BofA Merrill Lynch***) rendered an oral opinion to our Board, subsequently confirmed in writing, to the effect that, as of the date of such opinion and based upon and subject to the factors and assumptions set forth in its written opinion, the consideration proposed to be paid to the holders (other than AGMS Inc., Pershing Square and any of their respective affiliates) of shares of Common Stock pursuant to the Exchange Offer was inadequate from a financial point of view to such holders. The full texts of the written opinions of each of Goldman Sachs and BofA Merrill Lynch, each dated June 21, 2014, which set forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with such opinion, are attached as Annexes B and C to the Schedule 14D-9, respectively. Each of Goldman Sachs and BofA Merrill Lynch provided its opinion for the information and assistance of our Board in connection with its consideration of the conditional Exchange Offer. The opinions of Goldman Sachs and BofA Merrill Lynch are not recommendations as to whether or not any holder of shares of Common Stock should tender such shares in connection with the conditional Exchange Offer or any other matter.

Background of Pershing Square and Valeant s Solicitation

A more detailed description of the background of the conditional Exchange Offer and our Board s reasons and recommendations regarding the conditional Exchange Offer can be found in the Schedule 14D-9, which is available at the SEC s website at *www.sec.gov*. Free copies may be obtained by directing a request to Investor Relations, Allergan, Inc., 2525 Dupont Drive, Irvine, California 92612.

On April 21, 2014, Pershing Square and Valeant each filed a Schedule 13D with the SEC (the ***Schedule 13Ds***) disclosing Pershing Square s holding of a 9.7% interest in our Common Stock. According to the Schedule 13Ds, Pershing Square acquired its shares of Common Stock in fulfillment of certain of its obligations pursuant to its contractual arrangement with Valeant, and acquired such shares with full knowledge of the material nonpublic information that Valeant intended to make a bid for Allergan.

On April 22, 2014, David Pyott, Allergan s Chairman of the Board and Chief Executive Officer, received an unsolicited proposal from Michael Pearson, Chairman and Chief Executive Officer of Valeant, to acquire all of the outstanding shares of our Common Stock in exchange for 0.83 shares of Valeant Common Shares and $48.30 in cash per share of our Common Stock (the ***Initial Proposal***). Prior to the Initial Proposal, our Board had not received any communication from either Valeant or Pershing Square regarding the Initial Proposal or any other proposed business combination between Allergan and Valeant and/or Pershing Square.

On April 22, 2014, our Board held a special meeting to discuss, among other things, the Initial Proposal and Pershing Square s arrangements with Valeant as disclosed in the Schedule 13Ds. Representatives from Goldman Sachs and BofA Merrill Lynch, Allergan s independent financial advisors, and Latham & Watkins LLP (***Latham***), Allergan s legal advisor, and Richards, Layton & Finger, P.A., Allergan s Delaware counsel, were present at the meeting. At the meeting, our Board adopted a rights agreement, between Allergan and Wells Fargo Bank, N.A. (the ***Rights Agreement***). The Rights Agreement was not intended to prevent an acquisition of the Company on terms that our Board considers favorable to, and in the best interests of, all Allergan stockholders. Rather, the Rights Agreement aimed to provide our Board with adequate time to fully assess and respond to any proposal.

On May 5, 2014, Michael Gallagher, the lead independent director of our Board, received a letter from Pershing Square in which it recommended that our Board begin discussions with Valeant in the very near future because, among other things, Valeant may reduce its offer under the Initial Proposal if Allergan did not engage.

On May 6, 2014, Allergan held the 2014 Annual Meeting. At the 2014 Annual Meeting, among other items, all of the members of our Board were re-elected, including Deborah Dunsire, M.D., Michael R. Gallagher, Trevor M. Jones, Ph.D., Louis J. Lavigne, Jr., Russell T. Ray and Henri A. Termeer, and Allergan s stockholders approved an amendment to Allergan s Amended and Restated Certificate of Incorporation (the ***Charter***) allowing stockholders to act by written consent, subject to certain restrictions and limitations.

On May 10, 2014, our Board held a special meeting to continue its consideration of the Initial Proposal with its financial and legal advisors. At the meeting, our Board unanimously rejected the Initial Proposal, concluding after a comprehensive review, conducted in consultation with its financial and legal advisors, that the Initial Proposal substantially undervalued the Company, created significant risks and uncertainties for the stockholders, and was not in the best interests of the Company and its stockholders.

On May 12, 2014, the Company sent a letter to Valeant and issued a press release announcing our Board s determination and filed an investor presentation with the SEC in which it updated guidance and highlighted the Company s market-leading positions, diversified product portfolio, operational excellence, consistent outperformance of peers in R&D innovation and strong growth prospects.

On May 27, 2014, the Company filed an investor presentation with the SEC detailing its initial concerns about the sustainability of Valeant s business model. The Company also noted that it had retained two nationally recognized financial consultants and forensic accountants, Alvarez & Marsal and FTI Consulting, to evaluate certain concerns about the inherent value of Valeant s business model and stock. The presentation raised a number of important issues about Valeant s business model and stock value of which our Board and management believed Allergan s stockholders needed to be aware. These included questions regarding what Allergan believes to be Valeant s: 1) low organic growth, 2) acquisition-driven top-line growth, 3) unsustainable price increases, 4) rapid erosion of the durable business acquired from Medicis Pharmaceutical Corporation within a short time, 5) lack of experience promoting products of Allergan s scale, 6) the instability of its management team, 7) the inability of Valeant to achieve its stated synergies without destroying Allergan s near-term and long-term value, 8) significantly weaker market share position compared to Allergan in important emerging markets, 9) unusual tax structure, 10) magnitude and regularity of non-GAAP adjustments compared with others in the industry, and 11) unsustainable business model, centered on a serial acquisition and cost cutting strategy.

On May 28, 2014, Valeant hosted an investor meeting and webcast and Mr. Pearson sent a letter to Mr. Pyott and our Board, revising the terms of its Initial Proposal, leaving the share consideration at 0.83 of Valeant Common Shares and raising the cash consideration to $58.30 per share of Common Stock, with the possibility of a contingent value right (***CVR***) related to DARPin® sales (the ***Revised Proposal***).

On May 30, 2014, prior to any announcement by our Board regarding the Revised Proposal, Valeant and Pershing Square issued a press release and Mr. Pearson wrote a letter to Mr. Pyott and our Board making a re-revised proposal, leaving the share consideration at 0.83 Valeant Common Shares and raising the cash consideration to $72.00 per share of Common Stock, with the possibility of a CVR related to DARPin® sales (the ***Re-Revised Proposal***).

On June 2, 2014, Pershing Square filed its first preliminary proxy statement with respect to soliciting Allergan stockholders to request a special meeting (the ***Pershing Square/Valeant Special Meeting Solicitation***)

On June 6, 2014, Pershing Square sent a letter to Allergan seeking, among other things, confirmation that Allergan would not take the position that the solicitation and receipt of revocable proxies by Pershing Square in connection with its request to cause Allergan to call a special meeting of stockholders pursuant to the Charter and Bylaws would trigger the rights under the Rights Agreement.

On June 9, 2014, our Board held a meeting at which it continued its consideration of the Re-Revised Proposal. At the meeting and after a comprehensive review, our Board unanimously determined, after consultation with its financial and legal advisors, that the Re-Revised Proposal substantially undervalued the Company, created significant risks and uncertainties for the stockholders of Allergan, and was not in the best interests of the Company and its stockholders. On June 10, 2014, the Company sent a letter to Mr. Pearson setting forth our Board s conclusion regarding the Re-Revised Proposal and filed an updated investor presentation with the SEC with additional detail on the considerations behind our Board s rejection.

On, June 11, 2014, Allergan responded to Pershing Square s June 6, 2014 letter. In addition, Allergan offered in its June 11, 2014 letter to Pershing Square to arrange a conference call to discuss any specific interpretational questions about the Rights Agreement.

On June 12, 2014, without making any further contact with Allergan following Allergan s invitation in its June 11, 2014 letter to discuss any specific interpretational questions about the Rights Agreement, Pershing Square filed a complaint in the Delaware Court of Chancery, captioned *PS Fund 1, LLC v. Allergan, Inc.*, C.A. No. 9760 (Del. Ch.) (the ***Delaware Rights Agreement Litigation***), seeking declarations that certain actions taken in connection with the stockholder-called special meeting request would not trigger the Rights Agreement as well as an injunction against Allergan taking any steps to enforce the relevant provisions of the Rights Agreement until the Court ruled on Pershing Square s requested relief.

On June 16, 2014, Allergan filed its preliminary revocation statement with respect to the Pershing Square/Valeant Special Meeting Solicitation.

On June 18, 2014, Valeant commenced the conditional Exchange Offer by filing a Schedule TO and a registration statement on Form S-4 with the SEC.

On June 21, 2014, our Board met to review the formal terms of the Exchange Offer with the assistance of Allergan s financial and legal advisors. At the meeting, each of Goldman Sachs and BofA Merrill Lynch rendered an oral opinion to our Board, subsequently confirmed in writing, to the effect that, as of June 21, 2014 and based upon and subject to the factors and assumptions set forth in its written opinion, the consideration proposed to be paid to the holders (other than Valeant, Pershing Square and any of their respective affiliates) of shares of Common Stock pursuant to the conditional Exchange Offer was inadequate from a financial point of view to such holders. The full texts of the written opinions of each of Goldman Sachs and BofA Merrill Lynch, each dated June 21, 2014, which set forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with such opinion, are attached as Annexes B and C, respectively, to the Schedule 14D-9. After careful consideration,

including a thorough review of the terms and conditions of the Exchange Offer with Allergan s financial and legal advisors, our Board, by unanimous vote of

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all of its directors, determined that the Exchange Offer is grossly inadequate, substantially undervalues Allergan, creates significant risks and uncertainties for Allergan and is not in the best interests of Allergan and its stockholders.

On June 23, 2014, Allergan filed the Schedule 14D-9.

On June 24, 2014, Valeant filed a preliminary proxy statement with respect to the calling of a special meeting of Valeant s stockholders to approve the issuance of Valeant Common Shares in connection with an acquisition of Allergan.

On June 27, 2014, Allergan and Pershing Square entered into a stipulation (the ***Stipulation Agreement***) agreeing to dismiss the Delaware Rights Agreement Litigation. Before Pershing Square initiated the litigation, Allergan had invited Pershing Square by letter dated June 11, 2014 to discuss its concerns related to the Rights Agreement and the Bylaws.

On July 11, 2014, Pershing Square filed a definitive proxy statement with respect to the Pershing Square/Valeant Special Meeting Solicitation.

On July 21, 2014, Allergan issued its earnings release for the quarter ended June 30, 2014, reporting a 23.8% increase in Adjusted EPS attributable to stockholders and an increase in total product net sales of 15.9% compared to the quarter ended June 30, 2013. Allergan also announced a restructuring of its operations and processes as part of its efforts to increase stockholder value that it estimated would deliver annual pre-tax savings of approximately $475 million beginning in calendar year 2015 as compared to previously communicated expectations for 2015. Allergan also raised its outlook for the full year of 2014, expecting total product net sales between $6.9 billion and $7.05 billion.

On July 31, 2014, Valeant reported its financial results for the quarter ended June 30, 2014. In it, Valeant lowered its guidance for 2014 from $8.3 - $8.7 billion to $8.0 - $8.3 billion in revenues. Additionally, Valeant lowered its cash earnings per share guidance for 2014 from $8.55 - $8.80 to $7.90 - $8.10.

On August 1, 2014, Allergan filed a complaint in the United States District Court for the Central District of California against Valeant, Pershing Square, its principal William A. Ackman and certain of their affiliates, captioned *Allergan, Inc. v. Valeant Pharmaceuticals International, Inc., et. al.* (the ***Insider Trading Litigation***). The complaint alleges that Valeant, Pershing Square and Mr. Ackman violated federal securities laws prohibiting insider trading, engaged in other fraudulent practices and failed to disclose legally required information. The complaint seeks, among other remedies, a declaration from the court that Pershing Square and Valeant violated insider trading and disclosure laws and an order rescinding Pershing Square s purchase of the shares of Common Stock that it acquired illegally.

On August 8, 2014, Allergan filed with the SEC a definitive revocation solicitation statement related to the Pershing Square/Valeant Special Meeting Solicitation.

On August 15, 2014, Valeant extended the expiration of the Exchange Offer until 5:00 p.m., New York City time, on December 31, 2014, unless further extended.

On August 22, 2014, Pershing Square delivered written requests from Allergan stockholders in connection with Pershing Square s request to call the Special Meeting.

On August 22, 2014, without contacting Allergan to discuss the submitted special meeting requests, Pershing Square commenced an action in the Delaware Court of Chancery, captioned *PS Fund 1, LLC v. Allergan, Inc.*, C.A.

No. 10057 (Del. Ch.) (the ***Special Meeting Request Litigation***) seeking declaratory and injunctive relief, including, among other things, a declaration that Pershing Square, Valeant and certain affiliates had validly requested a special meeting and that Article II, Section 3 of the Bylaws was facially invalid.

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On August 26, 2014, in connection with the Insider Trading Litigation, Allergan announced that it requested the federal court to set an expedited schedule for discovery and a motion for a preliminary injunction against Valeant, Pershing Square and Mr. Ackman for violations of the federal securities laws. In addition, Allergan also announced that it would hold the Special Meeting on December 18, 2014, subject to confirmation that the meeting has been validly requested in compliance with the Bylaws.

On September 4, 2014, Pershing Square and Valeant filed with the SEC its first preliminary proxy statement seeking proxies from Allergan stockholders to vote for Pershing Square and Valeant s Proposals at the Special Meeting.

On September 12, 2014, Pershing Square delivered additional written requests from Allergan stockholders in connection with the Pershing Square/Valeant Special Meeting Solicitation.

On September 15, 2014, Allergan announced that it reached an agreement with Pershing Square and Valeant, under which Allergan agreed to hold the Special Meeting on the originally scheduled date of December 18, 2014, and Pershing Square and Valeant agreed to dismiss the Special Meeting Request Litigation.

On September 16, 2014, the Special Meeting Request Litigation was settled and dismissed.

On September 24, 2014, Pershing Square and Valeant filed with the SEC a definitive proxy statement related to the Special Meeting.

On October 6, 2014, Allergan filed a preliminary proxy statement related to the Special Meeting.

On October 9, 2014, Allergan issued a press release in which it provided updates on Adjusted EPS and sales expectations for the third quarter of 2014 and full years 2014, 2015 and 2016. Among other updates, Allergan announced that it expects Adjusted EPS for 2014 to be between $6.20 and $6.25, representing an increase of between 30% and 31% compared to 2011, and expects product net sales for 2014 to increase between 14% and 15% compared to 2013. Allergan also announced that it expects Adjusted EPS to be approximately $8.60 for 2015 and approximately $10.25 for 2016, respectively.

On October 23, 2014, Allergan filed an amendment to the preliminary proxy statement related to the Special Meeting.

Legal Proceedings in Connection with the Exchange Offer

Action Against Valeant, Pershing Square and William A. Ackman for Violations of Federal Securities Laws

On August 1, 2014, Allergan filed a complaint in the United States District Court of the Central District of California against Valeant, Pershing Square, its principal William A. Ackman, PS Fund 1 and certain of their affiliates (collectively, the ***Defendants***), captioned *Allergan, Inc. v. Valeant Pharmaceuticals International, Inc., et. al*. The complaint alleges that the Defendants violated federal securities laws prohibiting insider trading, engaged in other fraudulent practices and failed to disclose legally required information. The complaint seeks, among other remedies, a declaration from the court that Pershing Square and Valeant violated insider trading and disclosure laws, and an order rescinding Pershing Square s purchase of the Allergan Shares that it acquired illegally. The foregoing description is qualified in its entirety by reference to the contents of the complaint, which is attached to the Schedule 14D-9 as Exhibit (a)(27). A press release issued by Allergan announcing the filing of the lawsuit is attached to the Schedule 14D-9 as Exhibit (a)(28).

On August 19, 2014, Valeant and Pershing Square answered the complaint and filed counterclaims against Allergan, asserting violations of federal securities laws prohibiting false and misleading disclosures. Allergan filed its answer on September 2, 2014.

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Allergan intends to seek to enjoin PS Fund 1 from exercising any of the privileges of ownership attaching to its 9.7% stake in Allergan, including voting or acting at the Special Meeting, and to enjoin the Defendants from voting any proxies solicited by them on the basis of disclosures that violated federal securities laws, unless and until corrective disclosures are made (the ***Preliminary Injunction Motion***). The parties agreed to expedited discovery and a briefing schedule on the Preliminary Injunction Motion, which will be heard by the court on October 28, 2014.

Stockholder Derivative Suits

On May 5, 2014, the City of Westland Police & Fire Retirement System filed a purported stockholder class action complaint in the Delaware Court of Chancery against Allergan and its directors, challenging our Board s interpretation of an amendment to Allergan s Charter, and seeking a declaration that the amendment would not preclude stockholders from acting by written consent to remove and replace Allergan s directors outside of the annual meeting to elect directors; that the proxy disclosure issued in connection with the amendment was incorrect and/or misleading; and that the Allergan directors breached their fiduciary duties in issuing the disclosure. The complaint also sought an order directing our Board to issue a supplemental corrective disclosure regarding the amendment, among other relief. On May 14, 2014, the City of Westland Police & Fire Retirement System filed a motion for expedited proceedings on the action for declaratory judgment. On May 21, 2014, the Delaware Court of Chancery denied the City of Westland Police & Retirement System s motion for expedited proceedings. On June 2, 2014, Allergan and its directors moved to dismiss the complaint.

On May 20, 2014, the Police Retirement System of St. Louis filed a stockholder class action complaint in the Delaware Court of Chancery against Allergan and its directors seeking declaratory relief preventing our Board from considering constituencies other than stockholders in evaluating a takeover proposal by Pershing Square and Valeant. The complaint alleged that Article 16 of the Charter, which permits our Board to consider all constituencies when evaluating whether to sell Allergan, conflicts with our Board s fiduciary duty to maximize stockholder value and therefore cannot be relied upon in sale deliberations, and sought a finding that Article 16 of the Charter is contrary to Delaware law and requested an injunction preventing our Board from responding to Valeant s takeover proposal without having stockholders interests as their sole consideration, among other relief.

On May 23, 2014, the City of Riviera Beach Police Officers Pension Fund filed a stockholder class action complaint in the Delaware Court of Chancery against Allergan and its directors. The allegations were substantially similar to those in the *City of Westland Police & Fire Retirement System* action. The complaint sought a declaratory judgment that: (i) Allergan stockholders could fill vacancies on our Board pursuant to Delaware law, notwithstanding our Board s interpretation of an amendment to the Charter; and (ii) that the amendment would not preclude stockholders from acting by written consent to remove and replace Allergan s directors outside of the annual meeting to elect directors. The complaint further alleged that our Board had breached its fiduciary duty by interpreting the amendment in a misleading and/or incorrect way.

On June 13, 2014, the Delaware Court of Chancery consolidated the *City of Westland Police & Fire Retirement System*, *Police Retirement System of St. Louis* and *City of Riviera Beach Police Officers Pension Fund* actions under the caption *In re Allergan, Inc. Stockholder Litigation*. On June 17, 2014, the plaintiffs in the consolidated class action (***Plaintiffs***) filed a verified consolidated class action complaint. The consolidated action sought declaratory judgments that: (i) our Board may only consider the maximization of stockholder value in responding to a takeover proposal and may not rely on Article 16 of the Charter to consider all constituencies in deciding whether to sell Allergan; (ii) Allergan s stockholders may remove and replace the entire Board in a single special meeting notwithstanding our Board s interpretation of an amendment to the Charter; (iii) soliciting proxies to call a special meeting would not trigger the preferred stock purchase rights (the ***Rights***) issued pursuant to the Rights Agreement; and (iv) exercising statutory rights under Delaware law to replace directors would not trigger the Rights issued pursuant to the Rights

Agreement. The complaint further alleged that our Board breached its fiduciary duty to the extent that the proxy disclosure issued in connection

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with the amendment to the Charter was incorrect and/or misleading and sought injunctive relief to the extent the Rights Agreement precludes the solicitation of proxies or the exercise of stockholder rights. Plaintiffs filed a motion for summary judgment, which Allergan has opposed.

PS Fund 1 s Action Regarding the Rights Agreement

On June 6, 2014, Pershing Square s Chief Legal Counsel wrote a letter to Allergan inquiring with respect to the Rights Agreement. On June 11, 2014, Allergan s counsel wrote Pershing Square s Chief Legal Counsel a letter responding to his June 6th letter and requesting Pershing Square to contact Allergan with any specific questions about the Rights Agreement. Pershing Square did not respond to that request, and instead, the next day on June 12, 2014, PS Fund 1 commenced an action in the Delaware Court of Chancery seeking declaratory and injunctive relief, including, among other things, a declaration that (1) communications among PS Fund 1 or Pershing Square and other Allergan stockholders would not trigger the Rights issued pursuant to the Rights Agreement, or alternatively (2) the relevant provisions of the Rights Agreement are invalid as a matter of law. On the same date, PS Fund 1 filed a motion seeking to expedite the resolution of the litigation. On June 18, 2014, Allergan filed an opposition to PS Fund 1 s motion for expedited proceedings.

On June 19, 2014, at a hearing on PS Fund 1 s motion for expedited proceedings, the Court of Chancery granted PS Fund 1 s motion and scheduled a hearing date of July 7, 2014 for PS Fund 1 s motion for summary judgment and Allergan s motion to dismiss.

On June 27, 2014, Allergan and PS Fund 1 entered into a stipulation agreeing to dismiss the litigation. Before and after PS Fund 1 initiated the litigation, Allergan had invited PS Fund 1 and Pershing Square to discuss their concerns related to the Rights Agreement and Bylaws. On August 16, 2014, the case settled and was dismissed.

PS Fund 1 s Action Regarding the Special Meeting Request

On August 22, 2014, PS Fund 1 commenced an action in the Delaware Court of Chancery seeking declaratory and injunctive relief, including, among other things, a declaration that (1) PS Fund 1 and supporting stockholders had validly requested a special meeting under the Charter and any applicable provision of the Bylaws, and (2) Article II, Section 3 of the Bylaws was facially invalid as a matter of law. On September 16, 2014, the case settled and was dismissed, with Allergan agreeing to hold a special meeting of stockholders on December 18, 2014.

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IMPORTANT

Your vote is extremely important. Whether or not you plan to attend the Special Meeting and regardless of the number of shares you own, we urge you to sign, date and mail the enclosed BLUE proxy card to vote by proxy AGAINST Pershing Square and Valeant s Proposals or use the BLUE proxy card to vote by proxy by telephone or by internet.

We urge you NOT to sign or return any white proxy card sent to you by Pershing Square or Valeant. Only your latest dated, signed proxy card will be counted, and any proxy card you sign for any reason could invalidate previous BLUE proxy cards sent by you to support our Board. If you have already submitted a proxy to Pershing Square or Valeant, you may revoke that proxy by signing, dating and mailing the enclosed BLUE proxy card. You may also vote by proxy over the internet using the internet address on the BLUE proxy card or by telephone using the toll-free number on the BLUE proxy card or, if you are a street name holder, by following the instructions on your Voting Instruction Form.

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SPECIAL MEETING PROCEDURES

Special Meeting Admission

Only Allergan stockholders may attend the Special Meeting. Proof of ownership of our Common Stock, along with personal identification (such as a driver s license or passport), must be presented in order to be admitted to the Special Meeting. If your shares are held in the name of a bank, broker or other holder of record and you plan to attend the Special Meeting in person, you must bring a brokerage statement, the proxy card mailed to you by your bank or broker or other proof of ownership as of the close of business on October 30, 2014, the record date, to be admitted to the Special Meeting. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Special Meeting.

Who Can Vote, Outstanding Shares

Record holders of our Common Stock as of October 30, 2014 may vote at the Special Meeting. As of the record date, there were shares of our Common Stock (exclusive of approximately shares of Common Stock held in treasury) outstanding, each entitled to one vote. The shares of Common Stock held in our treasury will not be voted at the Special Meeting. There were approximately stockholders of record as of the record date.

How You Can Vote

You can vote by attending the Special Meeting and voting in person or you can vote by proxy. If you are the record holder of your stock, you can vote by proxy by submitting your proxy via the internet, by telephone or through the mail.

To vote by proxy via the internet, follow the instructions on the Notice or go to the internet address stated on your proxy card. To vote by proxy by telephone, call the number on your proxy card. If you receive only the Notice, you may follow the procedures outlined in the Notice to vote by proxy via the internet or request a proxy card.

As an alternative to voting by proxy by telephone or via the internet, you may vote by proxy by mail by simply marking your **BLUE** proxy card, signing and dating it and returning it in the postage-paid envelope provided.

If you hold your shares of Common Stock through a broker, bank or other nominee, then you will receive instructions from such institution or person on how to vote your shares. Your broker, bank or other nominee will allow you to deliver your voting instructions via the internet and may also permit you to submit your voting instructions by telephone.

YOUR VOTE IS VERY IMPORTANT. You should submit your proxy using the **BLUE** proxy card even if you plan to attend the Special Meeting. If you properly give your proxy and submit it to us in time to vote, the individuals named as your proxy holders will vote your shares as you have directed.

All shares entitled to vote and represented by properly submitted proxies (including those submitted via the internet, by telephone and by mail) received before the polls are closed at the Special Meeting, and not revoked or superseded, will be voted at the Special Meeting in accordance with the instructions indicated on those proxies. If no direction is indicated on a **BLUE** proxy card, such shares will be voted by the proxy holders named on the enclosed **BLUE** proxy card according to the recommendation of our Board: **AGAINST** each of Pershing Square and Valeant s Proposals. In their discretion, the proxy holders named in the **BLUE** proxy card are authorized to vote on any other matters that may properly come before the Special Meeting and at any continuation, postponement or adjournment of the Special

Meeting. As of the date of this Proxy Statement, our Board is not aware of any other items of business that will be presented for consideration at the Special Meeting other than those described in this Proxy Statement.

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Voting in Person

If you plan to attend the Special Meeting and wish to vote in person, you will be given a ballot at the Special Meeting. Please note that if your shares of Common Stock are held of record by a broker, bank or other nominee, and you decide to attend and vote at the Special Meeting, your vote in person at the Special Meeting will not be effective unless you present a legal proxy, issued in your name from your broker, bank or other nominee. Even if you plan to attend the Special Meeting, we encourage you to submit your proxy to vote your shares in advance of the Special Meeting.

Stockholders who wish to attend the Special Meeting will be required to present verification of ownership of our Common Stock, such as a bank or brokerage firm account statement, and will be required to present a valid government-issued picture identification, such as a driver s license or passport, to gain admittance to the Special Meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Special Meeting. There will be security present at the Special Meeting.

How You May Revoke or Change Your Vote

As a stockholder of record, you have the power to revoke your proxy at any time before it is voted. A proxy may be revoked by a stockholder of record by:

- delivering a written notice of revocation to our Secretary at or before the Special Meeting;
- presenting to our Secretary, at or before the Special Meeting, a later dated proxy executed by the person who executed the prior proxy;
- submitting another proxy by telephone or via the internet (your latest telephone or internet voting instructions are followed); or
- attending the Special Meeting and voting in person.

Attendance at the Special Meeting will not, by itself, revoke a proxy. Any written notice of revocation or delivery of a subsequent proxy by a stockholder of record may be sent to Allergan, Inc., Attn: Secretary, P.O. Box 19534, Irvine, California 92623, or hand delivered to our Secretary at or before the voting at the Special Meeting.

If you hold your shares of Common Stock through a broker, bank or other nominee, you may change your voting instructions by submitting new voting instructions to your broker, bank or other nominee. If you wish to vote in person, you must obtain a legal proxy issued to you by your broker, bank or other nominee.

Quorum and Required Vote

The inspector of elections appointed for the Special Meeting will tabulate votes cast by proxy or in person at the Special Meeting. The inspector of elections will also determine whether a quorum is present. In order to constitute a

quorum for the conduct of business at the Special Meeting, a majority of the outstanding shares of Common Stock entitled to vote at the Special Meeting must be present or represented by proxy at the Special Meeting. Shares that abstain from voting on any proposal will be treated as shares that are present and entitled to vote at the Special Meeting for purposes of determining whether a quorum is present.

A broker holding shares of record for you is not entitled to vote on certain matters unless the broker receives voting instructions from you. Broker non-votes result when shares are held by a broker who has not received voting instructions from the beneficial owner, there is at least one item for which the broker has discretionary voting authority and the broker has so notified us on a proxy form in accordance with industry practice or has

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otherwise advised us that the broker lacks voting authority. We do not believe that there will be any broker non-votes at the Special Meeting because we do not believe that any of the items on the agenda will qualify for discretionary voting treatment by a broker.

Pershing Square and Valeant Proposal No. 1: Removal of Allergan Directors. The approval of Proposal No. 1, removal of Deborah Dunsire, M.D., Michael R. Gallagher, Trevor M. Jones, Ph.D., Louis J. Lavigne, Jr., Russell T. Ray and Henri A. Termeer from our Board requires the affirmative vote of at least a majority of the outstanding shares entitled to vote generally in the election of directors of Allergan. Abstentions and broker non-votes, if any, will have the same effect as votes against this proposal.

Pershing Square and Valeant Proposal No. 2: Request to Elect or Appoint Pershing Square and Valeant s Nominees as Directors for Allergan. The approval of Proposal No. 2, regarding the request to elect or appoint Pershing Square and Valeant s six nominees as directors for Allergan requires the affirmative vote of a majority of shares present at the Special Meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions will have the same effect as votes against the proposal. Broker non-votes, if any, will have no effect on this proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner. Our Charter provides that newly created directorships resulting from any increase in the number of directors or any vacancy on our Board resulting from death, resignation, disqualification, removal or other cause shall be filled solely by the affirmative vote of a majority of the remaining directors, even though less than a quorum, or by a sole remaining director then in office. Proposal No. 2 is non-binding in nature and thus our Board will be under no legal obligation to take action with respect to this request, no matter how many votes are cast in favor of this Proposal No. 2. Our Board has made no determination as of the date of this Proxy Statement with respect to what actions it will take if Proposal No. 2 is approved by the requisite number of votes, but will consider all factors it deems relevant at such time, consistent with its fiduciary duties, before taking any action.

Pershing Square and Valeant Proposal No. 3: Amendment to Our Bylaws to Modify Special Meeting Procedures. The approval of Proposal No. 3, regarding the amendment to the special meeting procedures set forth in our Bylaws requires the affirmative vote of a majority of shares present at the Special Meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions will have the same effect as votes against this proposal. Broker non-votes, if any, will have no effect on this proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

Pershing Square and Valeant Proposal No. 4: Amendment to Our Bylaws to add Special Meeting Procedures if no Directors or less than a Majority of Directors are in Office. The approval of Proposal No. 4, regarding the addition of certain special meeting procedures requires the affirmative vote of a majority of shares present at the Special Meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions will have the same effect as votes against this proposal. Broker non-votes, if any, will have no effect on this proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

Pershing Square and Valeant Proposal No. 5: Amendment to Our Bylaws to Modify Procedures for Nominating Directors or Proposing Business at an Annual Meeting. The approval of Proposal No. 5, regarding the amendment of certain annual meeting procedures requires the affirmative vote of a majority of shares present at the Special Meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions will have the same effect as votes against this proposal. Broker non-votes will have no effect on this proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

Pershing Square and Valeant Proposal No. 6: Amendment to Our Bylaws to Fix the Authorized Number of Directors. The approval of Proposal No. 6, regarding the affixing of the authorized number of Allergan directors as set

forth in our Bylaws, requires the affirmative vote of a majority of shares present at the Special Meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions will have the same effect as votes against this proposal. Broker non-votes, if any, will have no effect on this proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

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Pershing Square and Valeant Proposal No. 7: Bylaws Amendment Repeal Proposal. The approval of Proposal No. 7, regarding the repeal of any other amendments to our Bylaws requires the affirmative vote of a majority of shares present at the Special Meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions will have the same effect as votes against this proposal. Broker non-votes, if any, will have no effect on this proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

Pershing Square and Valeant Proposal No. 8: Request for Engagement in Discussions with Valeant. The approval of Proposal No. 8, regarding the request to our Board to engage in discussions with Valeant regarding the potential acquisition of Allergan requires the affirmative vote of a majority of shares present at the Special Meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions will have the same effect as votes against this proposal. Broker non-votes, if any, will have no effect on this proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner. Proposal No. 8 is non-binding in nature and thus our Board will be under no legal obligation to take any action with respect to this request, no matter how many votes are cast in favor of this Proposal No. 8. Our Board has made no determination as of the date of this Proxy Statement with respect to what actions it will take if Proposal No. 8 is approved by the requisite number of votes, but will consider all factors it deems relevant at such time, consistent with its fiduciary duties, before taking any action.

Costs of Solicitation

The total cost of this solicitation will be borne by us. We estimate that the total expenditures relating to this solicitation (other than salaries and wages of officers and employees) will be approximately $, of which approximately $ has been incurred as of the date hereof. The Company may, from time to time, request that certain of its employees perform certain tasks in connection with the solicitation as part of his or her duties in the normal course of his or her employment without any additional compensation for the solicitation. In addition to solicitation by mail, our officers and employees may solicit proxies by telephone, by internet or in person.

We have retained Innisfree M&A Incorporated (***Innisfree***) to assist in the solicitation of proxies for a fee estimated to be approximately $, plus the reimbursement of out-of-pocket expenses incurred on our behalf. We will also reimburse brokers, nominees, fiduciaries and other custodians for reasonable expenses incurred by them in sending proxy soliciting materials to the beneficial owners of our Common Stock. Innisfree has advised us that approximately of its employees will be involved in the solicitation of proxies by Innisfree on behalf of the Company. In addition, Innisfree and certain related persons will be indemnified against certain liabilities arising out of or in connection with the engagement.

Participants in the Solicitation

Under applicable regulations of the SEC, each of our directors and certain of our executive officers and other employees may be deemed to be participants in this proxy solicitation. Please refer to the section entitled Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters in Annex A, Annex B and Annex C hereto for information about our directors. Except as described in this Proxy Statement, there are no agreements or understandings between the Company and any such participants relating to employment with the Company or any future transactions.

Other than the persons described above, no general class of employee of the Company will be employed to solicit stockholders in connection with this proxy solicitation. However, in the course of their regular duties, employees may be asked to perform clerical or ministerial tasks in furtherance of this solicitation.

Certain Agreements

While Proposal No. 2 is a non-binding proposal requesting that our Board appoint or elect Pershing Square and Valeant s nominees to our Board and that will not alone constitute an event of default under the Company s Amended and Restated Credit Agreement, dated as of October 28, 2011 (the ***Credit Agreement***), a change in a

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majority of the incumbent board members, except for such changes that are the result of an election or nomination of a director that is approved by a majority of the incumbent directors, would constitute an event of default. Although the Company currently does not have any amounts drawn under the Credit Agreement and currently does not intend to draw down on the Credit Agreement, the administrative agent under the Credit Agreement may terminate outstanding commitments under the Credit Agreement following an event of default, which would reduce the Company s available sources of liquidity. If an event of default were to occur under the Credit Agreement, an event of default under the indentures governing the Company s debt securities may also be deemed to have occurred, depending on the amount of indebtedness outstanding under the Credit Agreement at the time of default. Alternatively, Allergan may seek a waiver from the required lenders under the Credit Agreement to avoid an event of default upon a change in control. Please see Annex D to this Proxy Statement for excerpts from the Credit Agreement and the indentures.

As disclosed in this Proxy Statement, the removal and replacement of the Allergan Board may also trigger a change in control under certain of the Company s equity plans and agreements with the Company s executive officers. The definition of change in control under the Company s change in control policy, equity plans and management and executive bonus plans includes a change in a majority of the incumbent board members, except for such changes that are the result of an election or nomination of a director that is approved by a majority of the incumbent directors.

Appraisal Rights

Our stockholders do not have appraisal rights under Delaware law in connection with this proxy solicitation.

Stockholder List

A list of stockholders entitled to vote at the Special Meeting will be available for examination by any stockholder for any purpose germane to the Special Meeting during ordinary business hours at our corporate headquarters located at 2525 Dupont Drive, Irvine, California 92612, for the ten days prior to the Special Meeting, and also at the Special Meeting.

Confidentiality

It is our policy that all proxies, ballots and voting materials that identify the particular vote of a stockholder are kept confidential, except in the following circumstances:

- to allow the independent inspector of elections appointed for the Special Meeting to certify the results of the vote;
- as necessary to meet applicable legal requirements, including the pursuit or defense of a judicial action;
- where we conclude in good faith that a bona fide dispute exists as to the authenticity of one or more proxies, ballots or votes, or as to the accuracy of the tabulation of such proxies, ballots or votes;
- where a stockholder expressly requests disclosure or has made a written comment on a proxy card;

where contacting stockholders by us is necessary to obtain a quorum, the names of stockholders who have or have not voted (but not how they voted) may be disclosed to us by the independent inspector of elections appointed for the Special Meeting;

aggregate vote totals may be disclosed to us from time to time and publicly announced at the meeting of stockholders at which they are relevant; and

in the event of any solicitation of proxies or written consents with respect to any of our securities by a person other than us of which solicitation we have actual notice.

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PERSHING SQUARE AND VALEANT PROPOSAL NO. 1

Removal of Allergan Directors

Pershing Square and Valeant have asked our stockholders to approve a proposal to remove six of our qualified directors that were duly elected by our stockholders at our recent 2014 Annual Meeting.

Specifically, Pershing Square and Valeant have made the following proposal to be voted upon at the Special Meeting:

RESOLVED, that the following six members of the current Board, Deborah Dunsire, M.D., Michael R. Gallagher, Trevor M. Jones, Ph.D., Louis J. Lavigne, Jr., Russell T. Ray and Henri A. Termeer, as well as any other person or persons elected or appointed to the Board without shareholder approval after the Company s 2014 annual meeting and up to and including the date of the Special Meeting (other than any Group Nominee set forth herein), be and hereby are removed from office as directors of the Company.

BOARD OF DIRECTORS RESPONSE TO PERSHING SQUARE AND VALEANT S PROPOSAL

The Allergan Board of Directors unanimously recommends that you vote AGAINST Proposal No. 1 for the following reasons.

Our Board believes that the removal of these directors would disrupt the implementation of our strategic plan, could adversely impact the value of your investment and is not in the best interests of our stockholders. Our Board is pursuing, and continues to pursue, a number of key initiatives to increase stockholder value. These include execution of our restructuring plan in the remainder of 2014 that we expect will deliver annual pre-tax savings of approximately $475 million beginning in 2015, meeting our increased guidance and projections, which include expected compounded annual Adjusted EPS growth of more than 20% and free cash flow of approximately $18.0 billion, and consideration of acquisitions and strategic alternatives that increase stockholder value, as further discussed on page 3 of this Proxy Statement.

We believe that our Board is much better suited to fully capitalize on these key initiatives and the value of our current long-term business plan, with each of these directors continuing to guide our Company. We believe that the expertise and long and proven track record of delivering and creating value for its stockholders shown by our Board s prior achievements, together with their commitment to increase stockholder value through the patient consideration of strategic alternatives, demonstrates that each of the members of our Board should remain in office.

Since 1998, the year in which Mr. Gallagher, the most tenured member of our Board that Pershing Square and Valeant propose to remove, was appointed to our Board, Allergan has routinely delivered compelling results, achieving compound annual increases in revenue and Adjusted EPS of approximately 15.7% and 18.4%, respectively, and, over the last five years, has generated a 256% stock price return, compared to a 113% return in the S&P 500. Each of the members of our Board that Pershing Square and Valeant are seeking to remove is important in carrying out key initiatives to increase stockholder value. In addition, each of these members possesses extensive relevant experience that is important to the functioning of our Board and our ability to increase stockholder value:

DEBORAH DUNSIRE, M.D., 52, has served as President and Chief Executive Officer of FORUM Pharmaceuticals, a company dedicated to developing a broad range of novel therapies for central nervous system diseases since July 2013. Prior to joining FORUM Pharmaceuticals, she served as President and Chief Executive Officer of Millennium Pharmaceuticals, Inc., The Takeda Oncology Company, from July 2005 to July 2013. Prior to joining Millennium Pharmaceuticals, Dr. Dunsire was Senior Vice President, Head of North American Oncology Operations from July

2000 to July 2005, and Vice President, Oncology Business Unit from August 1996 to June 2000, of Novartis AG, a publicly traded company focused on the research and development of products to protect and improve health and well-being. At Novartis, she helped increase the North American

oncology revenues from approximately $50 million to over $2.1 billion in 10 years. From April 1988 to August 1996, Dr. Dunsire held various positions with Sandoz Laboratories, a pharmaceutical company, in the areas of product management, scientific development and clinical research. Dr. Dunsire is a former board member of the Biotechnology Industry Organization.

Dr. Dunsire is a member of the boards of numerous nonprofit organizations, such as Gabrielle s Angels Foundation for Cancer Research, CancerCare, the Museum of Science, Boston, and the Massachusetts General Hospital Research Advisory Council. Dr. Dunsire was the 2001 recipient of the American Cancer Society s Excalibur Award and was the 2009 recipient of The Healthcare Businesswomen s Association s Woman of The Year. Dr. Dunsire is a graduate of the medical school of the University of the Witwatersrand, South Africa. Dr. Dunsire was appointed to our Board in December 2006 and is a member of the Audit and Finance Committee and the Science & Technology Committee.

Dr. Dunsire brings to our Board considerable pharmaceutical management and operations experience. Dr. Dunsire also brings to our Board valuable insights as both a clinical researcher and a physician. Our Board has concluded that, with over 22 years of leadership experience in the scientific, clinical, operational and commercial aspects of the biological/pharmaceutical business, including as President and Chief Executive Officer of FORUM Pharmaceuticals, President and Chief Executive Officer of Millennium Pharmaceuticals, Inc. and the head of the Novartis North American oncology operations, Dr. Dunsire should continue to serve as one of our directors.

MICHAEL R. GALLAGHER, 68, was Chief Executive Officer and a Director of Playtex Products, Inc., a publicly traded personal care and consumer products manufacturer, from July 1995 through his retirement in December 2004. Prior to that, Mr. Gallagher was Chief Executive Officer of North America for Reckitt & Colman plc, a consumer products company based in London. Mr. Gallagher was President and Chief Executive Officer of Eastman Kodak s subsidiary L&F Products, a cleaning products company, from 1988 until the subsidiary was sold to Reckitt & Colman plc in 1994. Mr. Gallagher held various executive positions with the Lehn & Fink Products group of Sterling Drug, maker of *Lysol*® and other household cleaning products, from 1984 until its sale to Eastman Kodak in 1988. Mr. Gallagher held various general management and brand management positions with The Clorox Company and The Procter & Gamble Company.

Mr. Gallagher is a member of and past Chairman of the Board of Advisors of the Haas School of Business, University of California, Berkeley. Mr. Gallagher was elected to our Board in 1998, is Chairman of the Organization and Compensation Committee, is a member of the Corporate Governance and Compliance Committee and serves as our Board s lead independent director.

Our Board has concluded that, with more than three decades of experience in key leadership roles at public and private personal care and consumer products companies, including as the former Chief Executive Officer of Playtex Products, Mr. Gallagher provides our Board with a wealth of business and management experience, as well as invaluable broad-based personal care and consumer products experience and should continue to serve as one of our directors and as our Board s lead independent director.

TREVOR M. JONES, PH.D., 72, served as the Director General of the Association of the British Pharmaceutical Industry, an association representing the interests of approximately 75 British and international pharmaceutical companies, from 1994 through his retirement in August 2004. From 1987 to 1994, Prof. Jones was a director at Wellcome plc, a major healthcare business that merged with GlaxoSmithKline plc, where he was responsible for all research and development activities. At Wellcome, Prof. Jones led the successful development of numerous pharmaceutical compounds, as well as a number of over-the-counter medicines. Prof. Jones received his bachelor of pharmacy degree and Ph.D. from the University of London and is currently a visiting professor at King s College London. He has also gained an honorary doctorate from the University of Athens as well as honorary doctorates in

science from the Universities of Strathclyde, Nottingham, Bath and Bradford in the United Kingdom. Prof. Jones was recognized in the Queen s Honors List and holds the title of

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Commander of the British Empire. He is also a fellow of the Royal Society of Chemistry, a fellow of the Royal Society of Medicine, a fellow of the Royal Pharmaceutical Society, an honorary fellow of the Royal College of Physicians and of its Faculty of Pharmaceutical Medicine and an honorary fellow of the British Pharmacological Society.

Prof. Jones is a member of the board of Arthurian Life Sciences Ltd., an investment fund established by the government of Wales with the objective of supporting and growing employment in life sciences and wealth creation in Wales, Simbec Research Ltd, a leading clinical research organization in the United Kingdom and one of the longest established Contract Research Organizations in Europe, Synexus Ltd., a clinical study recruitment and management specialist organization, and Verona Pharma plc, a public biotechnology company dedicated to research in respiratory diseases. Prof. Jones is a founder of the Geneva-based public-private partnership, Medicines for Malaria Venture and a founder and board member of the UK Stem Cell Foundation. Prof. Jones is a former chairman of the boards of ReNeuron Group plc and Synexus Ltd. Prof. Jones is also a former member of the boards of NextPharma Technologies Holdings Ltd., Sigma-Tau Industrie Farmaceutiche Riunite S.p.A, ReNeuron Group plc, Tecnogen S.p.A., Sigma-Tau Finanziaria S.p.A. and Sigma-Tau Pharmaceuticals, Inc. Prof. Jones was appointed to our Board in July 2004 and is a member of the Corporate Governance and Compliance Committee and is Chairman of the Science & Technology Committee.

With over 43 years of experience in research and development, and experience in the European and global pharmaceutical industry, Prof. Jones brings to our Board valuable insights in the areas of global pharmaceutical management and operations, as well as drug development. Serving as a member of the UK Government Regulatory Agency-The Medicines Commission, a member of the Prime Minister s Task Force on the Competitiveness of the Pharmaceutical Industry, and as Chair of the Government Advisory Group on Genetics Research, Prof. Jones also brings to our Board in-depth government relations experience. For these reasons, our Board has concluded that Prof. Jones should continue to serve as one of our directors.

LOUIS J. LAVIGNE, JR., 66, is Managing Director of Lavrite, LLC, a management consulting firm in the areas of corporate finance, accounting, management and strategy since March 2005. Prior to these consulting activities, Mr. Lavigne served as Executive Vice President and Chief Financial Officer of Genentech, Inc., a publicly traded biotechnology company, from March 1997 through his retirement in March 2005. Mr. Lavigne joined Genentech in July 1982, was named controller in 1983 and, in that position, built Genentech s operating financial functions. In 1986, he was promoted to Vice President and assumed the position of Chief Financial Officer in September of 1988. Mr. Lavigne was named Senior Vice President in 1994 and was promoted to Executive Vice President in 1997. Prior to joining Genentech, he held various financial management positions with Pennwalt Corporation, a pharmaceutical and chemical company.

Mr. Lavigne serves on the board of Accuray Incorporated, a publicly traded company specializing in the design, development and sale of the CyberKnife System, an image-guided robotic radiosurgery system used for the treatment of solid tumors, and is Chairman of the Board and serves on its Organization and Compensation Committee. He also serves on the board and Audit Committee of Depomed, Inc., a publicly traded specialty pharmaceutical company focused on treating pain and other central nervous system conditions. Mr. Lavigne also serves on the boards of and is the Chairman of the Audit Committee for DocuSign, Inc., a privately held digital transaction management company, SafeNet Inc., a privately held computer security company, and Novocure Limited, a privately held oncology company. Mr. Lavigne is a board member of Children s Hospital Oakland, where he serves as Chairman of the Board of the Hospital and Foundation at the Children s Enterprise Executive Council with the University of California, San Francisco and is a member of the Audit Committee. Mr. Lavigne is a faculty member of the Babson College Executive Education s Bio-Pharma: Mastering the Business of Science program. Mr. Lavigne is also a Trustee of Babson College and Babson Global. Mr. Lavigne is a former member of the board and Chairman of the Audit

Committees of Arena Pharmaceuticals, BMC Software, Inc., Equinix, Inc. and Kyphon, Inc. Mr. Lavigne is also a former Trustee of the California Institute of Technology and the Seven Hills School. Mr. Lavigne was appointed to our Board in July 2005 and is a member of the Audit and Finance Committee and the Science & Technology Committee.

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As the former Executive Vice President and Chief Financial Officer of Genentech, where Mr. Lavigne was a member of Genentech s Executive Committee and was responsible for Genentech s financial, corporate relations and information technology functions, Mr. Lavigne brings to our Board a wealth of management, business operations, finance and accounting and business strategy experience in the biotechnology and pharmaceutical industries, which has led our Board to conclude that Mr. Lavigne should continue to serve as one of our directors. Serving on the boards of several large public companies and as a member of the West Audit Committee Chair Networks, Mr. Lavigne also brings to our Board substantial public company corporate governance experience.

RUSSELL T. RAY, 67, has served as a Special Advisor to HLM Venture Partners, a private equity firm that provides venture capital to health care information technology, health care services and medical technology companies, since January 1, 2014 and Partner from September 1, 2003 to December 31, 2013. Mr. Ray was Founder, Managing Director and President of Chesapeake Strategic Advisors, a firm specializing in providing advisory services to health care and life sciences companies, from April 2002 to August 2003. From June 1999 to March 2002, Mr. Ray was Managing Director and Global Co-Head of the Credit Suisse First Boston Health Care Investment Banking Group, where he focused on providing strategic and financial advice to life sciences, health care services and medical device companies. Prior to joining Credit Suisse First Boston, Mr. Ray spent 12 years at Deutsche Bank, and its predecessor entities BT Alex. Brown and Alex. Brown & Sons, Inc., and most recently as Global Head of Health Care Investment Banking.

During Mr. Ray s investment banking career he successfully completed over 175 acquisitions and financing transactions for health care companies in the United States, Europe and Israel. Mr. Ray is a Director of Prism Education Group, Inc., a closely held post-secondary career education company and SWP Media, Inc., a closely held distributor of digital content. Mr. Ray served as a director of InfoMedics, Inc., a closely held healthcare information technology company, from December 2009 through December 2012 when the company was acquired. Mr. Ray is also a director of the Midwest Peregrine Society. Mr. Ray is a former director of Socios Mayores en Salud. Mr. Ray was elected to our Board in April 2003, is Chairman of the Audit and Finance Committee and is a member of the Organization and Compensation Committee.

Mr. Ray is a leading expert with extensive knowledge and experience in the banking and health care industries. He contributes to our Board over 30 years of business strategy, finance and investment banking experience for life sciences, health care services and medical device companies. For these reasons, our Board has concluded that Mr. Ray should continue to serve as one of our directors.

HENRI A. TERMEER, 68, served as President and a director of Genzyme Corporation, a global biotechnology company, beginning October 1983, as Chief Executive Officer beginning 1985 and as Chairman of the Board beginning May 1988. Mr. Termeer resigned from Genzyme in June 2011 following the acquisition of Genzyme by Sanofi in a transaction valued at more than $20 billion. In 2008, he was appointed to Massachusetts Governor Deval Patrick s Council of Economic Advisors.

Mr. Termeer is Chairman of the Board of Aveo Pharmaceuticals, a publicly traded cancer therapeutics company, and a member of the boards of ABIOMED Inc., a publicly traded medical device company, Verastem, Inc., a publicly traded biopharmaceutical company, Medical Simulation Corporation, a privately held healthcare industry consulting service provider and Moderna Therapeutics, a privately held biotechnology company. Mr. Termeer serves on the supervisory board of ProQR Therapeutics, a Netherlands-based, publicly traded biopharmaceutical company. Mr. Termeer is a director of Massachusetts General Hospital, a board member of Partners HealthCare and a member of the board of fellows of Harvard Medical School. Mr. Termeer is also a member of the board of the Massachusetts Institute of Technology and serves on its Executive Committee, is a board member of the Biotechnology Industry Organization, the Life Sciences Foundation, WGBH and Boston Ballet. He is Chairman Emeritus of the New England Healthcare

Institute, a nonprofit, applied research health policy organization he was instrumental in founding. Mr. Termeer was a former member of the board of the Federal Reserve Bank of Boston from 2007 to 2011 and its chairman from 2010 to 2011, and a former member of the board of Pharmaceutical Research and Manufacturers of America. In 2010, Mr. Termeer was inducted into

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the Academy of Distinguished Entrepreneurs, which was established by Babson College to recognize the economic and social contributions of business pioneers. Mr. Termeer received the Pharmaceuticals and Biotechnology Lifetime Achievement Award from Frost and Sullivan in 2009, and was selected by Ernst & Young for its Master Entrepreneur Award in 2007 for the role he has played in guiding the overall development of the biotech industry. Mr. Termeer has also been inducted as a Fellow in the American Academy of Arts and Sciences and was elected in 2005 to Honorary Fellowship at the British Royal College of Physicians. Mr. Termeer was appointed to our Board in January 2014, is Chairman of the Corporate Governance and Compliance Committee and is a member of the Organization and Compensation Committee.

Mr. Termeer brings to our Board over 30 years of experience in key leadership roles at Genzyme, a global biotechnology company dedicated to making a major impact on the lives of people with serious diseases. Mr. Termeer provides our Board with a wealth of expertise in the pharmaceutical and biotechnology industries, having served as a director of several public and private healthcare companies and organizations. For these reasons, our Board has concluded that Mr. Termeer should continue to serve as one of our directors.

For the foregoing reasons, the Allergan Board recommends a vote AGAINST Proposal No. 1.

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PERSHING SQUARE AND VALEANT PROPOSAL NO. 2

Request that the Allergan Board Elect or Appoint Pershing Square and Valeant s Nominees as Directors for Allergan

Pershing Square and Valeant have asked our stockholders to approve a proposal to request that our Board elect or appoint six nominees selected by Pershing Square and Valeant. Proposal No. 2 is nonbinding in nature and thus our Board will be under no legal obligation to take any action with respect to this request, no matter how many votes are cast in favor of this Proposal No. 2.

Specifically, Pershing Square and Valeant have made the following proposal to be voted upon at the Special Meeting:

RESOLVED, that the shareholders of Allergan hereby request that the Board elect or appoint the following individuals to serve as directors of the Company, regardless of whether Proposal 1 is passed: Betsy S. Atkins, Cathleen P. Black, Fredric N. Eshelman, Ph.D., Steven J. Shulman, David A. Wilson and John J. Zillmer (individually a Group Nominee and collectively, the Group Nominees); provided, however, that if at any time prior to the date of the Special Meeting one or more Group Nominees are no longer willing or, as a result of death or incapacity, able to serve as directors of the Company and a majority of the then-remaining Group Nominees select replacements, those replacements (rather than the individuals they replaced), along with the Group Nominees who have not been replaced, shall then be considered the Group Nominees for all purposes.

BOARD OF DIRECTORS RESPONSE TO PERSHING SQUARE AND VALEANT S PROPOSAL

The Allergan Board unanimously recommends that you vote AGAINST the non-binding request to elect or appoint each of Pershing Square and Valeant s director nominees under Proposal No. 2 because each of our Board members is more capable and experienced than these nominees and is independent from Pershing Square and Valeant.

While this proposal is non-binding, if the proposal is approved, consistent with its fiduciary duties, our Board will give consideration to that result and any additional stockholder feedback it receives. Our Board will consider all factors it deems relevant at such time, including the selection criteria and guidelines that have been established by our Corporate Governance and Compliance Committee to evaluate the qualifications of director nominees. However, for the reasons outlined below, our Board unanimously recommends voting against this proposal.

Allergan has a remarkable record of success in terms of historic financial performance and stock price including its performance in recent quarters. As noted above, since 1998, Allergan has routinely delivered compelling results, achieving compound annual increases in revenue and Adjusted EPS of approximately 15.7% and 18.4%, respectively. We ask you to review our public filings for further information about our historical performance. Our current Board members also have broad knowledge of Allergan and the pharmaceutical industry gained from their years of service on our Board and in our industry. Despite Allergan s accomplishments and strong future growth projections and the role our current Board members have played in these accomplishments and strategies, Pershing Square and Valeant are asking you to replace our long-serving directors with their nominees. In contrast to our Board s experience, based on Pershing Square and Valeant s public filings, their nominees have limited, if any, meaningful experience in our industry, one characterized by a highly competitive landscape with unique risks and challenges across all business units and functions.

We believe there is no need for Pershing Square and Valeant s nominees to be added to our Board, as each of our current directors has more relevant experience than each of Pershing Square and Valeant s nominees and is

independent from Pershing Square and Valeant. While Pershing Square and Valeant s nominees may not be controlled by Valeant or obligated to vote as directed by Valeant, we believe Pershing Square and Valeant s nominees views about the conditional Exchange Offer could be colored by their relationship with Pershing Square and Valeant.

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Furthermore, as the Allergan Board continues to evaluate the best ways to create value for stockholders, we believe that Pershing Square and Valeant s nominees might not be able to make such evaluations without bias because their objectivity may have been compromised as described above. As business strategies and transactions are evaluated in the future, we believe it would be in the best interests of our stockholders for directors not associated in any way with Valeant to be entrusted with the task of comparing the conditional Exchange Offer with other options. Pursuant to our Bylaws, to the extent our directors are removed from our Board, vacancies can be filled solely by the affirmative vote of a majority of our remaining directors then in office, even if less than a quorum.

According to Pershing Square and Valeant s proxy statement, only one of Pershing Square and Valeant s nominees, David A. Wilson, owns any shares of Common Stock, and he only owns 50 shares of Common Stock which he acquired on April 16, 2014, days before Valeant publicly announced its unsolicited proposal to acquire Allergan. In contrast, the members of the Allergan Board have substantial investments in Allergan. As of September 30, 2014, the current Allergan directors beneficially own in the aggregate approximately 2,852,501 of Allergan shares (including stock options exercisable within 60 days of September 30, 2014), including an average of more than 57,000 shares per director whom Pershing Square and Valeant are proposing to have removed from the Allergan Board. We believe this stake firmly links our Board s economic interests with those of our stockholders (see Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters in Annex A attached hereto).

For the foregoing reasons, the Allergan Board recommends a vote AGAINST Proposal No. 2.

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PERSHING SQUARE AND VALEANT PROPOSAL NO. 3

Amendment to our Bylaws to Modify Special Meeting Procedures

Pershing Square and Valeant have asked our stockholders to approve a proposal to significantly reduce the procedures in our Bylaws with respect to stockholder rights to call special meetings, including, but not limited to, removing all disclosure requirements and black-out provisions relating to similar items, and granting stockholders the right to call special meetings at any place and time.

Specifically, Pershing Square and Valeant have made the following proposal to be voted upon at the Special Meeting:

RESOLVED, that Article II, Section 3 of the Bylaws be, and hereby is, amended to read as set forth in Section 3(A) of Exhibit E to the Solicitation Statement filed by PS Fund 1, LLC (PS Fund 1) on July 11, 2014 (the Solicitation Statement), in order to provide simplified mechanics for calling and determining the place, date and hour of any special meeting called at the request of the Company s shareholders.

For the language of the proposed amendment to our Bylaws, please see Annex E attached hereto.

BOARD OF DIRECTORS RESPONSE TO PERSHING SQUARE AND VALEANT S PROPOSAL

The Allergan Board unanimously recommends that you vote AGAINST Proposal No. 3 for the following reasons.

Allergan has consistently demonstrated its commitment to allowing stockholders to be part of the corporate governance process, as evidenced by its responsiveness to stockholder proposals in recent years, even with proposals that are not approved by a requisite number of shares of Common Stock, and remains committed to this effort. Through our Charter and Bylaws and under Delaware law, stockholders can participate in a variety of ways. Accepting Proposal No. 3, however, would roll back important procedural safeguards against abuse associated with the ability for stockholders to call special meetings, including, but not limited to:

- allowing stockholders to repeatedly call special meetings for similar or identical proposals, regardless of the outcome of previous proposals or how frequently such proposals have been voted upon;
- permitting stockholders to submit requests without any disclosures regarding their intent or relationships with other proposing stockholders, thereby reducing the information available to Allergan and its stockholders with respect to potentially hostile or abusive activism;
- removing any time limit on how long stockholders have to compile sufficient requests to call a special meeting;
- giving a stockholder calling a special meeting full discretion to set the date, time and place of the meeting, without any limitations, thereby allowing abuse, such as picking a date that is a holiday, a time outside of business hours and a place such as a foreign location that is inconvenient to a majority of stockholders;

- eliminating the need for stockholders to own their shares at the special meeting, thereby enabling stockholders without a meaningful financial stake in the Company to force Allergan to hold a special meeting; and

- permitting unrelated stockholder requests to be compiled to reach the percentage of requests required to call a special meeting.

Our Board is committed to good corporate governance, but changing our Bylaws so dramatically would allow a vocal minority of stockholders to unduly disrupt the Company s operations to the potential detriment of its other stockholders. We have engaged and will continue to engage with our stockholders in order to collect feedback regarding our Bylaws and consider potential responsive amendments and will promptly disclose any determinations made by the Board with respect to our Bylaws.

For the foregoing reasons, the Allergan Board recommends a vote AGAINST Proposal No. 3.

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PERSHING SQUARE AND VALEANT PROPOSAL NO. 4

Amendment to Our Bylaws to Add Special Meeting Procedures if No Directors or Less than a Majority of Directors Is in Office

Pershing Square and Valeant have asked our stockholders to approve a proposal to require our Board to expedite calling a special meeting to within five business days if the Company has no directors in office or if the Delaware Court of Chancery orders that Allergan hold an election pursuant to Section 223 of the Delaware General Corporation Law.

Specifically, Pershing Square and Valeant have made the following proposal to be voted upon at the Special Meeting:

RESOLVED, that Article II, Section 3 of the Bylaws be, and hereby is, amended to add a new clause at the end (which shall be designated clause (B) if Proposal 3 above is passed and shall be designated clause (E) if Proposal 3 above is not passed) to read as set forth in Section 3(B) of Exhibit E to the Solicitation Statement, in order to provide mechanics for calling a special meeting if no directors or less than a majority of directors are then in office.

For the language of the proposed amendment to our Bylaws, please see Annex E attached hereto.

BOARD OF DIRECTORS   RESPONSE TO PERSHING SQUARE AND VALEANT   S PROPOSAL

The Allergan Board unanimously recommends that you vote AGAINST Proposal No. 4 for the following reasons.

Proposal No. 4 is an obvious attempt by Pershing Square and Valeant to expedite an acquisition of Allergan by Valeant without considering the best interests of all of Allergan stockholders.

Our Board is committed to good corporate governance and we believe that Delaware law already adequately addresses this issue in a balanced way that best considers all of Allergan   s stockholders. Specifically, Section 223(c) of the Delaware General Corporation Law states that if, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board, the Delaware Court of Chancery may, in its discretion, upon application of any stockholder or stockholders holding at least 10% of the voting stock at the time outstanding having the right to vote for such directors, order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office. Given this possible protection our stockholders have under Delaware law, we believe that Proposal No. 4 is inadvisable and unnecessary for Allergan   s stockholders.

We have engaged and will continue to engage with our stockholders in order to collect feedback regarding our Bylaws and consider potential responsive amendments and will promptly disclose any determinations made by the Board with respect to our Bylaws.

For the foregoing reasons, the Allergan Board recommends a vote AGAINST Proposal No. 4.

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PERSHING SQUARE AND VALEANT PROPOSAL NO. 5

Amendment to our Bylaws to Modify Procedures for Nominating Directors or Proposing Business at an Annual Meeting

Pershing Square and Valeant have asked our stockholders to approve a proposal to remove Allergan s procedures for permitting stockholders to nominate directors or propose business at an annual meeting, which were designed to protect Allergan and its stockholders from wasting time and money on immaterial, incomplete or subversive proposals or nominations.

Specifically, Pershing Square and Valeant have made the following proposal to be voted upon at the Special Meeting:

RESOLVED, that Article II, Section 9 of the Bylaws be, and hereby is, amended to read as set forth in Section 9 of Exhibit E to the Solicitation Statement, in order to provide simplified mechanics for nominating directors or proposing business at any annual meeting.

For the language of the proposed amendment to our Bylaws, please see Annex E attached hereto.

BOARD OF DIRECTORS RESPONSE TO PERSHING SQUARE AND VALEANT S PROPOSAL

The Allergan Board unanimously recommends that you vote AGAINST Proposal No. 5 for the following reasons.

Allergan s governance depends upon efficient and meaningful legal and market considerations. Certain protections have been developed in our Bylaws in order to prevent wasting Company time and money on immaterial, incomplete or subversive proposals or nominations. Currently, Allergan has a Corporate Governance and Compliance Committee that oversees the evaluation process to identify and evaluate potential new directors. Allergan believes that this process should be undertaken in a manner consistent with the Company s longstanding process that is traditionally overseen by its Corporate Governance and Compliance Committee. We have engaged and will continue to engage with our stockholders in order to collect feedback regarding our Bylaws and consider potential responsive amendments and will promptly disclose any determinations made by the Board with respect to our Bylaws.

For the foregoing reasons, the Allergan Board recommends a vote AGAINST Proposal No. 5.

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PERSHING SQUARE AND VALEANT PROPOSAL NO. 6

Amendment to our Bylaws to fix the Authorized Number of Directors

Pershing Square and Valeant have asked our stockholders to approve a proposal that the authorized number of directors of our Board be fixed at nine directors.

Specifically, Pershing Square and Valeant have made the following proposal to be voted upon at the Special Meeting:

RESOLVED, that, if Proposal 1 is passed, Article III, Section 2 of the Bylaws be, and hereby is, amended to read as set forth in Article III, Section 2 of Exhibit E to the Solicitation Statement, in order to fix the authorized number of directors of the Company at nine directors.

For the language of the proposed amendment to our Bylaws, please see Annex E attached hereto.

BOARD OF DIRECTORS RESPONSE TO PERSHING SQUARE AND VALEANT S PROPOSAL

The Allergan Board unanimously recommends that you vote AGAINST Proposal No. 6 for the following reasons.

Our Board believes the only rationale behind Proposal No. 6 is that Pershing Square and Valeant are not interested in the best interests of Allergan stockholders but instead are committed to gaining control of and acquiring Allergan by attempting to ensure that their slate of directors would represent a majority of directors. Our Board is focused on extending its track record of substantial growth that our Board is confident will continue to create significantly more value for stockholders than if Pershing Square and Valeant s Proposals pass. Our Board is charged with the responsibility of managing the Company. Our Board and its committees should continue to have flexibility in the size of our Board in order to assist our Board to determine what is in the best interests of Allergan and its stockholders.

While our Board has not amended our Bylaws in any manner since May 9, 2014, we believe this Proposal represents Pershing Square and Valeant s attempt to interfere with our Board s ability to act in accordance with its fiduciary duties to you and therefore should be rejected. Amending our Bylaws pursuant to Proposal No. 6 would only assist Valeant in an acquisition of Allergan, instead of letting Allergan maintain flexibility to increase stockholder value. We have engaged and will continue to engage with our stockholders in order to collect feedback regarding our Bylaws and consider potential responsive amendments and will promptly disclose any determinations made by the Board with respect to our Bylaws.

For the foregoing reasons, the Allergan Board recommends a vote AGAINST Proposal No. 6.

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PERSHING SQUARE AND VALEANT PROPOSAL NO. 7

Bylaws Amendment Repeal Proposal

Pershing Square and Valeant have asked our stockholders to approve a proposal to repeal any change to our Bylaws adopted without stockholder approval since May 9, 2014.

Specifically, Pershing Square and Valeant have made the following proposal to be voted upon at the Special Meeting:

RESOLVED, that any amendment to the Bylaws adopted without shareholder approval after the Company s 2014 annual meeting and up to and including the date of the Special Meeting that changes the Bylaws in any way from the version that was publicly filed with the SEC on March 26, 2014 and became effective as of May 9, 2014 (other than any amendment to the Bylaws set forth herein) be, and hereby are, repealed.

BOARD OF DIRECTORS RESPONSE TO PERSHING SQUARE AND VALEANT S PROPOSAL

The Allergan Board unanimously recommends that you vote AGAINST Proposal No. 7 for the following reasons.

While our Board has not amended our Bylaws in any manner since May 9, 2014, our Board is committed to good corporate governance. In addition, we have engaged and will continue to engage with our stockholders in order to collect feedback regarding our Bylaws and consider potential responsive amendments and will promptly disclose any determinations made by the Board with respect to our Bylaws. We believe this Proposal represents Pershing Square s and Valeant s attempt to interfere with our Board s ability to act in accordance with its fiduciary duties to all Allergan stockholders and therefore should be rejected. Under our Charter and Bylaws and Delaware law, our Board is charged with the responsibility of managing the Company. In order to permit our Board to carry out its responsibilities and correspondingly fulfill its fiduciary duties to Allergan and its stockholders, both our Charter and Bylaws provide that our Board has the power to make, alter, amend or repeal the Bylaws. This Proposal seeks to repeal all amendments to our Bylaws adopted by our Board without stockholder approval after May 9, 2014 and prior to the effectiveness of such proposal without regard to the subject matter of any Bylaw amendment in question.

We believe that such an automatic, blanket repeal of any Bylaw amendment adopted by our Board without stockholder approval could have the effect of repealing one or more properly adopted Bylaw amendments that our Board determined to be in the best interests of Allergan and its stockholders and adopted in furtherance of its fiduciary duties to all Allergan stockholders. It is important to note that, as a public company subject to the federal proxy rules, it might be impracticable if not impossible for Allergan to obtain stockholder approval for a necessary Bylaw amendment within a timeframe necessary to serve the best interests of Allergan and its stockholders.

For the foregoing reasons, the Allergan Board recommends a vote AGAINST Proposal No. 7.

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PERSHING SQUARE AND VALEANT PROPOSAL NO. 8

Request for Engagement in Discussions with Valeant

Pershing Square and Valeant have made the following proposal to be voted upon at the Special Meeting:

RESOLVED, that the shareholders of Allergan hereby request that the Board promptly engage in good faith discussions with Valeant regarding Valeant s offer to merge with the Company, without in any way precluding discussions the Board may choose to engage in with other parties potentially offering higher value.

BOARD OF DIRECTORS RESPONSE TO PERSHING SQUARE AND VALEANT S PROPOSAL

The Allergan Board unanimously recommends that you vote AGAINST the non-binding request for the Allergan Board to engage in discussions with Valeant regarding the conditional Exchange Offer for the following reasons.

While this proposal is non-binding, if the proposal is approved, consistent with its fiduciary duties, our Board will give consideration to that result and any additional stockholder feedback it receives. Our Board will consider all factors it deems necessary, before taking any action. However, for the reasons outlined below, our Board unanimously recommends voting against this proposal.

As previously discussed, our Board has received several unsolicited offers from Valeant relating to a potential merger with Valeant. After careful consideration, including a thorough review of the terms and conditions of each offer with Allergan s financial and legal advisors, our Board unanimously determined that each of the offers were grossly inadequate, substantially undervalued Allergan, created significant risks and uncertainties for Allergan stockholders and were not in the best interests of Allergan and its stockholders. In order to permit our Board to carry out its responsibilities and correspondingly fulfill its fiduciary duties to Allergan and its stockholders, we believe our Board must be able to decide on the actions it takes and decisions it makes on behalf of the Company and its stockholders, including rejecting offers that it determines are not in the best interests of its stockholders. We believe this Proposal represents Pershing Square and Valeant s attempt to interfere with our Board s ability to act in accordance with these fiduciary duties to you and therefore should be rejected.

For the foregoing reasons, the Allergan Board recommends a vote AGAINST Proposal No. 8.

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OTHER BUSINESS

The sole business that may be considered at the Special Meeting are the matters set forth in Pershing Square and Valeant s Notice of Special Meeting.

DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS

The SEC has adopted rules that permit companies and intermediaries (*e.g.*, brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement and annual report addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

A single Proxy Statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Proxy Statement, please notify your broker and direct your written request to Innisfree, at 501 Madison Avenue, 20th Floor, New York, NY 10022. Stockholders who currently receive multiple copies of the Proxy Statement at their address and would like to request householding of their communications should contact their broker.

STOCKHOLDER PROPOSALS FOR PRESENTATION AT THE 2015 ANNUAL MEETING

Stockholder Proposals for Inclusion in Proxy Statement

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the ***Exchange Act***), stockholders may present proper proposals for inclusion in our proxy statement and for consideration at our next annual meeting of stockholders. To be eligible for inclusion in our 2015 proxy statement, a stockholder s proposal must be received by us no later than November 26, 2014 and must otherwise comply with Rule 14a-8 under the Exchange Act.

Stockholder Proposals for Annual Meeting

Our Charter contains an advance notice provision with respect to matters to be brought at an annual meeting of stockholders and not included in our Proxy Statement. Our Bylaws expand upon and supplement the advance notice provisions in our Charter, and any written notice furnished by a stockholder must set forth certain additional information as set forth in our Charter and Bylaws. Pursuant to our Charter and Bylaws, only such business shall be conducted at an annual meeting of stockholders as is properly brought before the meeting. For business to be properly brought before an annual meeting by a stockholder, in addition to any other applicable requirements, timely notice of the matter must be first given to our Secretary. To be timely, written notice must be received by our Secretary not less than 30 days nor more than 60 days prior to the date of the scheduled meeting. If we provide less than 40 days notice or prior public disclosure of the date of the scheduled meeting to stockholders, then notice of the proposed business matter must be received by our Secretary not later than the close of business on the tenth day following the earlier of the day on which notice of the meeting was mailed or the day on which such public disclosure was made.

While our Board will consider proper stockholder proposals that are properly brought before the annual meeting, we reserve the right to omit from our 2015 proxy statement stockholder proposals that we are not required to include under the Exchange Act, including Rule 14a-8 thereunder.

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Stockholder Nominations of Directors at the Annual Meeting

Our Charter provides that any stockholder entitled to vote for the election of directors at a meeting of stockholders may nominate persons for election as directors at the annual meeting only if timely written notice of such stockholder s intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to Allergan, Inc., Attn: Secretary, P.O. Box 19534, Irvine, CA 92623. To be timely, a stockholder s notice must be delivered to, or mailed and received at, the address provided above not less than 30 days nor more than 60 days prior to the scheduled annual meeting, regardless of any postponements, deferrals or adjournments of that meeting to a later date. If we provide less than 40 days notice or prior public disclosure of the date of the scheduled annual meeting to stockholders, then the stockholder must provide notice not later than the close of business on the tenth day following the earlier of the day on which such notice of the date of the scheduled annual meeting was mailed or the day on which such public disclosure was made. Any stockholder s notice to our Secretary concerning the nomination of persons for election as directors must set forth the information required pursuant to our Charter and Bylaws.

In the alternative, stockholders can at any time recommend for consideration by our Corporate Governance and Compliance Committee qualified candidates for our Board that meet the qualifications described in Annex A of this Proxy Statement under the heading Corporate Governance Board Committees Corporate Governance and Compliance Committee by submitting to us any recommendations for director candidates, along with appropriate biographical information, a brief description of such candidate s qualifications and such candidate s written consent to nomination, to the Corporate Governance and Compliance Committee, c/o Allergan, Inc., Attn: Secretary, P.O. Box 19534, Irvine, CA 92623. Submissions satisfying the required qualifications will be forwarded to the chairperson of the Corporate Governance and Compliance Committee or such other member of the Corporate Governance and Compliance Committee delegated to review and consider candidates for director nominees.

FORWARD-LOOKING STATEMENTS

This Proxy Statement contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to statements regarding a proposed offer or proposal by Valeant and/or Pershing Square. These forward-looking statements are made as of the date they were first issued and are based on current expectations as well as the beliefs and assumptions of management. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond Allergan s control. Allergan expressly disclaims any intent or obligation to update these forward-looking statements except as required by law. Additional information concerning these and other risks can be found in press releases issued by Allergan, as well as Allergan s public filings with the U.S. Securities and Exchange Commission, including the discussion under the heading Risk Factors in Allergan s most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. Copies of Allergan s press releases and additional information about Allergan are available at www.allergan.com or you can contact the Allergan Investor Relations Department by calling 1-714-246-4636.

WHERE YOU CAN FIND MORE INFORMATION

Certain additional information, including with respect to our Board and the Company s executive officers, executive compensation, corporate governance, Board composition and Board independence, related person transactions and the Company s review of such transactions, beneficial ownership of our Common Stock and information regarding certain individuals who may be deemed to be participants in our solicitation of proxies, is attached to this Proxy Statement as annexes hereto and is incorporated herein by reference.

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We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC s website at www.sec.gov. You also may obtain free copies of the documents we file with the SEC by going to http://agn.client.shareholder.com/sec.cfm. The information provided on our website is not part of this Proxy Statement, and therefore is not incorporated by reference.

Stockholders are entitled to express their views regarding the topics raised in Pershing Square and Valeant s proxy solicitation or other matters directly to the Company through written communications sent directly to the attention of the Board, any individual director or the non-employee directors as a group, by writing to Allergan, Inc., c/o Matthew J. Maletta, Vice President, Associate General Counsel and Secretary, 2525 Dupont Drive, Irvine, CA 92612.

If you have any questions or need any assistance in revoking your proxy you may have given to Pershing Square, please contact our agent:

501 Madison Avenue, 20th Floor

New York, NY 10022

Stockholders call toll-free: (877) 800-5187

Banks and Brokers call collect: (212) 750-5833

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ANNEX A

CERTAIN ADDITIONAL INFORMATION

Board of Directors

The following is a summary of the qualifications of each of the members of our Board, effective as of September 30, 2014:

Name	Position with Us	Audit and Finance	Corporate Governance and Compliance	Organization and Compensation	Science & Technology
David E.I. Pyott	Chairman of the Board and Chief Executive Officer				
Michael R. Gallagher	Lead Independent Director		M	C	
Deborah Dunsire, M.D.	Director	M			M
Trevor M. Jones, Ph.D.	Director		M		C
Louis J. Lavigne, Jr.	Director	M			M
Peter J. McDonnell, M.D.	Director		M		M
Timothy D. Proctor	Director	M		M	
Russell T. Ray	Director	C		M	
Henri A. Termeer	Director		C	M	

DAVID E.I. PYOTT, 60, has been our Chief Executive Officer since January 1998 and in 2001 became Chairman of the Board. Mr. Pyott also served as our President from January 1998 until February 2006, and again from March 2011 until June 2013. Mr. Pyott has driven the growth of Allergan by fueling internal development through significant investment in Research & Development while also identifying and leveraging unique, synergistic external opportunities. Allergan s investment in Research & Development has increased from less than $100 million in 1998 to over $1 billion in 2013. Allergan is currently the fastest growing and second largest global ophthalmic pharmaceutical company and holds leadership positions in other specialty areas including neurosciences, medical aesthetics and medical dermatology. In addition to internally driven innovation, Allergan acquired Inamed Corp. for over $3 billion in 2006 and Groupe Laboratories Cornéal in France in 2007 primarily for their breast implant and dermal filler technologies. In adding these products to BOTOX® Cosmetic, Allergan created a new global category: medical aesthetics, and is the world s largest medical aesthetics company.

Before joining Allergan, Mr. Pyott served as the Head of the Novartis Nutrition Division and as a member of the Executive Committee of the Switzerland-based Novartis AG, working over 17 years in several positions in strategic planning, marketing and general management in five countries around the world.

Mr. Pyott is also the lead independent director of the board of Avery Dennison Corporation, a publicly traded company focused on pressure-sensitive technology and self-adhesive solutions, where he serves as Chairman of its Compensation and Executive Personnel Committee and as a member of its Governance and Social Responsibility Committee, and a member of the board of directors of Edwards Lifesciences Corporation, a publicly traded company focused on products and technologies to treat advanced cardiovascular diseases, where he serves on its Audit and Public Policy Committee. Mr. Pyott is a former member of the board of Pacific LifeCorp and Pacific Mutual Holding Company, the parent companies of Pacific Life Insurance Company. Mr. Pyott is a member of the Directors Board of The Paul Merage School of Business at the University of California, Irvine. Mr. Pyott serves on the board and

Executive Committee of the Biotechnology Industry Organization. Mr. Pyott also serves as a member of the board of the Pan-American Ophthalmological Foundation, President of the International Council of Ophthalmology Foundation and as a member of the Advisory Board for the Foundation of The American Academy of Ophthalmology. Mr. Pyott also serves as Vice Chairman of the Board of Trustees of Chapman University. Mr. Pyott was recognized in the Queen s Birthday Honors List in 2006 and holds the title of Commander of the British Empire.

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Mr. Pyott s in-depth knowledge of our operations and the markets and industries in which we compete, combined with his entrepreneurial leadership experience in the healthcare industry, position him well to serve as our Chairman and Chief Executive Officer and provide a critical link between management and our Board, enabling our Board to provide its oversight function with the benefit of management s perspective of the business. For these reasons, and given Mr. Pyott s substantial public company governance experience from serving on the boards of several large public companies, our Board has concluded that Mr. Pyott should serve as one of our directors.

PETER J. MCDONNELL, M.D., 56, has served as the Director and William Holland Wilmer Professor of the Wilmer Eye Institute of the Johns Hopkins University School of Medicine since 2003, where he leads the Wilmer Eye Institute, the largest academic ophthalmology department in the country. Dr. McDonnell has also served as the Chief Medical Editor of Ophthalmology Times since 2004, and has served on the editorial boards of numerous ophthalmology journals. He served as a consultant to the United States Department of Health and Human Services in 1996 and also served as the Assistant Chief of Service at the Wilmer Eye Institute from 1987 to 1988.

Dr. McDonnell is a Member of the American Academy of Ophthalmology, American University Professors of Ophthalmology, Association for Research in Vision and Ophthalmology, Maryland Society of Eye Physicians and Surgeons, and Pan American Association of Ophthalmology. In 1999, Dr. McDonnell was named the Irving H. Leopold Professor and Chair of the Department of Ophthalmology at the University of California, Irvine.
Dr. McDonnell is the recipient of research grants from the National Eye Institute, Research to Prevent Blindness, and other funding agencies. The American Academy of Ophthalmology honored Dr. McDonnell with the Honor Award in 1991 and the Senior Achievement Award in 2001. Dr. McDonnell is the elected president of the National Alliance for Eye and Vision Research, a board member of the Doheny Eye Institute, and a former member of the board of Tissue Banks International. Dr. McDonnell was appointed to our Board in January 2013, and is a member of the Corporate Governance and Compliance Committee and Science & Technology Committee.

Our Board has concluded that Dr. McDonnell should serve as one of our directors because he provides our Board with wide-ranging expertise in ophthalmology and is widely recognized as an international leader in corneal transplantation, laser refractive surgery and the treatment of dry eye. Dr. McDonnell s depth of expertise in one of our most important specialty areas and the foundation of our success will benefit our Board and Allergan.

TIMOTHY D. PROCTOR, 64, served as General Counsel of Diageo plc, the world s leading premium drinks business with a broad range of beverage alcohol brands across spirits, beer and wine, from January 2000 to June 2013. Prior to joining Diageo, Mr. Proctor served as the Director, Worldwide Human Resources, of Glaxo Wellcome, plc (now GlaxoSmithKline plc), a British multinational pharmaceutical company, from 1998 to 1999. From 1993 to 1998, Mr. Proctor held various roles with the United States operation subsidiary of Glaxo Wellcome, plc, including Senior Vice President, Human Resources, General Counsel and Secretary. Prior to that, Mr. Proctor served in senior legal roles at Merck & Co., a publicly traded pharmaceutical company, from 1980 to 1993.

Mr. Proctor is a member of the several notable legal associations, including the American Bar Association, Association of Corporate Counsel and the International Bar Association. Mr. Proctor has previously served on the boards of Wachovia Corporation and Northwestern Mutual Life and on the charitable boards for the Association of Corporate Counsel, CARE USA, Duke Law School, and the North Carolina Symphony Orchestra. Mr. Proctor was appointed to our Board in February 2013 and is a member of the Audit and Finance Committee and the Organization and Compensation Committee.

Mr. Proctor brings to our Board a depth of international expertise and is a well-respected leader in the area of international law. Our Board has concluded that, with more than 35 years of domestic and international corporate legal experience, Mr. Proctor should serve as one of our directors.

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For the background and qualifications of each of Deborah Dunsire, M.D., Michael R. Gallagher, Trevor M. Jones, Ph.D., Louis J. Lavigne, Jr., Russell T. Ray and Henri A. Termeer, please see the biographical information included in the section entitled Removal of Directors (PROPOSAL No. 1).

Executive Officers

Our executive officers and their ages as of October 6, 2014 are as follows:

Name	Age	Principal Positions with Allergan
David E.I. Pyott	60	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
Douglas S. Ingram	52	President
James F. Barlow	56	Senior Vice President, Corporate Controller (Principal Accounting Officer)
Raymond H. Diradoorian	57	Executive Vice President, Global Technical Operations
Julian S. Gangolli	56	Corporate Vice President and President, North America
James M. Hindman	54	Executive Vice President, Finance and Business Development, Chief Financial Officer (Principal Financial Officer)
Arnold A. Pinkston	56	Executive Vice President, General Counsel and Assistant Secretary
Scott D. Sherman	48	Executive Vice President, Human Resources
Scott M. Whitcup, M.D.	55	Executive Vice President, Research & Development, Chief Scientific Officer

Officers are appointed by and hold office at the pleasure of our Board.

Mr. Ingram was appointed President of Allergan on July 1, 2013. Prior to assuming his current role, Mr. Ingram served as Executive Vice President and President, Europe, Africa and Middle East from August 2010 to June 2013. Prior to that, he served as Executive Vice President, Chief Administrative Officer, and Secretary from October 2006 to July 2010 and led Allergan s Global Legal Affairs, Compliance, Internal Audit and Internal Controls, Human Resources, Regulatory Affairs and Safety, and Global Corporate Affairs and Public Relations departments.
Mr. Ingram also served as General Counsel from January 2001 to June 2009 and as Secretary and Chief Ethics Officer from July 2001 to July 2010. During that time, he served as Executive Vice President from October 2003 to October 2006, as Corporate Vice President from July 2001 to October 2003 and as Senior Vice President from January 2001 to July 2001. Prior to that, Mr. Ingram was Associate General Counsel and Assistant Secretary from 1998 and joined Allergan in 1996 as Senior Attorney and Chief Litigation Counsel. Prior to joining Allergan, Mr. Ingram was an attorney at Gibson, Dunn & Crutcher LLP from 1988 to 1996. Mr. Ingram received his Juris Doctorate from the University of Arizona in 1988, graduating summa cum laude and Order of the Coif.

Mr. Barlow has been Senior Vice President, Corporate Controller since February 2005. Mr. Barlow joined Allergan in January 2002 as Vice President, Corporate Controller. Prior to joining Allergan, Mr. Barlow served as Chief Financial Officer of Wynn Oil Company, a division of Parker Hannifin Corporation. Prior to Wynn Oil Company, Mr. Barlow

was Treasurer and Controller at Wynn s International, Inc., a supplier of automotive and industrial components and specialty chemicals, from July 1990 to September 2000. Before working for Wynn s International, Inc., Mr. Barlow was Vice President, Controller from 1986 to 1990 for Ford Equipment Leasing Company. From 1983 to 1985 Mr. Barlow worked for the accounting firm Deloitte Haskins and Sells. Mr. Barlow received a Bachelor of Science degree in Accounting, graduating magna cum laude, from Brigham Young University and a Master of Accountancy, graduating with honors high distinction, from Brigham Young University.

Mr. Diradoorian has served as Allergan s Executive Vice President, Global Technical Operations since February 2006. From April 2005 to February 2006, Mr. Diradoorian served as Senior Vice President, Global

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Technical Operations. From February 2001 to April 2005, Mr. Diradoorian served as Vice President, Global Engineering and Technology. Mr. Diradoorian joined Allergan in July 1981. Prior to joining Allergan, Mr. Diradoorian held positions at American Hospital Supply and with the Los Angeles Dodgers baseball team. Mr. Diradoorian received a Bachelor of Science degree in Biological Sciences from the University of California, Irvine and a Master of Science degree in Technology Management from Pepperdine University.

Mr. Gangolli has been Corporate Vice President and President, North America since January 2004. Mr. Gangolli served as Senior Vice President, U.S. Eye Care from July 1998 to January 2004. Prior to joining Allergan, Mr. Gangolli served as Vice President, Sales and Marketing of VIVUS, Inc., a publicly traded biopharmaceutical company, from 1994 to 1998, where he was responsible for facilitating the successful transition of the company from a research and development start-up into a niche pharmaceutical company. Prior to that, Mr. Gangolli served in a number of increasingly senior marketing roles in the UK, Global Strategic Marketing and in the US for Syntex Pharmaceuticals, Inc., a multinational pharmaceutical company. Mr. Gangolli began his career in pharmaceutical sales and marketing with Ortho-Cilag Pharmaceuticals, Ltd. a UK subsidiary of Johnson & Johnson. Mr. Gangolli received a BSc (Honors) in Applied Chemistry and Business Studies from Kingston Polytechnic in England.

Mr. Hindman has been Executive Vice President, Finance and Business Development, Chief Financial Officer since August 2014. Mr. Hindman joined Allergan in 1984 and has served in a variety of finance positions, including Senior Vice President, Finance and Controller, Assistant Corporate Controller, Vice President, Financial Planning and Analysis and, from 2002 to August 2014, Senior Vice President, Treasury, Risk and Investor Relations. Mr. Hindman also serves as President of The Allergan Foundation. Before joining Allergan, Mr. Hindman worked at Deloitte, Haskins and Sells. Mr. Hindman received a Bachelor of Science degree in Accounting from Loyola Marymount University and an MBA from Pepperdine University and is a Certified Public Accountant (inactive).

Mr. Pinkston joined Allergan as Executive Vice President, General Counsel and Assistant Secretary in October 2011 with over 25 years of experience managing legal affairs. Prior to joining Allergan, Mr. Pinkston served as the Senior Vice President, General Counsel and Secretary of Beckman Coulter, Inc. from 2005 through the company s sale to Danaher Corporation in June 2011. While at Beckman Coulter, Mr. Pinkston was responsible for all aspects of the company s global legal affairs as well as the company s compliance program, corporate social responsibility program, internal audit department and knowledge resources. Prior to joining Beckman Coulter, Mr. Pinkston held various positions at Eli Lilly and Company from 1999 through 2005, including serving as deputy general counsel responsible for the legal affairs of Lilly USA. Mr. Pinkston served as general counsel of PCS Health Systems from 1994 to 1999 after working for McKesson Corporation and beginning his legal career as an attorney with Orrick, Herrington & Sutcliffe. Mr. Pinkston received a Bachelor s Degree in Geophysics from Yale College and a Juris Doctor degree from Yale Law School.

Mr. Sherman joined Allergan as Executive Vice President, Human Resources in September 2010 with more than fifteen years of human resources leadership experience. Prior to joining Allergan, Mr. Sherman worked at Medtronic, Inc., a global medical device company, from August 1995 to September 2010 in roles of increasing complexity and responsibility. From April 2009 until September 2010, Mr. Sherman served as Medtronic s Vice President, Global Total Rewards and Human Resources Operations, where he was responsible for global compensation and benefits programs, and served as Secretary to the Compensation Committee of Medtronic s Board of Directors. Mr. Sherman lived in Europe from August 2005 until April 2009 and served as Vice-President, International Human Resources (May 2008 April 2009) and Vice-President, Human Resources-Europe, Emerging Markets and Canada (August 2005 May 2008). Prior to these assignments, Mr. Sherman held a series of other positions at Medtronic including Vice President, Human Resources-Diabetes (January 2002 July 2005). Prior to joining Medtronic, Mr. Sherman held various positions in the Human Resources and Sales organizations at Exxon Corporation from 1990 to 1995. Mr. Sherman holds a Master s Degree in Industrial and Labor Relations from Cornell University and a Bachelor s Degree in

International Affairs from The George Washington University.

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Dr. Whitcup has been Executive Vice President, Research and Development, and Chief Scientific Officer since April 2009. Prior to that, Dr. Whitcup was Executive Vice President, Research and Development since July 2004. Dr. Whitcup joined Allergan in January 2000 as Vice President, Development, Ophthalmology. In January 2004, Dr. Whitcup became Allergan s Senior Vice President, Development, Ophthalmology. From 1993 until 2000, Dr. Whitcup served as the Clinical Director of the National Eye Institute at the National Institutes of Health. As Clinical Director, Dr. Whitcup s leadership was vital in building the clinical research program and promoting new ophthalmic therapeutic discoveries. Dr. Whitcup is a faculty member at the Jules Stein Eye Institute/David Geffen School of Medicine at the University of California, Los Angeles. Prior to its sale to Mallinckrodt plc in 2014, Dr. Whitcup served on the board of directors of Questcor Pharmaceuticals, Inc., which was a publicly traded biopharmaceutical company prior to such sale. Dr. Whitcup also serves on the board of directors of Semnur Pharmaceuticals, a privately held company. Dr. Whitcup graduated from Cornell University and Cornell University Medical College. He completed residency training in internal medicine at the University of California, Los Angeles and in ophthalmology at Harvard University, as well as fellowship training in uveitis and ocular immunology at the National Institutes of Health. Dr. Whitcup is a faculty member at the Jules Stein Eye Institute/David Geffen School of Medicine at the University of California, Los Angeles.

Corporate Governance

Stockholder Responsiveness

At the 2014 Annual Meeting, a majority of stockholders representing a majority of shares present and entitled to vote approved a non-binding stockholder proposal requesting that our Board adopt a policy, and amend our governing documents, to require the Chairman of the Board to be an independent director. While this proposal was not approved by a majority of shares outstanding, in advance of the 2015 annual meeting of stockholders, our Board intends to engage with our significant stockholders to seek input regarding the potential adoption of appropriate responsive actions.

In addition, our Board has received preliminary feedback from our stockholders regarding the adoption of amendments to our Charter and our Bylaws to permit stockholders to act by written consent, which was approved by our stockholders at the 2014 Annual meeting. Also in advance of the 2015 annual meeting of stockholders, our Board intends to engage with our significant stockholders to consider potential amendments to the stockholder right to act by written consent.

Director Independence

Our Bylaws and our Board of Directors Guidelines on Significant Corporate Governance Issues require that a majority of our directors meet the criteria for independence set forth under applicable securities laws, including the Exchange Act, applicable rules and regulations of the SEC and applicable rules and regulations of the New York Stock Exchange (the ***NYSE***). The NYSE Listed Company Manual and corresponding listing standards provide that, in order to be considered independent, our Board must determine that a director has no material relationship with us other than as a director. Our Board has reviewed the relationships between us, including our subsidiaries or affiliates, and each board member (and each such director s immediate family members).

Based on its review, our Board has affirmatively determined that none of Drs. Dunsire or McDonnell, Messrs. Gallagher, Lavigne, Proctor, Ray or Termeer, or Prof. Jones currently has any material relationship with us other than as a director and each is independent within the foregoing independence standards. Mr. Pyott was determined to not be independent based on his service as our President and Chief Executive Officer. Our Board s independence determinations included reviewing Prof. Jones and Dr. McDonnell s service as a director on the board of

directors of a company with which Allergan had done business and a commercial relationship between Allergan and a company where Dr. Dunsire previously served on the management team, where the amount was significantly less than $1 million or 2% of such company s consolidated gross revenues.

Our Board has also determined that each member of the Audit and Finance Committee, the Corporate Governance and Compliance Committee, the Organization and Compensation Committee and the Science &

Technology Committee, respectively, is independent under the applicable listing standards of the NYSE and, with respect to members of the Audit and Finance Committee, the audit committee requirements of the SEC. None of the members of these committees is an officer, employee or former employee of us or any of our subsidiaries.

Our Board of Directors Guidelines on Significant Corporate Governance Issues are available on the Corporate Governance & Certificates section of our website at *www.allergan.com.*

Board Meetings

Our business and affairs are managed under the direction of our Board. Our Board held five (5) full meetings during 2013 and each incumbent director attended at least 75% of those meetings when he or she was a member of our Board. Directors are also kept informed of our business through personal meetings and other communications, including considerable telephone contact with our Chairman of the Board, lead independent director and others regarding matters of interest and concern to us and our stockholders.

Executive Sessions

Our independent directors meet regularly in executive sessions without management. It is our Board s policy that our lead independent director presides over the executive sessions. If not present, a different independent director is selected by the independent directors to chair the executive session. Our Board has appointed Mr. Gallagher to serve as our lead independent director. Executive sessions of our independent directors are typically held in conjunction with each regularly scheduled board meeting; however, our lead independent director possesses the authority to call a meeting of our independent directors that is not in conjunction with a regularly scheduled board meeting.

Board Committees

Our Board has a standing Audit and Finance Committee, Corporate Governance and Compliance Committee, Organization and Compensation Committee and Science & Technology Committee. Our Board has reviewed, assessed the adequacy of, and approved a formal written charter for each of these committees, each of which is available on the Corporate Governance & Certificates section of our website at *www.allergan.com.*

Audit and Finance Committee

The Audit and Finance Committee is composed of Mr. Ray (chairperson), Messrs. Lavigne and Proctor and Ms. Dunsire. Our Board has determined that Messrs. Ray and Lavigne meet the definition of an audit committee financial expert, as set forth in Item 407(d)(5)(ii) of Regulation S-K. The Audit and Finance Committee held ten (10) meetings during 2013 and each member of the Audit and Finance Committee attended at least 75% of the total meetings of the committee held when he or she was a member.

Pursuant to the charter adopted for the Audit and Finance Committee, the primary role of the Audit and Finance Committee is to assist our Board in its oversight of our financial reporting process. Our management is responsible for the preparation, presentation and integrity of our financial statements, and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Our independent registered public accounting firm is responsible for auditing our financial statements and expressing an opinion as to their conformity with generally accepted accounting principles as well as auditing our internal controls over financial reporting and expressing an opinion as to their effectiveness. The Audit and Finance Committee:

reviews the integrity of our financial statements, financial reporting process and systems of internal controls regarding finance, accounting and legal compliance;

assists our Board in its oversight of our compliance with legal and regulatory requirements;

assists our Board in its oversight of enterprise-wide risk management;

reviews the independence, qualifications and performance of our independent registered public accounting firm and internal audit department;

provides an avenue of communication among the independent registered public accounting firm, management, the internal audit department and our Board;

prepares the report that SEC rules require be included in our annual proxy statement;

reviews and discusses with management and our independent registered public accounting firm our annual audited consolidated financial statements, audit of internal controls over financial reporting and quarterly unaudited financial statements;

retains, terminates and annually reconfirms our independent registered public accounting firm for the fiscal year;

meets with our independent registered public accounting firm to discuss the scope and results of their audit examination and the fees related to such work;

meets with our internal audit department and financial management to:

review the internal audit department s activities and to discuss our accounting practices and procedures;

review the adequacy of our accounting and control systems; and

report to our Board any considerations or recommendations the Audit and Finance Committee may have with respect to such matters;

reviews the audit schedule and considers any issues raised by members of the Audit and Finance Committee, our independent registered public accounting firm, the internal audit staff, the legal staff or management;

reviews the independence of our independent registered public accounting firm, and the range of audit and non-audit services provided and fees charged by our independent registered public accounting firm;

manages the receipt, retention and treatment of complaints we may receive regarding accounting, internal accounting controls or audit matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;

performs an annual self-evaluation;

pre-approves audit and non-audit services performed by our independent registered public accounting firm in order to assure that the provision of such services does not impair the independent registered public accounting firm s independence;

reviews, approves or modifies management recommendations on corporate financial strategy and policy and, where appropriate, makes recommendations to our Board; and

discusses with our management the certification of our financial reports by our principal executive officer and principal financial officer.

Corporate Governance and Compliance Committee

The Corporate Governance and Compliance Committee is composed of Mr. Termeer (chairperson), Mr. Gallagher, Dr. McDonnell and Prof. Jones. The Corporate Governance and Compliance Committee held five (5) meetings during 2013 and each incumbent member of the Corporate Governance and Compliance Committee attended at least 75% of the total meetings of the committee held when he or she was a member. The Corporate Governance and Compliance Committee:

receives reports from management regarding compliance-related matters and provides general compliance oversight;

- reviews and oversees compliance programs related to our Corporate Integrity Agreement;
- considers the performance of incumbent directors;
- considers and makes recommendations to our Board concerning the size and composition of our Board;
- develops and recommends to our Board guidelines and criteria to determine the qualifications of directors;
- considers and reports to our Board concerning its assessment of our Board s performance;
- performs an annual self-evaluation;
- considers, from time to time, our current board committee structure and membership;
- recommends changes to the amount and type of compensation of board members as appropriate;
- makes recommendations to our Board from time to time as to matters of corporate governance, and reviews and assesses our Guidelines on Significant Corporate Governance Issues;
- reviews and updates our Code of Business Conduct and Ethics and ensures that management has established a system to enforce the Code of Business Conduct and Ethics; and
- reviews political spending by the Company and any affiliated political action committees.

The Corporate Governance and Compliance Committee is responsible for recommending qualified candidates for election as directors, including the slate of directors that our Board proposes for election by our stockholders at the annual meeting. In identifying, evaluating and selecting potential director nominees, including nominees recommended by our stockholders, the Corporate Governance and Compliance Committee generally engages in the following selection process:

- the Corporate Governance and Compliance Committee, our Chief Executive Officer or any other board member identifies the need to add a new member to our Board with specific criteria or to fill a vacancy on our Board. Alternatively, stockholders may recommend a nominee for election to fill a vacancy or as an addition to our Board;

the Corporate Governance and Compliance Committee initiates a search, working with support staff and seeking input from board members and senior management, and considering stockholder recommendations. The Corporate Governance and Compliance Committee may hire a search firm if deemed appropriate;

the initial slate of candidates that satisfy specific criteria and otherwise qualify for membership on our Board are identified and presented to the chairperson of the Corporate Governance and Compliance Committee, or in the chairperson s absence, any member of the Corporate Governance and Compliance Committee delegated to initially review director candidates;

the appropriate Corporate Governance and Compliance Committee member makes an initial determination in his or her own independent business judgment as to the qualification and fit of such director candidate(s) and whether there is a need for additional directors to join our Board at that time;

if the reviewing Corporate Governance and Compliance Committee member determines that it is appropriate to proceed, our Chief Executive Officer and several members of the Corporate Governance and Compliance Committee interview prospective director candidate(s);

the Corporate Governance and Compliance Committee provides informal progress updates to our Board;

the Corporate Governance and Compliance Committee meets to consider and approve the final director candidate(s); and

if approved by the Corporate Governance and Compliance Committee, the Corporate Governance and Compliance Committee seeks board approval of the director candidate(s).

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Among other things, when assessing a candidate s qualifications, the Corporate Governance and Compliance Committee looks for the following qualities and skills:

- directors should be of the highest ethical character and share our values;
- directors should have reputations, both personal and professional, that are consistent with our image and reputation;
- directors should be highly accomplished in their respective fields, having achieved superior credentials and recognition;
- in selecting directors, the Corporate Governance and Compliance Committee will generally seek leaders affiliated or formerly affiliated with major organizations, including scientific, business, government, educational and other non-profit institutions;
- the Corporate Governance and Compliance Committee will also seek directors who are widely recognized as leaders in the fields of medicine or the biological sciences, including those who have received the most prestigious awards and honors in those fields;
- each director should have relevant expertise and experience, and be able to offer advice and guidance to our management based on that expertise and experience; and
- directors should be independent of any particular constituency and be able to represent all of our stockholders, should have the ability to exercise sound business judgment, and should be selected so that our Board is a diverse body, with diversity reflecting gender, ethnic background, country of citizenship and professional experience.

The Corporate Governance and Compliance Committee considers all of the qualities mentioned above when considering a candidate for director, without regard to whether such candidate was nominated by the Chairman of the Board, another director or a stockholder.

Stockholders can suggest qualified candidates for director by submitting to us any recommendations for director candidates or nominate a director in accordance with our Charter and our Bylaws. All submissions should be sent to the Corporate Governance and Compliance Committee of Allergan, Inc. s Board of Directors, c/o Allergan, Inc., Attn: Secretary, P.O. Box 19534, Irvine, CA 92623. We may request from the recommending stockholder or recommending stockholder group such other information as may reasonably be required to determine whether each person recommended by a stockholder or stockholder group as a nominee meets the minimum director qualifications established by our Board and is independent based on applicable laws and regulations. Submissions that meet the criteria outlined above will be forwarded to the chairperson of the Corporate Governance and Compliance Committee or such other member of the Corporate Governance and Compliance Committee delegated to review and consider candidates for director nominees. The procedures for nominating a director in accordance with our Charter and our

Bylaws are described in this Proxy Statement in the section entitled Stockholder Proposals for Presentation at the 2015 Annual Meeting.

Organization and Compensation Committee

The Organization and Compensation Committee (the ***Compensation Committee***) is composed of Messrs. Gallagher (chairperson), Proctor, Ray and Termeer. The Compensation Committee held six (6) meetings during 2013 and each incumbent member of the Compensation Committee attended at least 75% of the total meetings of the committee held when he or she was a member. The Compensation Committee:

- reviews and approves the compensation of executive officers, including salary and bonus awards;
- establishes, and approves for submission to our Board when required, overall employee compensation plans and policies;
- reviews and assesses risks relating to overall employee compensation plans and policies;
- reviews, discusses with our Board and approves the corporate organizational structure;

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- reviews and approves the election of executive officers for submission to our Board;
- reviews and discusses with our Board and management our succession and organization plans, criteria for success related to key positions, as well as talent development activities and milestones;
- reviews and discusses with our Board the performance of corporate officers;
- performs an annual self-evaluation;
- recommends to our Board major compensation programs; and
- administers our various compensation and stock option plans.

The Compensation Committee works with an external compensation consultant to assist the Compensation Committee in its duties. Frederick W. Cook & Co. was engaged for 2013 as the compensation consultant for the Compensation Committee. The compensation consultant performs no work for us other than its work providing executive compensation consulting services to the Compensation Committee and reports directly to the Compensation Committee through its chairperson. For 2013, the compensation consultant provided the Compensation Committee with:

- market survey data;
- advice regarding competitive levels of executive base salaries, annual and special performance incentive awards, annual and special equity awards and executive benefits;
- a comprehensive review of our executive compensation strategy, including reviewing our peer group companies and the criteria for selecting peers, as well as advising on our short- and long-term compensation incentives, our equity compensation strategy and preparation of our annual stock-based compensation guidelines;
- tally sheets disclosing our executive officers total compensation (including severance benefits and the value of outstanding equity awards); and
- support for the preparation of our disclosure in this Proxy Statement.

For more information on the processes and procedures followed by the Compensation Committee for the consideration and determination of executive compensation and the role of our Chief Executive Officer in recommending compensation amounts, see the Compensation Disclosure section beginning on page A-16 in Annex A to this Proxy Statement.

Science & Technology Committee

The Science & Technology Committee is composed of Prof. Jones (chairperson), Drs. Dunsire and McDonnell and Mr. Lavigne. The Science & Technology Committee held five (5) meetings during 2013 and each member of the Science & Technology Committee attended at least 75% of the total meetings of the committee held when he or she was a member. The Science & Technology Committee:

- reviews our discovery and development research portfolio, including the relevant underlying science;
- reviews the staffing of key scientific and management positions, including significant changes, within our R&D organization;
- evaluates the investment allocation for our R&D portfolio, including project expenditures;
- reviews the major strategic priorities within our R&D organization and the competitive environment surrounding those priorities;
- reviews variances to our operating plan for major R&D projects;
- monitors the progress of our R&D projects, including milestones;
- reviews the process for R&D patents and our strategic patent portfolio; and
- reviews our major technology-based collaborations, in-licensing and out-licensing agreements.

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Board Leadership Structure

Our Board has carefully considered our Board leadership structure and determined that it is in the best interests of the Company and our stockholders to have our Chief Executive Officer lead our Board as Chairman, together with a lead independent director. Our Board believes our leadership structure, with its emphasis on board independence together with strong board and committee involvement, provides sound and robust oversight of management.

Board Independence

In determining the most appropriate board leadership structure for the Company, our Board closely considered our current system for ensuring significant independent oversight of management, including the following, effective immediately prior to the annual meeting:

- eight of our nine current directors (89%) are independent as defined by the applicable listing standards of the NYSE and requirements of the SEC, with Mr. Pyott being the sole exception;
- each director serving on our Audit and Finance Committee, Compensation Committee, Corporate Governance and Compliance Committee, and Science & Technology Committee is independent;
- the Compensation Committee annually evaluates the Chief Executive Officer s performance and has the sole authority to retain and to terminate compensation advisors; and
- our Board s ongoing practice of regularly holding executive sessions without management and under the direction of our lead independent director.

Mr. Gallagher, as our Board s lead independent director, holds a critical role in assuring effective corporate governance and in managing the affairs of our Board. Among other responsibilities, Mr. Gallagher:

- presides over executive sessions of our Board and over board meetings when the Chairman of the Board is not in attendance;
- consults with the Chairman of the Board and other board members on corporate governance practices and policies, and assuming the primary leadership role in addressing issues of this nature if, under the circumstances, it is inappropriate for the Chairman of the Board to assume such leadership;
- meets informally with other outside directors between board meetings to assure free and open communication within the group of outside directors;

- assists the Chairman of the Board in preparing the board agenda so that the agenda includes items requested by the independent members of our Board;

- administers the annual board evaluation and reporting the results to the Corporate Governance and Compliance Committee; and

- assumes other responsibilities that the non-management directors might designate from time to time.

Benefits of a Combined Leadership Structure

Our governing documents permit the roles of the Chief Executive Officer and Chairman to be filled by the same or different individuals. This flexibility permits our Board to choose a leadership structure that best addresses the Company s evolving and highly complex business based on the individuals available and circumstances present at the time. In determining that we are best served by having Mr. Pyott serve as Chief Executive Officer and Chairman of the Board, our Board considered the following benefits:

- Mr. Pyott possesses unique knowledge regarding our operations and the industries and markets in which we compete. This understanding of the challenges our Company faces positions Mr. Pyott to set our Board s agenda and lead effective discussions on important matters related to our business.

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Mr. Pyott is best situated to act as a bridge between management and our Board by promoting communication and coordinating the strategic objectives of both groups. Our Board believes that having Mr. Pyott serve as the Chairman and the leader of the management team optimizes the Company s ability to execute its initiatives to maximize stockholder value.

The combined role of Chief Executive Officer and Chairman unifies the message of the Company s leadership and facilitates centralized responsibility in one person so that there is no ambiguity about accountability.

The strength and effectiveness of the communications between Mr. Pyott and our Board s lead independent director results in effective board oversight over issues, plans and prospects of the Company.

Board Risk Oversight

Our Board oversees an enterprise-wide approach to risk management that is designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance stockholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us. In setting our business strategy, our Board assesses the various risks being mitigated by management and determines what constitutes an appropriate level of risk for us. Our Board meets with management at least quarterly to receive updates with respect to our operations, business strategies and the monitoring of related risks.

While our Board has the ultimate oversight responsibility for the risk management process, various committees of our Board also have responsibility for risk management. The Audit and Finance Committee oversees our financial risk exposures, including monitoring the integrity of our financial statements, financial reporting process and systems of internal controls, accounting and legal compliance and the independence and qualifications of our independent registered public accounting firm. The Audit and Finance Committee receives an annual risk and internal controls assessment report from our internal audit department. The Audit and Finance Committee meets at least quarterly with our financial management, independent registered public accounting firm and legal advisors for updates on risks related to our financial reporting function and also assists our Board in its oversight of our compliance with legal and regulatory requirements.

Risks related to our company-wide compensation programs are reviewed by the Compensation Committee. For more information on the Compensation Committee s compensation risk assessment see Compensation Disclosure Compensation Risk Management section beginning on page A-51 in Annex A to this Proxy Statement. Our Corporate Governance and Compliance Committee provides compliance oversight and reports to the full Board on compliance matters, including issues arising under our Code of Business Conduct and Ethics, and makes recommendations to our Board on corporate governance matters, including director nominees, the determination of director independence, board and committee structure and membership. Our Science & Technology Committee helps evaluate the investment allocation for our R&D portfolio, reviews the major strategic priorities within our R&D organization, and reviews risks associated with potential acquisitions and partners.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics, which contains general guidelines for conducting our business and is designed to help directors, employees and independent consultants resolve ethical issues in an increasingly complex business environment. The Code of Business Conduct and Ethics applies to all directors,

consultants and employees, including our principal executive officer and our principal financial officer and any other employee with any responsibility for the preparation and filing of documents with the SEC. The Code of Business Conduct and Ethics covers topics including, but not limited to, conflicts of interest, confidentiality of

information and compliance with laws and regulations. A copy of the Code of Business Conduct and Ethics is available on the Corporate Governance & Certificates section of our website at *www.allergan.com*. We may post amendments to or waivers of the provisions of the Code of Business Conduct and Ethics, if any, made with respect to any directors and employees on that website.

Contacting Our Board of Directors

Any interested person, including any stockholder, who desires to contact the current director presiding over the executive sessions or the other board members may do so by writing to the Allergan, Inc. Board of Directors, Attn: Secretary, P.O. Box 19534, Irvine, CA 92623. Communications received will be distributed by our Secretary to the director presiding over the executive sessions or such other board member or members as deemed appropriate by our Secretary, depending on the facts and circumstances outlined in the communication received. For example, if any complaints regarding accounting, internal accounting controls or auditing matters are received, they will be forwarded by our Secretary to the chairperson of the Audit and Finance Committee for review.

Director Attendance at Annual Meetings

Although we have no policy with regard to Board members attendance at our annual meeting of stockholders, it is customary for, and we encourage, all Board members to attend. All of the directors then in office attended our 2013 and 2014 annual meetings of stockholders.

Non-Employee Directors Compensation

Our Board believes that providing competitive compensation is necessary to attract and retain qualified non-employee directors. The key elements of director compensation are a cash retainer, committee chair fees, meeting fees and equity-based grants. It is our Board s practice to provide a mix of cash and equity-based compensation that it believes aligns the interests of our Board and our stockholders. As an employee director, Mr. Pyott does not receive additional compensation for board service. Our non-employee directors are also subject to certain stock ownership guidelines. For more information on non-employee director compensation and stock ownership guidelines, see the Director Compensation section beginning on page A-49 in Annex A to this Proxy Statement.

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Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information as of September 30, 2014, regarding the beneficial ownership of our Common Stock by (i) each director, (ii) our Chief Executive Officer, former Chief Financial Officer, each of our three other most highly compensated executive officers for the year ended December 31, 2013 and (iii) all of our current directors and executive officers as a group.

	Vested Shares of Common Stock Owned(1)	Rights to Acquire Shares of Common Stock(2)	Unvested Shares of Restricted Stock	Total Shares of Common Stock Beneficially Owned	Percent of Class(3)
Directors:					
Deborah Dunsire, M.D.	29,111	65,799	0	94,910	*
Michael R. Gallagher	37,954	61,081	0	99,035	*
Trevor M. Jones, Ph.D.	2,375	51,733	0	54,108	*
Louis J. Lavigne, Jr.	17,529	0	0	17,529	*
Peter J. McDonnell, M.D.	3,108	0	0	3,108	*
Timothy D. Proctor	3,108	812	0	3,920	*
David E.I. Pyott	234,173	2,265,200	0	2,499,373	*
Russell T. Ray	25,918	54,600	0	80,518	*
Henri A. Termeer(4)	0	0	0	0	*
Other Named Executive Officers:					
Douglas S. Ingram	30,108	527,700	0	557,808	*
Jeffrey L. Edwards(5)	20,264	207,850	0	228,114	*
Scott M. Whitcup, M.D.	20,851	556,200	0	577,051	*
Julian S. Gangolli	20,593	140,500	3,000	164,093	*
All current directors and executive officers (as a group 17 persons, including those named above)	469,021	4,326,675	13,700	4,809,396	1.593%

* Beneficially owns less than 1% of our outstanding Common Stock.

(1) In addition to shares held in the individual s sole name, this column includes: (1) shares held by the spouse of the named person and shares held in various trusts; and (2) for executive officers, shares held in trust for the benefit of the named employee in our Savings and Investment Plan and Employee Stock Ownership Plan as of September 30, 2014.

(2) This column also includes shares which the person or group has the right to acquire within sixty (60) days of September 30, 2014 as follows: (1) for executive officers, these shares may be acquired upon the exercise of stock options and vesting of restricted stock units; and (2) for non-employee directors, these shares include shares that may be acquired upon the exercise of stock options and vesting of restricted stock units, as well as shares accrued under our Deferred Directors Fee Program as of September 30, 2014. Under our Deferred Directors Fee Program, participants may elect to defer all or a portion of their retainer and meeting fees until termination of their status as a director. Deferred amounts are treated as having been invested in our Common Stock such that on the date of deferral the director is credited with a number of phantom shares of our Common Stock equal to the

amount of fees deferred divided by the market price of a share of our Common Stock as of the date of deferral. Upon termination of the director s service on our Board, the director will receive shares of our Common Stock equal to the number of phantom shares of our Common Stock credited to such director under the Deferred Directors Fee Program.

(3) Based on 297,613,483 shares of our Common Stock outstanding as of September 30, 2014 (exclusive of approximately 9,992,377 shares of Common Stock held in treasury). Unless otherwise indicated in the footnotes and subject to community property laws where applicable, each of the directors and nominees, named executive officers and executive officers has sole voting and/or investment power with respect to such shares.

(4) Mr. Termeer was appointed to our Board on January 24, 2014.

(5) On August 18, 2014, Mr. Edwards resigned from his position as Executive Vice President, Finance and Business Development, Chief Financial Officer due to family commitments.

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Stockholders Holding 5% or More

Except as set forth below, the Company s management is not aware of any person who is the beneficial owner of more than 5% of our issued and outstanding Common Stock.

Name and Address of Beneficial Owners	Shares Beneficially Owned	Percent of Class(1)
Capital Research Global Investors(2) 40 East 52nd Street New York, NY 10022	17,472,533	5.87%
BlackRock, Inc.(3) 40 East 52nd Street New York, NY 10022	17,416,972	5.85%
Pershing Square Capital Management, L.P.(4) 888 Seventh Avenue, 42nd Floor New York, NY 10019	28,878,638	9.71%
PS Management GP, LLC(4) 888 Seventh Avenue, 42nd Floor New York, NY 10019	28,878,638	9.71%
William A. Ackman(4) 888 Seventh Avenue, 42nd Floor New York, NY 10019	28,878,638	9.71%
Valeant Pharmaceuticals International, Inc.(5) 2150 St. Elzéar Blvd. West Laval, Quebec, Canada, H7L 4A8	28,878,638	9.71%
Valeant Pharmaceuticals International(5) 400 Somerset Corporate Boulevard Bridgewater, New Jersey 08807	28,878,638	9.71%

(1)

Based on 297,613,483 shares of Common Stock outstanding as of September 30, 2014 (exclusive of approximately 9,992,377 shares of Common Stock held in treasury).

(2) Based on information provided pursuant to a statement on a Schedule 13G filed with the SEC on February 10, 2014 by Capital Research Global Investors, a division of Capital Research and Management Company. Capital Research Global Investors reported that it has sole voting power with respect to 17,472,533 shares and sole dispositive power with respect to 17,472,533 shares. The Company understands that Capital Research Global Investors currently holds less shares than reported on its Schedule 13G.

(3) Based on information provided pursuant to a statement on a Schedule 13G/A filed with the SEC on January 28, 2014 by BlackRock, Inc. BlackRock reported that it has sole voting power with respect to 14,470,789 shares and sole dispositive power with respect to 17,416,972 shares.

(4) Based on information provided pursuant to a statement on a Schedule 13D/A filed with the SEC on September 23, 2014 by Pershing Square Capital Management, L.P., PS Management GP, LLC and William A. Ackman, pursuant to which the three parties reported that they have shared beneficial ownership with respect to 28,878,638 shares and shared voting power with respect to 28,878,538 shares.

(5) Based on information provided pursuant to a statement on a Schedule 13D/A filed with the SEC on September 16, 2014 by Valeant Pharmaceuticals International, Inc. and Valeant Pharmaceuticals International, pursuant to which the two parties reported that they have shared beneficial ownership with respect to 28,878,538 shares and shared voting power with respect to 28,878,538 shares, and on information provided pursuant to a statement on a Schedule 13D/A filed with the SEC on June 2, 2014 by Pershing Square Capital Management, L.P., PS Management GP, LLC and William A. Ackman, which reported that Valeant has sole voting power with respect to 100 shares.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC and the NYSE. Executive officers, directors and greater than ten-percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms furnished to us and the written representations from certain of the reporting persons that no other reports were required, we believe that during the fiscal year ended December 31, 2013, all executive officers, directors and greater than ten-percent beneficial owners complied with the reporting requirements of Section 16(a).

Compensation Disclosure

Compensation Discussion and Analysis

This Compensation Discussion and Analysis section discusses our executive compensation policies and programs and the compensation decisions made in 2013 for our named executive officers who are generally defined under the SEC s proxy rules as a company s chief executive officer, chief financial officer and the other three most highly compensated employees who were serving as executive officers at year-end. For 2013, our named executive officers were:

- David E.I. Pyott, Chairman of the Board and Chief Executive Officer;
- Douglas S. Ingram, President;
- Jeffrey L. Edwards, our former Executive Vice President, Finance and Business Development, Chief Financial Officer;
- Scott M. Whitcup, M.D., Executive Vice President, Research and Development, Chief Scientific Officer; and
- Julian S. Gangolli, Corporate Vice President and President, North America.

As previously disclosed, on August 18, 2014, Mr. Edwards resigned from his position as Executive Vice President, Finance and Business Development, Chief Financial Officer due to family commitments. Mr. Edwards has been succeeded by James M. Hindman. The Compensation Committee administers the compensation policies and programs for our senior executives, as well as our equity-based incentive compensation plans and rewards strategies for all employees. A summary of this year s highlights follows below.

2013 Company Performance and Link to Pay Decisions

Company Financial Performance

Our executive compensation programs are designed to reward superior company performance and provide consequences for underperformance. Our positive financial and operating results continued during 2013:

Adjusted EPS attributable to continuing operations increased 18.1% to $4.77. The Adjusted EPS value used to calculate our 2012 bonus awards was further adjusted to give effect to the delayed adoption of the 2012 U.S. Research and Development tax credit (the ***2012 R&D Tax Credit***). After giving effect to the 2012 R&D Tax Credit, the Adjusted EPS attributable to continuing operations increase in 2013 was 16.6%.

Annual sales revenues increased 11.7% to $6,197.5 million.

R&D reinvestment was 16.8% of sales revenue, or $1,042.3 million.

Our total stockholder return (stock price appreciation plus dividends) (***TSR***) for the one-, three- and five-year periods ending on December 31, 2013 was 21.3%, 17.7% and 22.8%, respectively.

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Total Stockholder Return

Our executive compensation program is designed to have a significant portion of our executives compensation opportunity delivered in the form of equity-based compensation to tie our executives long-term interests to those of our stockholders. We achieved strong absolute TSR for the one-, three- and five-year periods ending on December 31, 2013 of 21.3%, 17.7% and 22.8%, respectively. Our TSR for these periods as compared to our peers is shown below, which does not reflect the accelerated performance and growth in the business during 2014. The Company continues to deliver consistent long-term, stockholder value creation, realizing a five-year TSR in the top half of our peer group in each of the past three years. In 2013, the Company encountered significant unforeseen business issues, including the unanticipated publication of draft guidance by the U.S. Food and Drug Administration (the ***FDA***), that proposes certain approaches for demonstrating bioequivalence in abbreviated new drug applications referring to the new drug application related to our *Restasis*® product, delays related to the clinical development of the anti-VEGF *DARPin*® for the treatment of serious ophthalmic diseases and *Latisse*® for scalp hair growth, and receipt of a Complete Response Letter from the FDA with regard to our new drug application for *Levadex*®. The Company also faced patent litigation concerns related to our *Lumigan*® 0.01% product that were not resolved in 2013 in January 2014, a U.S. District Court in Texas ruled that all five of our *Lumigan*® 0.01% patents are valid until their expiries, the latest of which is in 2027.

These unexpected events negatively impacted our one-year TSR; nevertheless, the Company generated over $5.5 billion in total stockholder value over the period. We believe the longer-term TSR is a more reliable metric of company performance, as the one-year TSR is impacted by short-term share price fluctuations. For example, our 13-month TSR as of January 31, 2014 would have been 25.2% and, if pulled forward as of February 19, 2014, would have been 36.8%. The TSR gains generated in 2009 and 2010 are reflected in our strong five-year TSR, but negatively impact the comparative results of our three-year TSR as our peer group benefits from their comparatively poor 2009 and 2010 stock price performance when reporting their stock price increase from 2011 through 2013.

2013 Compensation Highlights and Key Decisions

Base Salaries and Target Bonus Opportunities. Base salaries were adjusted for our named executive officers in 2013 to reflect merit increases consistent with our company-wide increase and as needed to bring their salaries closer to the market median. Additionally, Mr. Ingram received a 15% increase to his base salary and a 5% increase to his target bonus in connection with his promotion to President in July 2013. Mr. Pyott s 2013 target bonus opportunity was also increased by 5% to recognize his performance and tenure, and to improve the position of his total target cash compensation versus the median. None of the other named executive officers received any increases to their target bonus opportunities. Following these adjustments, the total annualized salary and target bonus opportunities for our named executive officers were within 0.4% of the market median overall.

Cash Bonuses Reflected Positive 2013 Company Performance. We use annual performance-based cash incentive awards to motivate our executives to achieve our company-wide short-term performance objectives. For our executives, we generally target the market median for our annual target cash

compensation levels, which provides focus on the importance of achieving our annual corporate goals. We used the following three performance measures for the 2013 calendar year: (i) Adjusted EPS, (ii) sales revenue growth and (iii) R&D reinvestment rate. These three measures provide focus on key drivers of performance in our business, in order to ensure quality earnings per share while continuing to reinvest in the long-term growth of our business through R&D.

For 2013, we achieved 100.2% of the Adjusted EPS target. The goal set was challenging and the target Adjusted EPS was set at a level that would require the Company to achieve an Adjusted EPS in 2013 that was approximately 13.4% higher than the Adjusted EPS achieved in 2012. Additionally, we attained 97.6% of the revenue growth target and 99.4% of the R&D reinvestment target. These targets were also ambitious and set at levels that would require the Company to achieve significant revenue growth and R&D reinvestment in 2013. As a result of our performance and in accordance with the bonus structure approved at the beginning of 2013, the bonus payout under our Executive Bonus Plan to our Chief Executive Officer was approximately 99.32% of his target bonus opportunity. The bonus pool for our other named executive officers under our Management Bonus Plan was funded slightly higher, at approximately 101.8% of their aggregate target bonus opportunities due to exceptional performance in the global regions where Messrs. Ingram and Gangolli participated (for purposes of determining the bonus pool allocation).

Stock Options as a Key Component of Compensation. We tailor our cash incentive awards to align with our foreseeable business objectives on an annual basis and utilize long-term equity incentives to promote sustained stockholder value creation in line with the Company s growth aspirations. The Compensation Committee believes that stock options, in lieu of alternative equity awards, most effectively align the interests of our executives with those of our stockholders and are therefore the primary long-term compensation vehicle for our named executive officers. Awards of stock options align with our growth strategy and provide significant leverage if our growth objectives are achieved; they also place a significant portion of compensation at risk if our objectives are not achieved. In the event that our executives fail to increase stockholder value over the term of their stock options, or if stockholder value remains stagnant, then our executives will realize no value in their stock options put simply, stock options provide no guaranteed value for the executives. For additional information on our use of stock options please see the Components of Compensation Long-Term Equity Incentives section beginning on page A-29 in Annex A to this Proxy Statement.

Equity awards, mainly in the form of stock options, represented approximately 67% of our named executive officers aggregate cash and equity compensation in 2013. For 2013, we generally targeted the market median for our base salary and annual target cash compensation levels and the market 75th percentile for equity compensation. In September 2014, after careful review of actual equity grant positioning and market data, the Compensation Committee revised its equity grant position statement to reflect more accurately its practice to target between the market median and 75th percentile. The Compensation Committee continues to believe this positioning places greater emphasis on long-term at-risk pay, offers exceptional alignment with stockholder interests, and drives long-term performance and retention.

Elimination of Excise Tax Gross-Ups in Change of Control Arrangements. In furtherance of its commitment to promote strong governance and pay practices, the Compensation Committee elected not to renew existing change of control agreements with its named executive officers, thereby eliminating the executives right to receive excise tax gross-ups under the agreements. Instead, upon termination of the change of control agreements, the executives became eligible to participate in the Company s Change of Control Policy, which does not contain excise tax gross-up provisions. In addition, the Allergan, Inc. Change in Control Policy (the

CIC Policy) calculates cash severance benefits differently than the individual change in control agreements, by basing the calculation, in part, on the target bonus amount for the year in which a qualifying termination occurs rather than the average of the two highest of the last five bonuses paid to the participant. The CIC Policy also eliminates certain retirement benefits executives are eligible to receive upon a change of control with qualifying

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termination, including the elimination of a cash payment in lieu of service credit under our retirement plans. As of December 31, 2013, each named executive officer s change in control agreement had terminated and each executive was a participant in the Company s Change of Control Policy.

2013 CEO Compensation Significantly Below TSR Trend Performance. In 2013, the Company delivered approximately a $5.5 billion increase in stockholder value, while Mr. Pyott s total compensation, as reported in the Summary Compensation Table, decreased by more than $9.1 million. Over the past three years, the Company has delivered approximately a $14.5 billion increase in stockholder value, while Mr. Pyott s 2013 total compensation was more than $1.9 million below his 2011 total compensation and approximately $600,000 less than his 2010 total compensation. This 2013 decrease in total compensation comes in a year when Mr. Pyott was voted to the Institutional Investor All-America Executive Team in the healthcare pharmaceuticals sector, voted best CEO in the sector by sell side investors and third by buy side investors. The following table shows the alignment between our CEO s total compensation, as reported in the Summary Compensation Table, against our indexed TSR over the last five years.

A review of Mr. Pyott s compensation over the prior three years includes a one-time performance-based retention grant made in 2012. Since this grant was made, Mr. Pyott has more than doubled stockholder value increasing the Company s market capitalization by more than $26 billion as of September 30, 2014 that is immediately accessible to stockholders, while Mr. Pyott remains subject to certain time-vesting requirements, even though the performance-vesting requirements have been met. The terms of this grant were discussed with Institutional Shareholder Services, Inc. (***ISS***) in 2013 and ISS agreed that a FOR recommendation was warranted on our Say-on-Pay proposal in 2012. Additionally, in 2013 our stockholders agreed and approved, on an advisory basis, the compensation of our named executive officers, including the 2012 compensation of Mr. Pyott, with 91.5% approval rate. However, when this one-time performance grant was incorporated into a comparative review of Mr. Pyott s three-year pay in relation to the Company s three-year TSR, ISS determined that Mr. Pyott s compensation appeared to be out of alignment with the peer group devised by ISS and noted a high concern level under its relative pay-TSR quantitative test. This high concern is principally attributable to two factors: (1) the inclusion of Mr. Pyott s 2012 one-time performance grant that ISS recommended in favor of approving, and our stockholders reviewed and overwhelmingly approved in 2013 as part of the 2013 Say-on-Pay proposal; and (2) the impact of the Company s exceptional financial performance in 2009 and 2010, which had the negative effect of dampening our three-year TSR as compared against the three-year TSR of our peers that more recently

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rebounded from poor stockholder returns. A more complete comparison of our performance as compared to the same peers is illustrated by our five-year relative TSR which ranks the Company close to the 75th percentile of the peers. For more information on the 2012 performance-based grant see the Components of Compensation CEO 2012 Performance-Based Restricted Stock Unit Award section beginning on page A-30 in Annex A to this Proxy Statement.

Mr. Pyott s 2013 total compensation is approximately 1.63x the market median of the anticipated peer group determined by ISS, which falls well under the threshold ISS concern of 2.33x. This modest multiple of median is particularly notable considering Mr. Pyott s 16 year tenure as our Chief Executive Officer during which he has consistently returned significant stockholder value. Under Mr. Pyott s leadership, our annual revenues have grown from approximately $1.15 billion in 1998 to approximately $6.19 billion in 2013, and our market capitalization has grown from approximately $2 billion when Mr. Pyott joined us to over $37 billion as of March 24, 2014.

Compensation Governance and Best Practices

We are committed to having strong governance standards with respect to our compensation programs, procedures and practices. The Compensation Committee has, among other things, taken the following actions:

- retained an external, independent compensation consultant who reports directly to the Compensation Committee and does not provide any other services to management or the Company;
- incorporated compensation analytical tools such as market data for all compensation components, tally sheets, compensation history for each executive and termination analyses as part of its annual executive compensation review;
- implemented enhanced clawback provisions for all incentive compensation under defined circumstances;
- implemented stock ownership guidelines that align our executives and our directors long-term interests with those of our stockholders and discourage excessive risk-taking;
- implemented equity compensation grant date and formula procedures that comply with evolving best practices and avoid market timing concerns; and
- implemented an annual process to review our global incentive compensation and benefit programs, and assess the risks related to our company-wide compensation structure, policies and programs.

Fiscal 2013 Compensation Details

Compensation Objectives

The Compensation Committee evaluates and sets executive compensation consistent with our stated philosophy to provide a compensation package that ensures the focus, motivation and retention of a superior senior management team, and delivers significant rewards for superior performance and consequences for underperformance. Specifically,

the Compensation Committee s philosophy is to:

- provide a total executive compensation program that is competitive with other companies in the pharmaceutical, biotechnology and medical device industries with which we compete for executive talent;
- place a significant portion of executive compensation at risk by linking cash incentive compensation to the achievement of pre-established corporate financial performance objectives and other key objectives within the executive s area of responsibility, and by using equity as a key component of our executive compensation program;
- provide long-term incentive compensation that focuses executives efforts on building stockholder value by aligning their interests with those of our stockholders; and
- promote stability and retention of our senior management team.

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Consistent with our performance-based philosophy, approximately 83% of our named executive officers potential 2013 compensation was delivered pursuant to performance- and/or equity-based compensation programs. These programs include annual cash incentive awards based on our short-term financial performance and our equity awards, typically in the form of stock options, which primarily reward long-term performance. These, coupled with mandatory stock ownership guidelines, further align the interests of management with those of our stockholders.

At our annual meeting of stockholders last year, our stockholders expressed strong support for our executive compensation programs and the compensation of our named executive officers, with an approval rate of approximately 91.5% for our Say-on-Pay resolution. In light of this support, the Company s continued strong performance and the continuing success of our executive compensation programs, the Compensation Committee made no significant changes to the overall design of our executive compensation program during 2013, other than to shift our named executive officers from individual change in control agreements to the CIC Policy. For more information on the CIC Policy, please see Severance and Change in Control Benefits Change in Control Benefits beginning on page A-34 in Annex A to this Proxy Statement and the Potential Payments Upon Termination or Change in Control Table beginning on page A-45 in Annex A to this Proxy Statement. The Compensation Committee continuously endeavors to ensure that management s interests are aligned with those of our stockholders and support long-term value creation.

Approach for Determining Form and Amount of Compensation

The Compensation Committee annually determines the compensation levels for our executive officers by considering several factors, including competitive market practices, each executive officer s role and responsibilities, the executive officer s performance of those responsibilities and our current and historical financial performance.

Use of External Compensation Consultant

The Compensation Committee works with an external, independent compensation consultant to assist the Compensation Committee in its duties, including providing advice regarding market trends relating to the form and amount of compensation. Frederic W. Cook & Co., Inc. (***Cook & Co.***) was engaged for 2013 as the compensation consultant for the Compensation Committee. The Compensation Committee has taken great care to ensure that the advice provided by its external compensation consultant is objective and unbiased. Cook & Co. performs no work for us other than its work providing executive compensation consulting services to the Compensation Committee and reports directly to the Compensation Committee through its chairperson. In addition, Cook & Co. annually provides a certification to the Compensation Committee regarding its independence and provision of services. The Compensation Committee has assessed the independence of Cook & Co. and concluded that no conflicts of interest exist that would prevent Cook & Co. from providing independent and objective advice to the Compensation Committee.

Cook & Co. provides the Compensation Committee with third-party data and analyses, advice and expertise on competitive practices and trends, executive compensation plan design and proposed compensation forms and levels. For more information on the services provided by the compensation consultant and the compensation consultant s fees, please see the Corporate Governance Board Committees Organization and Compensation Committee section beginning on page A-9 in Annex A to this Proxy Statement.

Comparison to Market Practices

The Compensation Committee annually compares the levels and elements of compensation that we provide to our executive officers with the levels and elements of compensation provided to their counterparts in the pharmaceutical, biotechnology and medical device industries with which we compete for executive talent. The

Compensation Committee uses this comparison data as a guideline in its review and determination of base salaries, annual performance incentive awards and long-term incentive compensation. We strongly believe in retaining the best talent available on our senior management team. To retain and motivate these key individuals, the Compensation Committee may determine that it is in our best interests to provide compensation packages to one or more members that may deviate from the general principle of targeting compensation at specified levels.

The levels and elements of cash compensation that we provide are compared to a market composite of data that includes, where available, proxy information for all of the companies in our peer group as well as industry-specific published survey data. The survey data and the peer group data are intended to be complementary to one another, with the survey data providing a broader industry-wide component and the peer group data providing information regarding companies most directly comparable to us. Both data sources are based on job and functional responsibility and are adjusted to reflect the size and scope of responsibility for each position. For its 2012 year-end market analysis, which the Compensation Committee reviewed in making compensation decisions for 2013, Cook & Co. generally used a blend of peer group and pharmaceutical survey data. The pharmaceutical survey data was collected from the following published compensation surveys: Towers Watson 2012 U.S. CDB Executive Compensation Survey Pharmaceutical and Health Sciences, and Mercer 2012 U.S. SIRS Executive Survey Life Sciences Industry. Long-term incentive award guidelines also were constructed based on pharmaceutical and general industry survey data from the Towers Watson 2012 U.S. CDB Pharmaceutical and General Industry Executive Compensation Databases. Equity awards to our executive officers are based on these guidelines as well as peer group company data where available.

The peer group that the Compensation Committee used to compare the levels and elements of compensation that we provided to our executive officers in 2013 consisted of the following companies: Johnson & Johnson, Abbott Laboratories, Eli Lilly and Company, Bristol-Myers Squibb Company, Amgen Inc., Gilead Sciences, Inc., Stryker Corporation, St. Jude Medical, Inc., Biogen Idec Inc., Forest Laboratories, Inc., Celgene Corporation, Endo Health Solutions Inc. and Valeant. The companies in the peer group for whom public data is available have the following profile:

	Allergan, Inc.		**Peer Group**
Revenue(1)	$6.8 billion	Range: Median:	$5.6 $73.5 billion $16.2 billion
Market Capitalization(2)	$53.4 billion	Range: Median:	$17.4 $300.5 billion $76.5 billion

(1) Revenue reflects the most recent four quarters available as of September 29, 2014.
(2) As of September 29, 2014.

The Compensation Committee, with the help of Cook & Co., periodically reviews the composition of the peer group and the criteria used for selection, considering modifications where needed. We believe that company size should not be the only factor in determining our peer group. Instead, we also look to whether a company competes directly with us in the pharmaceutical, biotechnology and medical device markets, in terms of products and services, reinvestment capital or key talent. In recent years there has been significant consolidation in our industry through mergers and acquisitions, thereby limiting the number of companies available as appropriate peers. As a result, some of our peer companies fall outside of the target revenue range of one-half to two times our size that might be considered optimal. However, we believe that it is important to include in our peer group companies that may be outside this range, but

with which we compete for products, capital and executive talent, rather than select peer companies that may be engaged in entirely different and unrelated businesses such as pharmaceutical generics, pharmaceutical distribution or medical insurance companies. We are a branded pharmaceutical and medical device company with an innovative high growth, high margin business model requiring significant R&D reinvestment annually. We do not compete with low margin generic manufacturers which have significantly different R&D and investment and operating models. The companies in our 2013 primary peer group represented our primary competitors for executive talent and operate in a similarly complex regulatory and research-driven environment.

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For our market comparisons in 2014, we added AbbVie Pharmaceuticals to the peer group used in 2013 after it was split off from Abbott Laboratories. For its 2013 year-end market analysis, which the Compensation Committee reviewed in making compensation decisions for 2014, the pharmaceutical survey data was collected from the following published compensation surveys: Towers Watson 2013 U.S. CDB Executive Compensation Survey Pharmaceutical and Health Sciences, and Mercer 2013 U.S. SIRS Executive Survey Life Sciences Industry.

Emphasis on Equity Compensation and At Risk Compensation

The Compensation Committee sets total compensation in a fashion that ensures a significant percentage of annual compensation is delivered in the form of at risk pay, with the majority being in equity-based compensation in order to provide the greatest emphasis on long-term performance, thus promoting alignment with long-term stockholder interests. The following charts reflect the average compensation mix of our named executive officers as compared to the pay mix at our peer group companies.

Compensation History and Tally Sheets

At least annually, with the help of the external, independent compensation consultant, the Compensation Committee reviews the form of tally sheet and each named executive officer s compensation history for the past three years, including each component of compensation and how it compared to market data, as well as each named executive officer s level of stock ownership. The Compensation Committee also reviews tally sheets setting forth the expected value of annual compensation and benefits for each named executive officer, including base salaries, potential annual cash incentive payouts at minimum, target and maximum levels, long-term incentive compensation, including the number of stock options and restricted stock awards or restricted stock units granted and their grant date fair values, and the annualized cost of other benefits and perquisites. The tally sheets also set forth the accumulated value of benefits and compensation to each named executive officer, including the accumulated value of equity grants, the accumulated value of benefits under our retirement and savings and investment plans, and the accumulated value of potential payouts under different termination scenarios, including under our severance and change in control arrangements.

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The Role of Our Chief Executive Officer

While the Compensation Committee has overall responsibility for establishing the elements, level and administration of our executive compensation programs, our Chief Executive Officer and members of our Human Resources Department routinely participate in this process, as does the Compensation Committee s external, independent compensation consultant. Our Chief Executive Officer conducts in-depth performance reviews of each of the other executive officers and provides a summary of this review to the Compensation Committee. Our Chief Executive Officer also makes recommendations to the Compensation Committee regarding adjustments to these executives base salaries, target bonus opportunities, equity awards and perquisites, as required and based on their performance and market considerations. Subject to the Compensation Committee s approval, our Chief Executive Officer also allocates the Management Bonus Plan pool to our businesses and/or functions based on each business and/or function s results, and recommends any adjustments to the other named executive officers awards based on his evaluation of their performance. Our Chief Executive Officer s recommendations are one of several important factors considered by the Compensation Committee in making its determinations regarding our executive compensation programs. The Chief Executive Officer also prepares a detailed assessment of his own performance and submits such self-assessment to the Compensation Committee and full Board for their review and consideration.

Components of Compensation

The major compensation elements for our named executive officers are base salaries, annual performance-based bonuses, equity grants primarily in the form of stock options, and retirement and other benefits. In designing and administering our executive compensation programs, we attempt to strike an appropriate balance among each of these key elements of compensation. Each of these elements is an integral part of, and supports, our overall compensation objectives.

Base Salaries

Base salaries provide our executive officers with a reasonable degree of financial certainty and stability. The Compensation Committee annually reviews and determines the base salaries of our executive officers. Salaries are also reviewed in the case of executive promotions or other significant changes in responsibilities and, in the case of new-hires, are evaluated at the time of hire.

In setting an executive s base salary in a particular year, the Compensation Committee takes into account competitive salary practices, the executive s scope of responsibilities, the results previously achieved by the executive, the executive s development potential and the executive s historical base salary level. In order to attract and retain highly qualified executives, base salaries paid to our executive officers are generally targeted at the market median.

In January 2013, the Compensation Committee approved salary increases, effective February 2013, of 5% for Mr. Pyott, 5% for Mr. Edwards, 4% for Dr. Whitcup, 3% for Mr. Ingram and 9% for Mr. Gangolli. In connection with the expansion of responsibilities related to his promotion to President effective July 1, 2013, Mr. Ingram s base salary was increased by an additional 15%. Each salary adjustment was intended to recognize the executive s contributions and provide our executives with market-competitive base pay and, in the case of Messrs. Pyott, Edwards and Gangolli, to bring each executive s salary closer to market median.

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As depicted in the following table, our named executive officers annualized base salaries are at approximately the market median. The market position of the named executive officers 2013 base salaries based on our 2012 year-end market study are shown in the table below:

Named Executive Officer	2013 Annualized Base Salary(1)	% of Market Median
David E.I. Pyott Chairman of the Board and Chief Executive Officer	$ 1,365,000	101%
Douglas S. Ingram President	$ 700,000	92%(2)
Jeffrey L. Edwards Former Executive Vice President, Finance and Business Development, Chief Financial Officer	$ 645,000	94%
Scott M. Whitcup, M.D. Executive Vice President, Research and Development, Chief Scientific Officer	$ 645,000	102%
Julian S. Gangolli Corporate Vice President and President, North America	$ 556,000	96%

(1) Represents 2013 base salaries effective as of: February 2013 for Messrs. Pyott, Edwards, Whitcup and Gangolli and July 2013 for Mr. Ingram. Mr. Ingram s salary was increased in July 2013 in connection with his promotion to President.

(2) Represents information regarding the market median determined as of April 2013.

Annual Performance-Based Cash Incentive Awards

The primary purpose of our annual performance-based cash incentive awards is to motivate our executives to meet or exceed our company-wide short-term performance objectives. We maintain two annual bonus plans, each designed to reward management-level employees for their contributions to corporate objectives. In 2013, our Chief Executive Officer participated in our Executive Bonus Plan, while our other named executive officers and management employees participated in our Management Bonus Plan. Our Executive Bonus Plan was approved by our stockholders in 2011. Our two annual bonus plans generally have the same structure, as described below.

At the beginning of each year, the Compensation Committee establishes the performance objectives and approves the bonus structure under the annual bonus plans. In the beginning of the following year, the Compensation Committee determines the amount of bonuses to be paid out under our Executive Bonus Plan and the size of the bonus pool to be paid to employees participating in our Management Bonus Plan based upon our prior year s performance against the pre-established objectives. In the case of executives that are required to own stock under our stock ownership guidelines (currently our Chief Executive Officer, President, executive vice presidents and corporate vice presidents), as a risk management best practice, payment for above-target corporate performance historically has been made in restricted stock (in the case of U.S.-based executives) or restricted stock units (in the case of U.S. expats overseas or international executives); going forward, equity grants made as part of our bonus program will be made in restricted

stock units. Equity grants awarded as payment for above-target corporate performance typically are subject to two-year cliff vesting.

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Under both plans, our performance continues to be measured by our achievement of three key performance objectives: Adjusted EPS, sales revenue growth in local currency and R&D reinvestment rate of annual sales. These performance objectives are based on our corporate strategies and objectives established as part of our annual operating plan process. For 2013, these performance objectives for the threshold, target and maximum levels of performance (after implementing a more challenging adjustment to the R&D reinvestment rate performance goal in April 2013 to reflect the acquisition of MAP Pharmaceuticals) were as follows:

	Threshold	Target	Maximum
Adjusted EPS	$ 4.53	$ 4.76	$ 4.91
Sales revenue growth in local currency	5.0%	12.7%	18.8%
R&D reinvestment rate (of annual sales)	15.7%	16.9%	17.9%

We refer to the Adjusted EPS, the sales revenue growth in local currency and R&D reinvestment rate of annual sales targets as our EPS Target, Revenue Target and R&D Reinvestment Target, respectively.

The Compensation Committee determined that the EPS Target, the Revenue Target and the R&D Reinvestment Target were appropriate performance objectives for the purpose of establishing bonus payments because they focus on achieving quality earnings per share while continuing to reinvest in the long-term growth of our business through R&D. In addition, the Compensation Committee determined that each goal was challenging and set at levels that would require the Company to achieve significant growth and performance.

Adjusted earnings per share (Adjusted EPS) represents earnings per share attributable to the Company as calculated under generally accepted accounting principles in the United States (***U.S. GAAP***), as adjusted to remove the effects of (i) extraordinary, unusual or non-recurring items; (ii) accounting changes required by U.S. GAAP; (iii) expenses for restructuring or productivity initiatives; (iv) integration and transaction costs associated with business combinations; (v) changes in the fair value of contingent consideration; (vi) amortization of acquired intangible assets; (vii) impairment of goodwill and intangible assets; (viii) significant unusual legal settlement expenses or recoveries; (ix) any unrealized gains or losses on derivative instruments; (x) significant discrete income tax adjustments related to transactions in previously filed tax returns; (xi) any other items that management determines are not reflective of the Company s core, ongoing business activities; and (xii) any income tax effects of any adjustments with respect to subclauses (i) through (xi).

The funding level of the bonus pool as determined by our results for each of the three Company performance objectives is shown in the table below. For any bonus to be payable, Adjusted EPS had to be greater than $4.53 or approximately 95.2% of the EPS Target. Once this threshold Adjusted EPS amount was reached, the bonus pool would be funded based on linear interpolations for performance above and below the target amounts.

Performance Metric	Bonus Pool Funding at Threshold Performance	Bonus Pool Funding at Target Performance(1)	Bonus Pool Funding at Maximum Performance(1)
EPS Target	0% of target pool	80%	96%
Revenue Target	0%	10%	25%
R&D Reinvestment Target	0%	10%	25%

Total	0%	100%	146%

(1) No funding for the Revenue Target or R&D Reinvestment Target would be made unless Adjusted EPS exceeded the threshold of $4.53.

Once the aggregate bonus pool under the Management Bonus Plan is established, our Chief Executive Officer allocates the bonus pool to our businesses and/or functions based on the performance of each versus defined objectives that contributed to the results in 2013. This allocation of the bonus pool among our businesses

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and/or functions reinforces our pay-for-performance philosophy. The objectives of the businesses and functions are reviewed and approved annually by our Chief Executive Officer and, in the case of our executive officers, the Compensation Committee.

Under the Management Bonus Plan, within each business and/or function (including with respect to our named executive officer participants within the Management Bonus Plan), each participant s bonus could be further modified down to 0% or up to 150% based upon the participant s individual evaluation by his or her supervisor.

The bonus payable to our Chief Executive Officer under our Executive Bonus Plan for 2013 was based on the same formula as under our Management Bonus Plan, described above. The Compensation Committee, in its discretion, may reduce but not increase the bonus amount otherwise payable to the Chief Executive Officer under the Executive Bonus Plan in order to ensure compliance with Section 162(m) of the Code.

Target Bonuses and Payouts

In determining target bonus amounts (defined as percent of base salary), the Compensation Committee compares each executive officer s proposed target annual cash compensation (base salary and target bonus based on 100% achievement of each of the EPS Target, the Revenue Target and the R&D Reinvestment Target) against the 50th percentile of the market for cash compensation. Mr. Pyott s target bonus was increased 5% in 2013 to recognize his performance and tenure, and to improve the position of his total target cash compensation versus the median and Mr. Ingram s target bonus was increased 5% following his promotion to President effective July 1, 2013. Each other of our named executive officer s target bonus for 2013 remained at the same respective level as in 2012. The target bonus opportunities for the named executive officers are shown in the table below.

The table below illustrates potential bonus payouts to our named executive officers as a percent of base salary if: (i) all three of the pre-established corporate performance objectives were met at the target level and (ii) all three of the pre-established corporate performance objectives were met at the maximum level. For the named executive officers participating in the Management Bonus Plan, the table below represents potential bonus payouts based solely on Company performance, prior to any adjustments for business function or individual performance.

Named Executive Officer	**Objectives Met at Target Level (Bonus as % of Salary)**	**Objectives Met at Maximum Level (Bonus as % of Salary)**
David E.I. Pyott Chairman of the Board and Chief Executive Officer	135%	197.1%
Douglas S. Ingram(1) President	77.5%	113.2%
Jeffrey L. Edwards Former Executive Vice President, Finance and Business Development, Chief Financial Officer	75%	109.5%
Scott M. Whitcup, M.D.	75%	109.5%

Executive Vice President, Research and Development, Chief Scientific Officer		
Julian S. Gangolli Corporate Vice President and President, North America	60%	87.6%

(1) Amounts represent a blended percentage based on a target and maximum bonus percentages of (a) 75% and 109.5%, respectively, of Mr. Ingram s annual base salary paid from January 1, 2013 to June 30, 2013,

(b) 80% and 116.8%, respectively, of Mr. Ingram s annual base salary from July 1, 2013 to December 31, 2013. Mr. Ingram s target bonus was increased in connection with his promotion to President in July 2013.

As a result of our achievement of 100.2% of the EPS Target, 97.6% of the Revenue Target and 99.4% of the R&D Reinvestment Target, and in accordance with the bonus structure approved at the beginning of 2013, the Compensation Committee approved a bonus payout to Mr. Pyott of approximately 99.32% of his target bonus. Also in accordance with the bonus structure approved at the beginning of 2013, the Compensation Committee established the 2013 bonus pool for participants in our Management Bonus Plan at approximately 99.32% of targeted bonus funding level resulting in an aggregate bonus pool under the Management Bonus Plan of approximately $64.9 million for approximately 1,500 participants. For 2013, our Chief Executive Officer recommended that the baseline bonus for employees be set at 99.32% of their target bonuses and that our business functions (and the executive officers responsible for those business functions) would receive adjustments to the baseline bonus based on each function s performance separate from our corporate financial performance. The bonus payouts for Messrs. Ingram, Edwards and Gangolli and Dr. Whitcup were approximately 105.5%, 99.6%, 105.0% and 98.5%, respectively of each individual s target bonus. These bonuses reflect the above-described allocation of our bonus pool as a function of the executive and their teams performance versus defined objectives that contributed to the results in 2013.

The actual 2013 cash compensation (salary plus actual annual performance awards) for each of the named executive officers as compared to the 50th percentile of the market based on Cook & Co. s 2012 year-end market study are shown in the table below.

Named Executive Officer	2013 Actual Salary(1)	Actual Bonus	Actual Total Cash Compensation	% of 50th Percentile of Market
David E.I. Pyott Chairman of the Board and Chief Executive Officer	$ 1,357,500	$ 1,830,200	$ 3,187,770	108%
Douglas S. Ingram President	$ 651,922	$ 533,300	$ 1,185,222	N/A(2)
Jeffrey L. Edwards Former Executive Vice President, Finance and Business Development, Chief Financial Officer	$ 641,538	$ 481,800	$ 1,123,338	88%
Scott M. Whitcup, M.D. Executive Vice President, Research and Development, Chief Scientific Officer	$ 642,115	$ 476,500	$ 1,118,615	114%
Julian S. Gangolli Corporate Vice President and President, North America	$ 550,692	$ 350,300	$ 900,992	93%

(1) Represents base salary actually earned during fiscal year 2013.

(2) Effective July 1, 2013, Mr. Ingram was promoted from Executive Vice President and President, Europe, Africa, Middle East, to President of Allergan. Mr. Ingram s 2013 total cash compensation represents the actual salary and bonus amounts received, giving effect to the pro-rated adjustments to his salary and bonus targets based on his

time served in each role during 2013. Accordingly, we are not able to compare his compensation as a percentage of the 50th percentile of the market.

For 2014, the Compensation Committee approved a similar bonus structure to the one used in 2013.

Long-Term Equity Incentives

For 2013, the Compensation Committee determined that our executive officers should receive long-term incentive awards in the form of non-qualified stock options, with a limited pool of restricted stock and restricted

stock unit awards used for retention purposes and being awarded for that portion of bonuses to be paid in shares of restricted stock and restricted stock units under our Executive Bonus Plan and Management Bonus Plan, as per the design of those plans, and in limited cases for high performers. The Committee believes that stock options best align the interests of our executives with those of our stockholders because they:

- align the compensation opportunity of our executives with those of our stockholders because the recipient will only realize a return on the option if our stock price increases over its term and, unlike time-vested stock awards, do not provide any value unless stockholder value increases;
- reinforce our long-term growth strategy with compensation awards tied to the successful execution of that strategy, as reflected in our stock price; and
- provide significant leverage if our growth objectives are achieved, and place a significant portion of compensation opportunity at risk if our objectives are not achieved and thereby effectively balance risk and reward.

Early in 2013, the Compensation Committee considered and approved a set of guidelines for long-term incentive awards for eligible participants based on the participants grade level in the organization. Actual equity awards to the named executive officers are based on these guidelines as well as specific peer group company position data. The guidelines for each position are set by the Compensation Committee based on an annual survey of competitive market practices and input from Cook & Co. As discussed above, while the 2013 guidelines generally targeted the annual grants of long-term incentive awards for each position at approximately the 75th percentile of the market, in September 2014, after careful review of actual equity grant positioning and market data, the Compensation Committee revised its equity grant position statement to reflect more accurately its practice to target between the market median and 75th percentile. The Compensation Committee continues to believe an emphasis on long-term incentive awards is appropriate for an innovative growth company in our industry and the purpose of this higher market positioning for equity-based compensation is to:

- provide a total compensation program that maintains a significant amount of at-risk compensation and provides the opportunity to deliver above-market pay when our stockholders do well;
- place greater overall emphasis on long-term performance;
- encourage retention of key employees and stability; and
- more closely align executive compensation with the interests of our stockholders.

In February 2013, the Compensation Committee reviewed its guidelines for long-term incentive awards for all eligible participants. The Compensation Committee considered the rate of share usage for proposed equity awards (which represents shares granted divided by common shares outstanding). The rate of share usage for proposed equity awards for 2013 represented approximately 4.95 million shares, or 1.6% of the common shares outstanding. The

Compensation Committee also considered our 2012 rate of share usage of 1.6%, which approximated the 75th percentile of the market, and our three-year (2009-2011) average rate of share usage of 1.86% of the common shares outstanding, which is above the 75th percentile of the market. This positioning is due to the fact that the Company s equity awards are primarily in the form of stock options, which requires more shares than stock awards (such as restricted stock) to deliver equivalent economic value. On the other hand, the Company s stockholder value transfer for the same three-year period (which represents the cost or expense of shares granted divided by the Company s market capitalization at the time of grant) was below the 75th percentile of the market, with the stockholder value transfer being below the median for 2010 and 2011. We believe that stockholder value transfer is a more relevant measure as it takes into account differences in cost between options and stock awards.

The options granted to the named executive officers generally corresponded to the 2013 equity grant guidelines for each executive s position. Mr. Edwards award was approximately 8% higher than guideline in order to recognize performance and to encourage retention. In addition, Mr. Gangolli received an additional stock option grant covering 20,000 shares (representing a 50% increase over guideline) that will vest in full on the

four-year anniversary of the grant date; this stock option similarly was awarded in order to recognize performance and to encourage retention. With the exception of Mr. Gangolli s stock option covering 20,000 shares, each stock option awarded in 2013 will vest in four equal installments on the first four anniversaries of the grant effective date, subject to continued employment.

Named Executive Officer	Number of Stock Options Granted in 2013	Value of Stock Options per Guideline Modeling(1)
David E.I. Pyott Chairman of the Board and Chief Executive Officer	303,000	$ 8,549,145
Douglas S. Ingram President	60,000	$ 1,692,900
Jeffrey L. Edwards Former Executive Vice President, Finance and Business Development, Chief Financial Officer	65,000	$ 1,833,975
Scott M. Whitcup, M.D. Executive Vice President, Research and Development, Chief Scientific Officer	60,000	$ 1,692,900
Julian S. Gangolli Corporate Vice President and President, North America	60,000	$ 1,692,900

(1) The values shown in this table are based on the guideline modeling price of $94.05 share price (our average 30 days closing price as of January 11, 2013) and an estimated Black-Scholes value equal to 30% of the guideline modeling price

CEO 2012 Performance-Based Restricted Stock Unit Award

Mr. Pyott has served as our Chief Executive Officer since January 1998 and during those 16 years, he has delivered exceptional value to our stockholders. In 2012, the Compensation Committee approved a special one-time performance-based recognition and retention award of 165,000 restricted stock units to Mr. Pyott. This award was intended to recognize over a decade of outstanding performance by Mr. Pyott on behalf of the Company and its stockholders, to help ensure Mr. Pyott s retention over a five-year performance period ending in February 2017, and to reinforce the Company s pay-for-performance philosophy to our stockholders. In the year that this performance-based restricted stock unit grant was made, we had discussions with ISS relating to this award and ISS agreed that a FOR recommendation was warranted on our 2013 Say-on-Pay proposal.

The award generally will vest, if at all, only if Mr. Pyott remains continuously employed with the Company throughout the five-year performance period. In addition, the portion of the award that vests at the end of the performance period is based on whether the Company s Common Stock exceeds three distinct stock price performance thresholds, based on the highest consecutive 20-day average closing price of the Company s Common Stock during the performance period, as follows: (i) one-third of the award is designed to vest upon achievement of the minimum performance threshold, which represents a compound annualized TSR of approximately 5%; (ii) two-thirds of the award is designed to vest upon achievement of the second performance threshold, which represents a compound

annualized TSR of approximately 7%; and (iii) the entire award is designed to vest upon achievement of the highest performance threshold, which represents a compound annualized TSR of approximately 9%. The Company achieved the highest performance threshold in April 2014; therefore, as of the date of this Proxy Statement, the full award has satisfied the performance requirements and will be eligible to vest subject to Mr. Pyott s continuous employment with the Company throughout the remainder of the five-year performance period. Since this grant was made, Mr. Pyott has more than doubled stockholder value increasing the market capitalization of the Company by more than $26 billion as of September 30, 2014 that is immediately accessible to stockholders, while Mr. Pyott remains subject to the time-vesting element of the award before he is eligible to realize any value from the award.

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At the time of award design, the minimum performance threshold was realized by only half of our then-applicable peer group over each three-, four- and five-year period during the prior ten years. To help ensure that Mr. Pyott did not satisfy the minimum performance threshold due simply to market trends, the achievement of the minimum performance threshold required the greatest incremental increase in the value of the Company s Common Stock. Thus, although the number of restricted stock units vesting pursuant to the award occurs in equal thirds, the minimum performance threshold for the first third of the award required sustained performance in the top half of the peer group at the time of award design, with incremental vesting of the remaining award for truly exceptional results.

Separately, the award incentivizes Mr. Pyott to remain with Allergan and to drive sustained value creation over the entire five-year performance period ending February 2017. Upon achievement of any of the performance thresholds, Allergan s stockholders may immediately realize the value of the corresponding stock price appreciation, while Mr. Pyott remains subject to the time vesting feature of the award. To illustrate, the highest performance threshold has been achieved and, therefore, Allergan s stockholders were able to realize approximately $14 billion of additional value from the time of the award until the time the highest performance threshold was achieved. However, Mr. Pyott is not able to realize the value of the award in the same manner as Allergan stockholders because the value of Mr. Pyott s award remains subject to market fluctuations and potential decreases in the price of the Company s Common Stock until the end of the five-year performance period.

The award was made to Mr. Pyott in light of his proven track record of creating exceptional stockholder value and the Compensation Committee believes that the award represents the optimum vehicle to incentivize sustained value creation and, importantly, to retain Mr. Pyott. Therefore, Mr. Pyott must remain with us throughout the five-year performance period to receive any performance vested awards, with limited exceptions whereby the time-vesting portions of the award may be accelerated for termination of employment due to death or disability, or a qualifying termination of employment in connection with a change in control. The time vesting portion of the award will not be accelerated for any other reason, including termination of employment without cause or departure for good reason prior to the end of the five-year performance period.

Performance-Based Awards

In July 2014, we announced that our five-year strategic plan that is expected to deliver a compounded annual growth rate of greater than 20% Adjusted EPS, including an estimated 2016 Adjusted EPS of approximately $10.00 (the ***2016 EPS Target***). To emphasize our commitment to achieving the 2016 EPS Target and further align the compensation of our executive officers and other key employees with the delivery of sustained stockholder value, on July 21, 2014, the Compensation Committee approved the application of performance vesting criteria to certain stock options to be granted to the executive officers and other key employees in the first quarter of 2015. Specifically, one-half of each selected employee s 2015 stock option grant (***Performance Vested Shares***) will vest, if at all, upon the achievement of the following performance and time vesting conditions:

Performance Vesting The performance vesting condition will be satisfied on the following schedule: 100% of the Performance Vested Shares may vest upon achievement of the 2016 EPS Target, excluding the effect of any extraordinary share repurchase program; provided that the number of Performance Vested Shares may decrease to 50% or increase to 200% of the original grant based on our actual 2016 Adjusted EPS performance; and

Time Vesting The time vesting condition will be satisfied on the following schedule, subject to the employee s continuous employment, and with respect to the number of Performance Vested Shares issued pursuant to the performance vesting condition: (i) 50% of Performance Vested Shares on the second anniversary of the grant date; (ii) 25% of Performance Vested Shares on the third anniversary of the grant date; and (iii) the remaining 25% of Performance Vested Shares on the fourth anniversary of the grant date.

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In addition, to further underscore our commitment to achieving the 2016 EPS Target and motivate our executive officers and other key employees to deliver the compounded annual growth to Adjusted EPS contemplated by our strategic plan, the Compensation Committee approved that a special performance-based award of restricted stock units (***Performance RSUs***) would be granted to the selected employees, excluding Mr. Pyott. The Performance RSUs will be granted in the fourth quarter of 2014 and will cliff vest, if at all, upon the achievement of both of the following performance targets, subject to each employee s continuous employment: (1) achievement of the 2016 EPS Target, excluding the effects of any extraordinary share repurchase program and significant business acquisitions; and (2) achievement of a three-year (2014-2016) TSR that meets or exceeds the three-year median TSR during the same period for our compensation peer group (***TSR Target***). In the event we achieve the TSR Target, the holders may vest in up to 100% of the Performance RSUs based on our actual 2016 EPS performance; provided that the holders will vest in 0% of the Performance RSUs if the Adjusted EPS Target is not achieved. In the event that the performance targets applicable to the Performance RSUs are achieved, our stockholders will realize value associated with 2014 Adjusted EPS growth of 20-22%, and compounded 2015 and 2016 Adjusted EPS growth of approximately 20%. The Performance RSUs do not provide for any additional shares or RSUs to be earned for exceeding the 2016 EPS Target.

Equity Grant Policies

During 2013, in accordance with our policy, options were granted to current executive officers on one occasion only, during a regularly scheduled meeting of the Compensation Committee held on January 31, 2013, with a grant date of February 21, 2013. This policy ensures that senior management is not in possession of material non-public earnings information at the time of grant. For the 2013 fiscal year, the grant date was 11 trading days after the earnings release for the prior fiscal year. Where awards of bonus amounts payable under our Executive Bonus Plan and our Management Bonus Plan in excess of 100% of the target bonus are issued in restricted stock units, they are expressed in dollar valuations when approved by the Compensation Committee and the number of shares is determined based on the closing price of our Common Stock on the grant date.

Compensation Clawback Policy

In February 2014, the Compensation Committee adopted an amended clawback policy. Under the amended policy, and consistent with the Company s previous policy, the Company is required to recoup bonus awards and other incentive compensation paid to certain officers in case such officer commits fraud or other intentional misconduct that necessitates a restatement of our financial results. In this instance, the Company is required to use reasonable efforts to seek to recover any bonus awards or other incentive compensation paid to the applicable executive officer in excess of the amount that would have been paid had the fraud or intentional misconduct not occurred. The Compensation Committee also expanded the clawback policy to permit the Compensation Committee to cause the Company to recoup certain compensation paid to applicable executive officers in the event such executive engages in misconduct, or is negligent in exercising his or her responsibility to manage or monitor conduct or risks, that results in a material violation of law or Company policy that causes significant financial or reputational harm to the Company. The Compensation Committee approved this amended policy after consideration of market practices and to further align the interests of senior members of our management team with our stockholders.

Stock Ownership Guidelines

Our Board has approved a stock ownership policy for our 90.98%

December 31, 2013

740,648,000	16,600,000	21,733,000	76.38%

March 31, 2014

	771,940,000	12,600,000	21,930,000	57.46%
June 30, 2014				
	784,652,000	6,300,000	22,598,000	27.88%

We believe that the portfolio cash flow results set forth above represent 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 results will remain inconsistent until such time we achieve our goal of acquiring a larger, more diversified portfolio of life insurance policies in order to obtain more normalized actuarial results. For example, we had expected to receive a greater amount of insurance benefits for the periods ended December 31, 2013 and June 30, 2014 than we actually experienced. As our receipt of life insurance policy benefits increase, we expect to begin servicing and paying down our outstanding indebtedness, or alternatively purchasing additional life insurance policies, from these cash flows. As indicated above under Liquidity and Capital Resources, we presently expect that by 2015, the cash inflows from the receipt of policy benefits will exceed the premium obligations on the remaining life insurance policies held within the portfolio as of December 31, 2013. See Business Portfolio Management.

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

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Year	**Premiums and Servicing**
Six months ending December 31, 2014	$ 12,560,000
2015	27,040,000
2016	29,749,000
2017	33,194,000
2018	36,113,000
Total	$ 138,656,000

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

Inflation

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

Off-Balance Sheet Arrangements

Operating Lease We entered into an office lease with U.S. Bank National Association as the landlord. The lease was effective April 22, 2012 with a term through August 31, 2015. The lease is for 11,695 square feet of office space located at 220 South Sixth Street, Minneapolis, Minnesota. We are obligated to pay base rent plus common area maintenance and a share of the building operating costs. Minimum lease payments under the lease are as follows:

Six months ending December 31, 2014	$ 52,000

2015	$ 70,000
Total	$122,000

Credit Risk

We review the credit risk associated with our portfolio of life insurance policies when estimating its fair value. In evaluating the policies credit risk we consider insurance company solvency, credit risk indicators, economic conditions, ongoing credit evaluations, and company positions. We attempt to manage our credit risk related to life insurance policies typically by purchasing policies issued only from companies with an investment grade credit rating by either Standard & Poor s, Moody s, or A.M. Best Company. As of June 30, 2014, 99.08% 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. See the table disclosing the concentration risk of our ten largest insurance company holdings as of June 30, 2014 under Business Portfolio Credit Risk Management on page 73.

Interest Rate Risk

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

Non-GAAP Financial Measures

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

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

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

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

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

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

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2014	**2013**	**2014**	**2013**
GAAP net income	$ (2,587,000)	$ 1,757,000	$ (4,488,000)	$ 1,824,000
Unrealized fair value gain (1)	(10,852,000)	(7,449,000)	(22,211,000)	(18,944,000)
Adjusted cost basis increase (2)	10,777,000	8,641,000	22,174,000	18,897,000
Accrual of unrealized actuarial gain (3)	7,822,000	5,165,000	15,127,000	10,198,000
Total adjusted non-GAAP income (4)	$ 5,160,000	$ 8,114,000	$ 10,602,000	$ 11,975,000

(1) Reversal of unrealized fair value gain of life insurance policies for current period.

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

(3) Accrual of actuarial gain at expected internal rate of return based on investment cost basis for the period.

(4) We must maintain an annual positive consolidated net income, calculated on a non-GAAP basis, to maintain compliance with our revolving credit facility with DZ Bank/Autobahn.

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

	As of June 30, 2014	**As of December 31, 2013**

	As of June 30, 2014	As of December 31, 2013
GAAP net worth (1)	$ 15,176,000	$ 19,231,000
Less intangible assets (2)	(7,481,000)	(6,068,000)
GAAP tangible net worth	7,695,000	13,163,000
Unrealized fair value gain (3)	(136,955,000)	(114,744,000)
Adjusted cost basis increase (4)	128,291,000	106,201,000
Accrual of unrealized actuarial gain (5)	64,794,000	49,666,000
Total adjusted non-GAAP tangible net worth (6)	$ 63,825,000	$ 54,286,000

(1) Includes termination of redeemable member s interest prior to corporate conversion and preferred stock classified as temporary equity.

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

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

(4) Adjusted cost basis is increased by acquisition and servicing expenses which are not capitalized under GAAP.

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(5) Accrual of cumulative actuarial gain at expected internal rate of return based on investment cost basis.

(6) We must maintain a total adjusted non-GAAP tangible net worth of $15 million to maintain compliance with our revolving credit facility with DZ Bank/Autobahn.

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

	As of June 30, 2014	As of December 31, 2013
Weighted-average expected IRR (1)	12.04%	12.21%
Weighted-average revolving credit facility interest rate (2)	6.19%	6.19%
Excess spread (3)	5.85%	6.02%
Total weighted-average interest rate on indebtedness for borrowed money (4)	7.21%	7.20%
Total excess spread	4.83%	5.01%

(1) This represents the weighted-average expected internal rate of return of the life insurance policies as of the measurement date based upon our investment cost basis in the insurance policies and expected cash flows from the life insurance portfolio. Our investment cost basis is

calculated as our cash investment in the life insurance policies, without regard to GAAP-based fair value measurements, and is set forth below:

Investment Cost Basis	As of June 30, 2014	As of December 31, 2013
GAAP fair value	$ 267,896,000	$ 234,673,000
Unrealized fair value gain (A)	(136,955,000)	(114,744,000)
Adjusted cost basis increase (B)	128,291,000	106,201,000
Investment cost basis (C)	$ 259,232,000	$ 226,130,000

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

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

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

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

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

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

Outstanding Indebtedness	As of June 30, 2014	As of December 31, 2013
Revolving credit facility	$ 79,000,000	$ 79,000,000
Series I Secured notes	28,642,000	29,744,000
Renewable Secured Debentures (1)	160,961,000	134,891,000
Total	$268,603,000	$243,635,000

(1) Upon effectiveness of the registration statement of which this prospectus is a part, all securities originally issued as Renewable Secured Debentures will be renamed L Bonds.

Interest Rates on Indebtedness	As of June 30, 2014	As of December 31, 2013
Revolving credit facility	6.19%	6.19%

	As of June 30, 2014	As of December 31, 2013
Interest Rates on Indebtedness		
Series I Secured notes	8.36%	8.35%
Renewable Secured Debentures (1)	7.51%	7.53%
Weighted-average interest rates on indebtedness	7.21%	7.20%

(1) Upon effectiveness of the registration statement of which this prospectus is a part, all securities originally issued as Renewable Secured Debentures will be renamed L Bonds.

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

	As of June 30, 2014	As of December 31, 2013
Life insurance portfolio policy benefits	$ 784,652,000	$ 740,648,000
Discount rate of future cash flows	7.21%	7.20%
Net present value of Life insurance portfolio policy benefits	$ 336,987,000	$ 302,761,000
Cash and cash equivalents	25,870,000	39,283,000
Total Coverage	362,857,000	332,044,000
Revolving credit facility	79,000,000	79,000,000
Series I Secured notes	28,642,000	29,744,000
Renewable Secured Debentures (1)	160,961,000	134,891,000
Total Indebtedness	$ 268,603,000	$ 243,635,000
Debt Coverage Ratio	74.02%	71.23%
Subordination Ratio	21.77%	23.10%

(1) Upon effectiveness of the registration statement of which this prospectus is a part, all securities originally issued as Renewable Secured Debentures will be renamed L Bonds.

As of June 30, 2014, we were in compliance with both the debt coverage ratio and the subordination ratio as required under our related financing agreements for Renewable Secured Debentures and Series I Secured notes.

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BUSINESS

Overview

We provide financial solutions to consumers in the emerging secondary market for life insurance settlements. We target our financial solution offerings toward consumers owning life insurance who can benefit from realizing the actuarial value of their life insurance policy. We believe the value proposition of our services to the consumers we serve is compelling and these consumers represent the fastest growing demographic in the United States according to the U.S. Census Bureau. To address this growing need, we recently have expanded our services by offering consumers a range of options to access the actuarial value of their life insurance, including purchasing (i) all or a portion of their life insurance policy for cash, (ii) all or a portion of their life insurance policy in exchange for a different asset, and (iii) all or a portion of their life insurance policy in an installment sale that provides the selling consumer with a stream of cash flow. All of our services involve our purchase or financing of life insurance assets from consumers in the secondary market at a discount to the face value of the life insurance asset we obtain. In cases where we purchase a life insurance policy, we continue paying the policy premiums until maturity, in order to collect the policy benefit upon the insured s mortality. In this way, we hope to profit from the difference between our cost of obtaining and financing a life insurance asset, and the policy benefit we ultimately receive upon the mortality of the insured.

In addition to our goal of providing consumers with value-added services based upon the actuarial value of their life insurance policies, we seek to build a profitable and large portfolio of life insurance assets that are well diversified in terms of insurance carriers, mortality profiles and the medical conditions of insureds. We believe that successfully diversifying our assets will lower our overall risk exposure and provide our portfolio of life insurance assets with greater actuarial stability and more reliable returns. To obtain the growth and diversification we seek, we have raised capital through a variety of financing efforts that have included the private and public offerings of structured debt securities, private offerings of preferred stock, and the use of a senior secured revolving credit facility. This offering of common stock is an extension of that strategy.

As of June 30, 2014, we owned approximately $785 million in face value of life insurance policy benefits covering 261 lives with an aggregate non-GAAP cost basis of approximately $259 million. Aggregate cost basis includes our acquisition costs and ongoing maintenance and financing costs. We have acquired this portfolio through a combination of the issuance of debt in particular, the sale of previously issued L Bonds by GWG Holdings, the sale of Series I Secured notes by GWG Life, and the use of a senior secured revolving credit facility provided to our subsidiary GWG DLP Funding II, as borrower. Our objective is to earn returns from our life insurance assets that are greater than the costs necessary to purchase and finance those policy assets to their maturity. We expect to accomplish our objective by:

- purchasing life insurance policy assets which generate expected internal rates of returns in excess of our cost of capital;
- paying the life insurance asset s premiums and costs until the insured s mortality;
- obtaining a large and diverse portfolio of insurance policy assets to mitigate actuarial risk;
- maintaining diversified funding sources to reduce our overall cost of financing;
- maintaining rigorous portfolio monitoring and servicing practices; and
- if appropriate, engaging in hedging strategies that reduce potential volatility to our cost of financing.

We intend to apply the majority of proceeds of this offering, along with amounts we receive under arrangements with senior lenders, to expand the portfolio of insurance assets we own, and finance those assets until their maturity. See also Use of Proceeds.

In the future, we may determine to create other kinds of investment products that may relate to or be based upon, or otherwise be offered and sold for the purpose of permitting us to become involved in, industries and financing opportunities other than life insurance. Although we presently have no definitive plans

to do this, we have begun the effort of identifying other industries that present potentially viable financing opportunities. Any decision to

become involved in other industries would likely involve a separate financing effort on our part, and we would expect to leverage the network of broker-dealers that have participated in our earlier financing efforts and with whom we have developed relationships.

Market

According to the American Council of Life Insurers Fact Book 2013 (ACLI), individuals owned over $11.22 trillion of face value of life insurance policies in the United States in 2012. This figure includes all types of policies, including term and permanent insurance known as whole life, universal life, variable life, and variable universal life. The ACLI reports that the lapse and surrender rate of individual life insurance policies for 2012 was 5.9%, over $649 billion in face value of policy benefits in 2012 alone. These figures do not include group-owned life insurance, such as employer-provided life insurance, the market for which totaled over $8.01 trillion of face value of life insurance policies in the United States in 2012, and the policies of which exhibit similar lapse and surrender rates, according to the ACLI. Consumers owning life insurance generally allow policies to lapse or surrender the policies for a variety of reasons, including: (i) the life insurance is no longer needed; (ii) unrealistic original earnings assumptions made when the policy was purchased; (iii) increasing premium payment obligations as the insured ages; (iv) changes in financial status or outlook which cause the insured to no longer require life insurance; (v) other financial needs that make the insurance unaffordable; or (vi) a desire to maximize the policy s investment value.

The secondary market for life insurance has developed in response to the large volume of policy lapses and surrenders. Rather than allowing a policy to lapse as worthless, or surrendering a life insurance policy at a fraction of its inherent value, the secondary market can be a source of significant value to consumers. The inherent actuarial value of a policy in the life insurance secondary market often exceeds the cash surrender value offered by the insurance carrier. Life insurance companies earn substantial revenue windfalls due to the lapse and surrender of many insurance policies. These revenue windfalls have enabled life insurance companies to issue policies with reduced premiums. The profit opportunity for a purchaser of a life insurance asset in the secondary market is the difference, or spread, between (i) the cost of obtaining and maintaining a life insurance policy over the insured s lifetime, and (ii) the face value of the policy s benefit that will be paid upon the insured s mortality. The secondary market for life insurance policies has also been driven by the creation of life insurance policy pricing tools and actuarial modeling techniques developed by investors. Without the development of the secondary market, insurance carriers would maintain monopsony power over the options offered to consumers who no longer want, need or can afford their life insurance.

Although still relatively new and still emerging, Conning Research & Consulting (Conning) reports that the secondary market for life insurance policies grew from $2 billion in face value of benefits purchased in 2002, to over $12 billion in face value of benefits purchased in 2007. During and after the 2009 credit crisis, the secondary market for life insurance contracted significantly, evidenced by Conning s report that investors purchased approximately $2 billion in face value of life insurance benefits in 2012. Nevertheless, Conning reports that consumer demand for continued development of the secondary market remains strong, and there are indications of strengthening interest among investors. Conning maintains that, given the current economic environment and investor sentiment, the secondary market will likely increase. We believe that the market s largest growth will likely come from companies that attract capital to purchase the assets. Conning reports that the net market potential for policies sold in the secondary market exceeded $109 billion in 2012, and is expected to grow to $151 billion by 2019.

We believe that socio-economic and demographic trends further support the long-term development and growth of the secondary market for life insurance, and that the secondary market for life insurance represents a significant and expanding market opportunity. According to the United States Census Bureau (Bureau) the population age 65 and older is expected to more than double between 2012 and 2060, from 43.1 million to 92.0 million. The Bureau projects that the increase in the number of the oldest old will be even more dramatic those 85 and older are projected to more than triple from 5.9 million to 18.2 million, reaching 4.3 percent of the total population. We believe that this older demographic, 85 years and older, may be particularly well served by the services we offer.

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In addition to changing demographics, we believe there is a growing need for services that address the post-retirement financial needs of consumers in general. Research published by Natixis Global Asset Management (NGAM) reports that retirees will likely be required to finance a larger portion of their retirement as the government s ability to support them fades. In response to this growing need, the States of Texas and Kentucky adopted legislation enabling individuals to help finance their long-term care needs through the value of their life insurance by allowing individuals to enter the Medicaid program so long as they use the proceeds from the sale of their life insurance policy in the secondary market for long-term care needs. Additional states are considering similar legislation to deal with the increasing costs of providing long-term care to the growing population of seniors.

As the life insurance secondary market has grown, a regulatory framework has been established to oversee the industry participants and protect consumers. Since 2007, there has been a dramatic increase in the number of states that have adopted legislation and regulations. Today, almost

every state has adopted some version of model laws prohibiting business practices deemed to be abusive and generally requiring the licensing of life insurance purchasers and brokers, the filing and approval of purchase agreements, disclosure of transaction fees and periodic reporting requirements. The widespread adoption of this regulatory framework by states has brought about standardized practices and procedures for industry participants in the secondary market. In addition, several states have modified their laws to adopt notice requirements for the benefit of consumers owning life insurance, alerting them to the existence of the secondary market before they surrender their life insurance policy or allow it to lapse.

We believe the strengthened regulatory framework, along with the emergence of best practices adopted by industry participants within the life insurance secondary market, will lead to a growing awareness of the secondary market among life insurance agents and financial advisors serving the financial needs of consumers. We expect this growing awareness, along with the demographic factors described above, will lead to the continued growth of services related to the secondary market for life insurance policies.

We believe that the secondary market for life insurance policies has also attracted global investor interest because investments in life insurance policy assets can provide non-correlated investment diversification. The ability for investors to invest in the life insurance asset class comes as a result of the development of life insurance policy pricing tools and actuarial modeling techniques for valuing portfolios of life insurance policies. Standardized life insurance pricing tools and actuarial modeling software, including life expectancies, have provided foundational support for the development of services related to the life insurance secondary market. The appeal for investors to achieve non-correlated diversification appears strong, particularly after the global recession of 2008. The appeal of non-correlation is that the underlying investment return is independent of the factors contributing to economic downturns such as real estate values, commodity prices, and stock market indices. In addition, many life insurance policies represent payment obligations from highly rated life insurance companies. As a result, investors can evaluate the expected risk premium they receive for investing in the asset class as compared to the credit profile of the underlying insurance company. The risk premium offered by the asset class, along with the non-correlated return profile has attracted a large number of investors seeking investment opportunities in the life insurance secondary market. As innovation and investor awareness of the secondary market for life insurance increases, we expect continued investor interest in the asset class.

We believe that we are well positioned to capitalize on this opportunity by providing value-added services to the consumers we serve and by leveraging our retail alternative investment distribution network. To participate and compete in our growing market, we have spent and intend to continue to spend significant resources: (i) developing a robust operational platform and systems for originating, purchasing, and servicing life insurance policies; (ii) obtaining requisite licensure to participate in the life insurance secondary market; (iii) developing financing resources, strategies, and capabilities for servicing a large portfolio of life insurance policies; (iv) recruiting and developing a professional management team; and (v) establishing strategic relationships for delivering our services.

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Company History

We were founded in 2006 to develop a platform to evaluate, purchase, service, and track life insurance policies purchased in the secondary market. Our original model was to operate as a joint venture with WestLB, AG, a large German commercial bank, with the goal of having the bank securitize and sell investments in the life insurance portfolio we purchased. During 2006 and 2007, we built an institutional platform to underwrite, purchase, service, and track life insurance policies purchased in the secondary market in conjunction with a $250 million revolving credit facility provided by WestLB. In 2008, however, WestLB informed us that they were abandoning their effort to securitize and sell investments backed by our life insurance portfolio in light of the global economic and financial crisis. This resulted in a material change to our business plan, as we had earlier purchased the portfolio of life insurance policies with the expectation these policies would be sold through a securitization organized by WestLB. Subsequently, in 2010 we sold the original portfolio that had been financed entirely by WestLB.

Since 2008, we have focused on establishing diversified funding sources whose investment expectation is based on the purchase and finance of life insurance policies to their maturity a buy-and-hold strategy as opposed to the securitized sale of those assets prior to maturity. In 2009, our subsidiary GWG Life, LLC, or GWG Life, began selling Series I Secured notes to further finance our buy-and-hold strategy. In January 2012, we registered a public offering of our previously issued L Bonds in order to continue to grow and diversify the portfolio we started acquiring with the sale of Series I Secured notes. In addition to the Series I Secured notes and previously issued L Bonds, we have utilized a $100 million senior secured revolving credit facility provided by Autobahn Funding Company, LLC, a bank-sponsored commercial paper conduit administered by DZ Bank AG Deutsche Zentral-Genossenschaftsbank, or DZ Bank. This credit facility is provided to our wholly owned subsidiary GWG DLP Funding II, LLC, or DLP Funding II, as borrower. DLP Funding II holds title to substantially all of our life insurance assets. We expect to maintain and expand our access to credit in conjunction with the stated goal of growing and expanding our portfolio of life insurance policies through the proceeds of our common stock offering. On September 24, 2014, we consummated an initial public offering of our common stock that involved the listing of our common stock on The Nasdaq Capital Market effective September 25, 2014.

Our Business Model

All of our services are premised on financial and actuarial modeling that assigns a present value to the face value of an insurance policy benefit. In this regard, the value we assign to a life insurance asset in the secondary market is primarily a function of: (i) the face value of the life insurance policy or portion thereof we may wish to acquire; (ii) the estimated life expectancy of the individual insured under the policy; (iii) the premiums expected to be paid over the life of the insured; (iv) market competition from other purchasers in the secondary market; and (v) the particular underwriting characteristics of the policy, relative to the characteristics of our portfolio of life insurance assets as a whole.

The types of policies for which we provide services are typically, but not always, universal life insurance policies. Universal life insurance is a type of permanent life insurance in which premium payments above the cost of insurance are credited to the cash value of the policy. The cash value is credited each month with interest based on the terms of the insurance policy agreement. If a universal life insurance policy were to lapse, the insured or other owner of the policy would nonetheless have a right to receive the cash surrender value of the policy. The cash surrender value is the cash value of the policy, less any surrender charges imposed by the insurance company for removing the cash value. Our services provide greatest value to a consumer when the actuarial value of the life insurance policy benefit exceeds the cash surrender value of the policy which is often the case. We also provide services to consumers who own term life insurance. Unlike permanent universal life insurance, term life insurance does not have a cash value associated with it. Nevertheless, most term insurance policies permit the policy to be converted into permanent universal life insurance. In the future, we may consider offering services in conjunction with variable universal life insurance, which differs from universal insurance in that the variable component of the policy involves the ownership of securities inside the policy. Regardless of the type of policy, we generally seek to purchase life insurance policies issued by rated life insurance carriers with investment grade credit ratings by Standard &

Poor s (AAA through BBB), Moody s (Aaa through Baa3), or A.M. Best Company (aaa through bbb). As of December 31, 2013 and June 30, 2014, over 93.5% and 93.7%, respectively, of life insurance policies within our portfolio were issued by companies rated A- or better under Standard & Poor s rating system.

Before acquiring a life insurance asset, we value the related life insurance policy by conducting an underwriting review. Our present underwriting review process generally involves obtaining two life expectancy estimates on each insured from third-party medical-actuarial firms, and then averaging these two estimates. On occasion, we may obtain more than two life expectancy estimates, in which case we average the two life expectancy estimates that we believe are the most reliable, based on our own analyses and conclusions. In this regard, the two life expectancy estimates we ultimately choose to average may not always be the most conservative estimates we obtain. From time to time and as permitted by applicable borrowing covenants, we may modify our underwriting review process. For example, in anticipation of our planned marketing efforts, we recently changed our definition of a small face policy from $250,000 in policy benefits to $1,000,000 in policy benefits. For small face policies, rather than obtaining life expectancy estimates from third-party medical-actuarial firms, we may employ a modified underwriting review process involving the use of a combination of standard mortality tables, actuarial or medical consultants, and our own analysis to develop a life expectancy estimate for an insured.

We generally transact directly with the policy owner who originally purchased the life insurance in the primary market. Historically, we have purchased policies in the secondary market through a network of life insurance agents, life insurance brokers, and licensed providers who assist policy owners in accessing the secondary market. We expect to expand our origination practice by marketing directly to consumers through various marketing initiatives.

We have built our business with what we believe to be the following competitive strengths:

Industry Experience: We have actively participated in the development of the secondary market of life insurance as a principal purchaser and financier within the asset class since 2006. Our position within the marketplace has allowed us to gain a deep understanding of the life insurance secondary market. We have participated in the leadership of various industry associations and forums, including the Life Insurance Settlement Association (LISA) and the Insurance Studies Institute (ISI). Our experience gives us confidence in building a company to compete in the industry and acquire a portfolio of life insurance policies that will perform to our expectations.

Operational Platform: We have built and continue to refine and develop an operational platform and systems for efficiently tracking, processing, and servicing life insurance policies that we believe provide competitive advantages when participating in the life insurance secondary marketplace.

Origination and Underwriting Practices: We seek to use underwriting review processes and file documentation standards that generally meet published guidelines for rated securitizations of life insurance portfolios. We purchase life insurance policies we consider to be non-contestable and that meet our underwriting criteria and reviews. We consider a life insurance policy to be non-contestable once applicable state law prohibits the insurer from challenging the validity of the policy due to fraud. In this regard, state non-contestability laws generally require a period of one to two years to elapse after the initial issuance of the policy before that policy is considered non-contestable under state law. Non-contestability laws do not, however, prevent an insurer from challenging the validity of a policy procured by fraud for lack of an insurable interest at the time at which the policy was purchased, such as is the case with so-called stranger-originated life insurance policies. To the extent we use modified methodologies for estimating life expectancies for small face policies, those modified methodologies may not meet published guidelines for rated securitizations of life insurance portfolios.

Origination Relationships and Strategies: We have established origination relationships with life insurance policy brokers and insurance agents who submit policies for our purchase or financing. Our referral base knows our underwriting standards for purchasing life insurance policies in the secondary market, which provides confidence in our bidding and closing processes and streamlines our own

due-diligence process. We expect to expand our origination methodology and channels with the proceeds of this offering (e.g., the addition of consumer marketing).

Life Expectancy Methodology: We generally rely on two life expectancy estimates obtained from independent third-party medical-actuarial underwriting firms to arrive at a life expectancy estimate we use for valuing a life insurance asset. For a majority of our life insurance asset purchases, we rely on estimates obtained from 21st Services and AVS Underwriting to develop our life expectancy estimate. We may, however, also obtain and use life expectancy estimates from other medical-actuarial underwriting firms. As explained above, we may from time to time modify our underwriting review processes, including our methodology for arriving at life expectancy estimates we use in ascribing value to a life insurance asset.

Pricing Software and Methodology: To calculate our expected returns on the investments we make in life insurance assets, we use actuarial pricing methodologies and software tools built by a leading independent actuarial service firm and currently supported by Modeling Actuarial Pricing Systems, Inc. (MAPS).

Financing Strategy: We have actively developed diversified financing strategy for accessing capital markets in support of our buy-and-hold strategy for our portfolio of life insurance policies, ranging from institutional bank financing to a network of broker-dealers registered with the Financial Industry Regulatory Authority (FINRA), many of whom have participated in one or more of our Series I Secured note financing, our Series A preferred stock financing, or our Renewable Secured Debenture (previously issued L Bonds) financing. If in the future we determine to offer different kinds of investment products, we expect to leverage the network of broker-dealers that we have built over time.

On the other hand, our business involves a number of challenges and risks described in more detail elsewhere in this prospectus, including the following:

Relatively New Market: Investing in life insurance assets in the secondary market is a relatively new and evolving market. Our ability to source and invest in life insurance assets at attractive prices materially depends on the continued growth of the secondary market for life insurance and the continued solvency of the life insurance companies that pay the face value of life insurance policy benefits.

Asset Valuation Assumptions: The valuation of our portfolio life insurance assets the principal asset on our balance sheet requires us to make material assumptions that may ultimately prove to be incorrect. These assumptions include appropriate discount rates, cash flow projections, and the life expectancy estimates we use for these purposes, any of which may ultimately prove to be inaccurate.

Ability to Expand Our Portfolio: Our business model requires us to achieve actual results that are in line with those we expect to attain from our investments in life insurance assets. In this regard, we believe that the larger the portfolio of life insurance assets we own, the greater likelihood there is that we will achieve results matching our expectations. Although we plan to expand the number of investments in life

insurance assets using proceeds from the sale of our common stock, we may be unable to meet this goal. Furthermore, even if we successfully grow our portfolio of life insurance assets, we nevertheless may not achieve the results we expect.

Reliance on Financing: We have chosen to finance our business almost entirely through the issuance of debt, including the sale of previously issued L Bonds, Series I Secured notes, and our use of a senior secured revolving credit facility. Our business model expects that we will have continued access to financing (including financing to expand or replace our existing financing) in order to purchase and finance a large and diversified portfolio of life insurance assets, and thereafter pay the attendant premiums and financing costs of maintaining that portfolio. We will be required to rely on our access to financing to pay premiums and interest until such time as we experience a significant amount of mortality within our portfolio and begin receiving significant revenues from the receipt of life insurance policy benefits. Even if we obtain the financing we require, we may not receive life insurance policy benefits that match our cash flow projections or meet them in time to earn profits after the payment of financing costs.

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Risk of Investment in Life Insurance Assets: Our investments in life insurance assets have inherent risks, including fraud and legal challenges to the validity of the life insurance policies. Examples of fraud include the possibility that the seller of a policy may have provided us with inaccurate or misleading information during the underwriting review process.

Effects of Regulation: Our business is subject to complex state and federal regulation. Changes in state or federal laws and regulations governing our business, or changes in the interpretation of such laws and regulations, could materially and negatively affect our business.

Our business also involves certain other challenges and risks described in the Risk Factors section of this prospectus.

Our Portfolio

Our portfolio of life insurance policies, owned by our subsidiaries as of June 30, 2014, is summarized below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	$784,652,000
Average face value per policy	$ 2,715,000
Average face value per insured life	$ 3,006,000
Average age of insured (yrs.)*	82.5
Average life expectancy estimate (yrs.)*	6.85
Total number of policies	289
Number of unique lives	261
Demographics	67% Males; 33% Females
Number of smokers	3 insureds are smokers
Largest policy as % of total portfolio	1.27%
Average policy as % of total portfolio	0.35%
Average Annual Premium as % of face value	3.21%

* Averages presented in the table are weighted averages.

Our portfolio of life insurance policies, owned by our subsidiaries as of June 30, 2014, organized by the insured s current age and the associated policy benefits, is summarized below:

Distribution of Policy Benefits by Current Age of Insured

Min Age	Max Age	Policy Benefits	Weighted Average Life Expectancy (yrs.)	Distribution
65	69	$ 9,156,000	7.84	1.17%
70	74	48,617,000	9.16	6.20%
75	79	169,198,000	8.46	21.56%
80	84	300,764,000	7.28	38.33%
85	89	226,596,000	4.96	28.88%
90	95	30,321,000	3.70	3.86%
Total		**$784,652,000**	6.85	**100.00%**

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Our portfolio of life insurance policies, owned by our subsidiaries as of June 30, 2014, organized by the insured s current age and number of policies owned, is summarized below:

Distribution of Policies by Current Age of Insured

Min Age	Max Age	Policies	Weighted Average Life Expectancy (yrs.)	Distribution
65	69	8	7.84	2.77%
70	74	20	9.16	6.92%
75	79	56	8.46	19.38%
80	84	105	7.28	36.33%
85	89	87	4.96	30.10%
90	95	13	3.70	4.50%
Total		**289**	6.85	**100.00%**

Our portfolio of life insurance policies, owned by our subsidiaries as of June 30, 2014, organized by the insured s estimated life expectancy estimates and associated policy benefits, is summarized below:

Distribution of Policies by Current Life Expectancies of Insured

Min LE (Months)	Max LE (Months)	Policy Benefits	Distribution
144	167	$ 9,000,000	1.15%
120	143	99,656,000	12.70%
96	119	143,774,000	18.32%
72	95	210,583,000	26.84%
48	71	219,773,000	28.01%

Min LE (Months)	Max LE (Months)	Policy Benefits	Distribution
16	47	101,866,000	12.98%
Total		**$784,652,000**	**100.00%**

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

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Our portfolio of life insurance policies, owned by our subsidiaries as of June 30, 2014, organized by the primary disease categories of the insured and associated policy benefits, is summarized below:

Distribution of Policy Benefits by Primary Disease Category

Primary Disease Category	Policy Benefits	Distribution
Cancer	$ 57,450,000	7.32%
Cardiovascular	141,876,000	18.08%
Cerebrovascular	21,960,000	2.80%
Dementia	62,699,000	7.99%
Diabetes	63,617,000	8.11%
Multiple	196,059,000	24.99%
Neurological Disorders	15,840,000	2.02%
No Disease	94,468,000	12.04%
Other	89,483,000	11.40%
Respiratory Diseases	41,200,000	5.25%
Total Policy Benefits	**$784,652,000**	**100.00%**

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

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The complete detail of the portfolio of all life insurance policies, owned by our subsidiaries as of June 30, 2014, 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 below.

Life Insurance Portfolio Detail
(as of June 30, 2014)

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company	S&P Rating
1	$ 4,000,000	M	93	38.1	MetLife Investors USA Insurance Company	AA-
2	$ 1,100,000	M	93	32.4	ING Life Insurance and Annuity Company	A-
3	$ 1,770,726	F	93	36.4	Aviva Life Insurance Company	A-
4	$ 3,200,000	M	93	63.8	West Coast Life Insurance Company	AA-
5	$ 1,000,000	F	92	42.6	Transamerica Life Insurance Company	AA-
6	$ 250,000	M	91	25.5	Transamerica Life Insurance Company	AA-
7	$ 2,500,000	M	90	27.2	Columbus Life Insurance Company	AA
8	$ 3,000,000	M	90	56.4	West Coast Life Insurance Company	AA-
9	$ 500,000	M	90	22.9	John Hancock Life Insurance Company (U.S.A.)	AA-
10	$ 5,000,000	F	90	60.9	American General Life Insurance Company	A +
11	$ 2,000,000	F	90	22.0	Pruco Life Insurance Company	AA-
12	$ 5,000,000	F	90	41.2	John Hancock Life Insurance Company (U.S.A.)	AA-
13	$ 1,000,000	F	90	38.4	Protective Life Insurance Company	AA-
14	$ 1,682,773	F	89	59.4	Hartford Life and Annuity Insurance Company	BBB+
15	$ 5,000,000	M	89	39.6	John Hancock Life Insurance Company (U.S.A.)	AA-
16	$ 3,100,000	F	89	42.0	Lincoln Benefit Life Company	BBB+
17	$ 1,500,000	F	89	74.2	Jefferson-Pilot Life Insurance Company	AA-
18	$ 1,000,000	M	89	34.9	State Farm Life Insurance Company	AA-
19	$ 3,000,000	F	89	41.6	Jefferson-Pilot Life Insurance Company	AA-
20	$ 500,000	F	89	34.1	Genworth Life Insurance Company	A-
21	$ 1,000,000	F	89	34.1	Genworth Life Insurance Company	A-
22	$ 1,000,000	F	89	34.1	Genworth Life Insurance Company	A-
23	$ 500,000	F	89	34.1	Genworth Life Insurance Company	A-
24	$ 1,000,000	M	89	13.9	ING Life Insurance and Annuity Company	A-
25	$ 600,000	F	89	29.2	Columbus Life Insurance Company	AA
26	$ 1,000,000	F	88	59.4	United of Omaha Life Insurance Company	A+
27	$ 3,500,000	F	88	64.9	John Hancock Life Insurance Company (U.S.A.)	AA-
28	$ 1,750,000	M	88	29.6	Transamerica Life Insurance Company	AA-
29	$ 2,500,000	F	88	15.8	AXA Equitable Life Insurance Company	A+
30	$ 2,500,000	F	88	15.8	AXA Equitable Life Insurance Company	A+
31	$ 5,000,000	F	88	48.5	ING Life Insurance and Annuity Company	A-
32	$ 5,000,000	F	88	25.8	Lincoln National Life Insurance Company	AA-
33	$ 715,000	F	88	68.9	Jefferson-Pilot Life Insurance Company	AA-
34	$ 1,203,520	M	88	52.1	Columbus Life Insurance Company	AA
35	$ 1,350,000	F	88	44.0	Jefferson-Pilot Life Insurance Company	AA-
36	$ 2,000,000	F	88	37.5	American General Life Insurance Company	A+
37	$ 3,500,000	F	88	50.0	Lincoln National Life Insurance Company	AA-
38	$ 5,000,000	F	87	56.0	Massachusetts Mutual Life Insurance Company	AA+
39	$ 2,500,000	F	87	56.6	American General Life Insurance Company	A+
40	$ 2,500,000	M	87	47.6	Pacific Life Insurance Company	A+
41	$ 4,000,000	F	87	81.8	Transamerica Life Insurance Company	AA-
42	$ 5,000,000	M	87	62.3	AXA Equitable Life Insurance Company	A+

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company	S&P Rating
43	$ 1,500,000	M	87	48.9	John Hancock Life Insurance Company (U.S.A.)	AA-
44	$ 1,500,000	M	87	48.9	John Hancock Life Insurance Company (U.S.A.)	AA-

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	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company	S&P Rating
45	$ 1,000,000	F	87	75.1	Transamerica Life Insurance Company	AA-
46	$ 250,000	F	87	75.1	Transamerica Life Insurance Company	AA-
47	$ 1,000,000	M	87	63.8	AXA Equitable Life Insurance Company	A+
48	$ 500,000	M	87	70.5	Lincoln National Life Insurance Company	AA-
49	$ 4,785,380	F	87	50.5	John Hancock Life Insurance Company (U.S.A.)	AA-
50	$ 8,985,000	M	87	40.1	Massachusetts Mutual Life Insurance Company	AA+
51	$ 1,803,455	F	87	58.0	Metropolitan Life Insurance Company	AA-
52	$ 1,529,270	F	87	58.0	Metropolitan Life Insurance Company	AA-
53	$ 802,082	M	87	80.0	Lincoln National Life Insurance Company	AA-
54	$ 5,000,000	M	87	60.9	John Hancock Life Insurance Company (U.S.A.)	AA-
55	$ 2,225,000	F	87	94.1	Transamerica Life Insurance Company	AA-
56	$ 3,000,000	F	87	91.3	Massachusetts Mutual Life Insurance Company	AA+
57	$ 1,500,000	M	87	54.7	Union Central Life Insurance Company	A+
58	$ 3,000,000	M	87	52.9	Jefferson-Pilot Life Insurance Company	AA-
59	$ 2,000,000	M	87	48.1	John Hancock Life Insurance Company (U.S.A.)	AA-
60	$ 3,000,000	M	87	41.7	American General Life Insurance Company	A+
61	$ 500,000	F	86	77.7	Sun Life Assurance Company of Canada (U.S.)	BBB
62	$ 5,000,000	F	86	43.2	Transamerica Life Insurance Company	AA-
63	$ 3,000,000	M	86	61.7	Transamerica Life Insurance Company	AA-
64	$ 1,200,000	M	86	69.2	Transamerica Life Insurance Company	AA-
65	$ 250,000	M	86	81.4	Metropolitan Life Insurance Company	AA-
66	$ 6,000,000	F	86	65.3	Sun Life Assurance Company of Canada (U.S.)	BBB
67	$ 3,000,000	M	86	93.5	AXA Equitable Life Insurance Company	A+
68	$ 5,570,000	F	86	56.5	ING Life Insurance and Annuity Company	A-
69	$ 5,570,000	F	86	56.5	ING Life Insurance and Annuity Company	A-
70	$ 1,000,000	F	86	44.1	New York Life Insurance Company	AA+
71	$ 5,000,000	F	86	39.8	Penn Mutual Life Insurance Company	A+
72	$ 10,000,000	F	86	81.5	West Coast Life Insurance Company	AA-
73	$ 2,500,000	M	86	56.7	Transamerica Life Insurance Company	AA-
74	$ 1,000,000	F	86	60.4	West Coast Life Insurance Company	AA-
75	$ 2,000,000	F	86	60.4	West Coast Life Insurance Company	AA-
76	$ 800,000	M	86	64.5	National Western Life Insurance Company	A
77	$ 200,000	M	86	57.2	Lincoln Benefit Life Company	BBB+
78	$ 4,445,467	M	86	67.6	Penn Mutual Life Insurance Company	A+
79	$ 7,500,000	M	86	59.6	Jefferson-Pilot Life Insurance Company	AA-
80	$ 3,600,000	F	86	67.0	AXA Equitable Life Insurance Company	A+
81	$ 5,000,000	M	86	90.7	Lincoln National Life Insurance Company	AA-
82	$ 1,000,000	F	86	35.6	John Hancock Life Insurance Company (U.S.A.)	AA-

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company	S&P Rating
83	$ 4,513,823	F	86	31.2	Aviva Life Insurance Company	A-
84	$ 2,000,000	F	86	84.5	U.S. Financial Life Insurance Company	A+
85	$ 1,000,000	M	85	69.9	John Hancock Life Insurance Company (U.S.A.)	AA-
86	$ 2,000,000	M	85	69.9	John Hancock Life Insurance Company (U.S.A.)	AA-
87	$ 5,000,000	M	85	57.6	Jefferson-Pilot Life Insurance Company	AA-
88	$ 1,365,000	F	85	94.6	Transamerica Life Insurance Company	AA-
89	$ 1,000,000	F	85	94.0	ING Life Insurance and Annuity Company	A-
90	$ 1,000,000	M	85	48.5	Massachusetts Mutual Life Insurance Company	AA+
91	$ 2,000,000	M	85	94.1	Transamerica Life Insurance Company	AA-
92	$ 8,500,000	M	85	90.5	Massachusetts Mutual Life Insurance Company	AA+
93	$ 1,000,000	M	85	33.3	Transamerica Life Insurance Company	AA-
94	$ 500,000	M	85	91.4	Metropolitan Life Insurance Company	AA-
95	$ 2,000,000	M	85	70.9	Jefferson-Pilot Life Insurance Company	AA-

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	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company	S&P Rating
96	$ 500,000	F	85	64.8	Beneficial Life Insurance Company	N/A
97	$ 1,800,000	M	85	60.7	John Hancock Variable Life Insurance Company	AA-
98	$ 2,000,000	M	85	108.5	ING Life Insurance and Annuity Company	A-
99	$ 2,000,000	M	85	108.5	ING Life Insurance and Annuity Company	A-
100	$ 2,000,000	M	85	108.5	ING Life Insurance and Annuity Company	A-
101	$ 1,500,000	M	84	58.0	Transamerica Life Insurance Company	AA-
102	$ 3,750,000	M	84	85.1	AXA Equitable Life Insurance Company	A+
103	$ 1,000,000	M	84	69.0	John Hancock Life Insurance Company (U.S.A.)	AA-
104	$ 2,000,000	F	84	94.7	AXA Equitable Life Insurance Company	A+
105	$ 3,000,000	F	84	93.3	Sun Life Assurance Company of Canada (U.S.)	BBB
106	$ 829,022	F	84	33.3	Hartford Life and Annuity Insurance Company	BBB+
107	$ 1,500,000	M	84	88.9	AXA Equitable Life Insurance Company	A+
108	$ 2,328,547	M	84	53.1	Metropolitan Life Insurance Company	AA-
109	$ 2,000,000	M	84	53.1	Metropolitan Life Insurance Company	AA-
110	$ 5,000,000	M	84	98.8	ING Life Insurance and Annuity Company	A-
111	$ 1,500,000	M	84	58.0	ING Life Insurance and Annuity Company	A-
112	$ 1,500,000	M	84	58.0	ING Life Insurance and Annuity Company	A-
113	$ 3,000,000	F	84	80.6	Transamerica Life Insurance Company	AA-
114	$ 5,000,000	M	84	82.5	ING Life Insurance and Annuity Company	A-
115	$ 1,000,000	M	84	56.2	John Hancock Life Insurance Company (U.S.A.)	AA-
116	$ 4,000,000	F	84	58.5	ING Life Insurance and Annuity Company	A-
117	$ 5,000,000	F	84	102.4	American General Life Insurance Company	A+
118	$ 2,000,000	M	84	73.7	AXA Equitable Life Insurance Company	A+
119	$ 1,750,000	M	84	73.7	AXA Equitable Life Insurance Company	A+
120	$ 2,000,000	M	84	43.2	Transamerica Life Insurance Company	AA-
121	$ 1,425,000	M	84	92.1	John Hancock Life Insurance Company (U.S.A.)	AA-
122	$ 5,000,000	F	83	106.8	AXA Equitable Life Insurance Company	A+

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company	S&P Rating
123	$ 1,000,000	F	83	93.3	John Hancock Life Insurance Company (U.S.A.)	AA-
124	$ 6,000,000	F	83	120.6	American General Life Insurance Company	A+
125	$ 1,500,000	F	83	118.9	Lincoln Benefit Life Company	BBB+
126	$ 750,000	M	83	98.6	West Coast Life Insurance Company	AA-
127	$ 4,000,000	M	83	45.3	John Hancock Life Insurance Company (U.S.A.)	AA-
128	$ 1,000,000	M	83	91.4	John Hancock Life Insurance Company (U.S.A.)	AA-
129	$ 2,000,000	F	83	108.5	Lincoln Benefit Life Company	BBB+
130	$ 1,000,000	M	83	63.2	ING Life Insurance and Annuity Company	A-
131	$ 5,000,000	M	83	84.2	Jefferson-Pilot Life Insurance Company	AA-
132	$ 2,700,000	M	83	71.0	John Hancock Life Insurance Company (U.S.A.)	AA-
133	$ 7,600,000	F	83	107.5	Transamerica Life Insurance Company	AA-
134	$ 2,500,000	F	83	72.5	American General Life Insurance Company	A+
135	$ 2,500,000	M	83	68.7	AXA Equitable Life Insurance Company	A+
136	$ 3,000,000	M	83	68.7	Lincoln National Life Insurance Company	AA-
137	$ 500,000	M	83	49.7	Genworth Life Insurance Company	A-
138	$ 3,000,000	F	83	52.4	AXA Equitable Life Insurance Company	A+
139	$ 1,703,959	M	83	76.9	Jefferson-Pilot Life Insurance Company	AA-
140	$ 500,000	M	83	25.8	Great Southern Life Insurance Company	N/A
141	$ 1,000,000	M	83	67.3	Hartford Life and Annuity Insurance Company	BBB+
142	$ 3,500,000	F	83	117.7	Lincoln Benefit Life Company	BBB+
143	$ 10,000,000	F	83	66.4	American National Insurance Company	A
144	$ 500,000	M	83	32.7	West Coast Life Insurance Company	AA-
145	$ 5,000,000	M	82	75.1	AXA Equitable Life Insurance Company	A+
146	$ 500,000	M	82	110.5	Metropolitan Life Insurance Company	AA-

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	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company	S&P Rating
147	$ 2,000,000	M	82	48.3	National Life Insurance Company	A
148	$ 3,000,000	M	82	48.9	U.S. Financial Life Insurance Company	A+
149	$ 4,200,000	F	82	129.2	Transamerica Life Insurance Company	AA-
150	$ 1,900,000	M	82	75.6	American National Insurance Company	A
151	$ 500,000	M	82	54.5	New York Life Insurance Company	AA+
152	$ 500,000	M	82	54.5	New York Life Insurance Company	AA+
153	$ 5,000,000	M	82	83.0	AXA Equitable Life Insurance Company	A+
154	$ 250,000	M	82	40.6	Jackson National Life Insurance Company	AA
155	$ 1,500,000	M	82	84.9	Jefferson-Pilot Life Insurance Company	AA-
156	$ 3,500,000	F	82	98.9	AXA Equitable Life Insurance Company	A+
157	$ 3,000,000	F	82	104.1	MetLife Investors USA Insurance Company	AA-
158	$ 750,000	M	82	91.8	John Hancock Life Insurance Company (U.S.A.)	AA-
159	$ 4,500,000	M	82	83.8	AXA Equitable Life Insurance Company	A+
160	$ 2,275,000	M	82	101.1	ING Life Insurance and Annuity Company	A-
161	$ 10,000,000	M	82	89.0	AXA Equitable Life Insurance Company	A+
162	$ 2,000,000	M	82	95.6	Pacific Life Insurance Company	A+

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company	S&P Rating
163	$ 3,500,000	M	82	82.0	AXA Equitable Life Insurance Company	A+
164	$ 6,217,200	F	82	116.5	Phoenix Life Insurance Company	BB-
165	$ 3,000,000	M	82	70.5	Metropolitan Life Insurance Company	AA-
166	$ 1,500,000	M	82	33.0	Pacific Life Insurance Company	A+
167	$ 2,000,000	F	82	108.4	Jefferson-Pilot Life Insurance Company	AA-
168	$ 3,000,000	M	81	77.9	Protective Life Insurance Company	AA-
169	$ 1,500,000	M	81	77.9	American General Life Insurance Company	A+
170	$ 2,000,000	F	81	127.5	Transamerica Life Insurance Company	AA-
171	$ 3,500,000	F	81	102.7	Jefferson-Pilot Life Insurance Company	AA-
172	$ 1,000,000	M	81	78.4	Lincoln National Life Insurance Company	AA-
173	$ 1,500,000	M	81	65.3	Pacific Life Insurance Company	A+
174	$ 5,000,000	M	81	120.8	American General Life Insurance Company	A+
175	$ 5,000,000	F	81	85.4	Sun Life Assurance Company of Canada (U.S.)	BBB
176	$ 1,995,000	F	81	90.7	Transamerica Life Insurance Company	AA-
177	$ 4,000,000	M	81	66.0	Jefferson-Pilot Life Insurance Company	AA-
178	$ 1,250,000	F	81	70.7	Columbus Life Insurance Company	AA
179	$ 10,000,000	M	81	91.2	New York Life Insurance Company	AA+
180	$ 2,300,000	M	81	28.6	American General Life Insurance Company	A+
181	$ 2,500,000	F	81	82.0	ING Life Insurance and Annuity Company	A-
182	$ 5,000,000	F	81	66.9	Massachusetts Mutual Life Insurance Company	AA+
183	$ 5,000,000	M	81	85.8	Transamerica Life Insurance Company	AA-
184	$ 2,000,000	M	81	81.1	Ohio National Life Assurance Corporation	AA-
185	$ 1,000,000	M	81	81.1	Ohio National Life Assurance Corporation	AA-
186	$ 350,000	M	81	44.6	Reassure America Life Insurance Company	AA
187	$ 5,000,000	M	81	93.8	Jefferson-Pilot Life Insurance Company	AA-
188	$ 5,000,000	M	80	103.6	AXA Equitable Life Insurance Company	A+
189	$ 8,000,000	M	80	94.6	AXA Equitable Life Insurance Company	A+
190	$ 550,000	M	80	115.6	Genworth Life Insurance Company	A-
191	$ 1,680,000	F	80	79.0	AXA Equitable Life Insurance Company	A+
192	$ 1,000,000	F	80	109.1	Jefferson-Pilot Life Insurance Company	AA-
193	$ 1,250,000	M	80	112.7	Metropolitan Life Insurance Company	AA-
194	$ 1,000,000	M	80	77.1	AXA Equitable Life Insurance Company	A+
195	$ 1,250,000	F	80	86.5	Principal Life Insurance Company	A+
196	$ 1,000,000	M	80	67.4	AXA Equitable Life Insurance Company	A+
197	$ 3,000,000	M	80	111.1	John Hancock Life Insurance Company (U.S.A.)	AA-

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	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company	S&P Rating
198	$ 2,000,000	M	80	50.1	Jefferson-Pilot Life Insurance Company	AA-
199	$ 1,750,000	M	80	95.1	AXA Equitable Life Insurance Company	A+
200	$ 5,000,000	M	80	84.4	AXA Equitable Life Insurance Company	A+
201	$ 250,000	M	80	91.9	American General Life Insurance Company	A+
202	$ 10,000,000	M	80	126.6	John Hancock Life Insurance Company (U.S.A.)	AA-

	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company	S&P Rating
203	$ 1,210,000	M	80	75.5	Lincoln National Life Insurance Company	AA-
204	$ 3,000,000	F	80	119.4	West Coast Life Insurance Company	AA-
205	$ 7,000,000	M	80	99.2	Genworth Life Insurance Company	A-
206	$ 2,000,000	M	79	36.8	Metropolitan Life Insurance Company	AA-
207	$ 6,000,000	M	79	137.3	AXA Equitable Life Insurance Company	A+
208	$ 130,000	M	79	60.8	Genworth Life Insurance Company	A-
209	$ 1,000,000	M	79	138.2	Empire General Life Assurance Corporation	AA-
210	$ 2,000,000	F	79	102.5	Pacific Life Insurance Company	A+
211	$ 2,000,000	F	79	100.9	Transamerica Life Insurance Company	AA-
212	$ 3,000,000	M	79	123.7	Principal Life Insurance Company	A+
213	$ 5,000,000	M	79	106.5	AXA Equitable Life Insurance Company	A+
214	$ 5,000,000	M	79	106.5	AXA Equitable Life Insurance Company	A+
215	$ 500,000	M	79	59.1	Transamerica Life Insurance Company	AA-
216	$ 3,000,000	M	78	53.3	Pacific Life Insurance Company	A+
217	$ 3,000,000	M	78	53.3	Minnesota Life Insurance Company	A+
218	$ 3,000,000	M	78	53.3	Prudential Life Insurance Company	AA-
219	$ 3,000,000	M	78	104.0	ING Life Insurance and Annuity Company	A-
220	$ 5,000,000	M	78	91.7	Pacific Life Insurance Company	A+
221	$ 5,000,000	M	78	91.7	Pacific Life Insurance Company	A+
222	$ 4,000,000	M	78	93.1	Jefferson-Pilot Life Insurance Company	AA-
223	$ 3,601,500	M	78	108.0	Transamerica Life Insurance Company	AA-
224	$ 1,000,000	M	78	104.6	Sun Life Assurance Company of Canada (U.S.)	BBB
225	$ 5,000,000	M	78	127.7	Principal Life Insurance Company	A+
226	$ 5,000,000	M	78	104.2	John Hancock Life Insurance Company (U.S.A.)	AA-
227	$ 7,000,000	M	78	99.9	Lincoln Benefit Life Company	BBB+
228	$ 476,574	M	78	85.6	Transamerica Life Insurance Company	AA-
229	$ 2,250,000	M	78	108.4	Massachusetts Mutual Life Insurance Company	AA+
230	$ 4,300,000	F	78	124.6	American National Insurance Company	A
231	$ 6,000,000	M	78	121.6	AXA Equitable Life Insurance Company	A+
232	$ 5,000,000	F	78	131.6	ING Life Insurance and Annuity Company	A-
233	$ 750,000	M	78	83.0	Lincoln National Life Insurance Company	AA-
234	$ 3,000,000	M	78	109.9	Principal Life Insurance Company	A+
235	$ 5,000,000	M	77	133.4	Jefferson-Pilot Life Insurance Company	AA-
236	$ 5,000,000	M	77	91.4	John Hancock Life Insurance Company (U.S.A.)	AA-
237	$ 500,000	M	77	79.9	John Hancock Life Insurance Company (U.S.A.)	AA-
238	$ 5,000,000	M	77	102.9	John Hancock Life Insurance Company (U.S.A.)	AA-
239	$ 1,009,467	M	77	60.6	John Hancock Life Insurance Company (U.S.A.)	AA-
240	$ 4,000,000	M	77	61.7	MetLife Investors USA Insurance Company	AA-
241	$ 2,500,000	M	77	101.8	Massachusetts Mutual Life Insurance Company	AA+
242	$ 2,500,000	M	77	101.8	Massachusetts Mutual Life Insurance Company	AA+
243	$ 5,000,000	M	77	69.0	John Hancock Life Insurance Company (U.S.A.)	AA-
244	$ 500,000	F	77	131.5	Columbus Life Insurance Company	AA
245	$ 3,750,000	M	77	70.7	AXA Equitable Life Insurance Company	A+
246	$ 1,000,000	M	77	125.2	Metropolitan Life Insurance Company	AA-
247	$ 2,000,000	F	77	69.7	Transamerica Life Insurance Company	AA-
248	$ 1,000,000	M	76	123.8	Metropolitan Life Insurance Company	AA-

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	Face Amount	Gender	Age (ALB)(1)	LE (mo.)(2)	Insurance Company	S&P Rating
249	$ 2,840,000	M	76	113.5	Transamerica Life Insurance Company	AA-
250	$ 750,000	M	76	18.2	U.S. Financial Life Insurance Company	A+
251	$ 1,000,000	F	76	89.7	John Hancock Life Insurance Company (U.S.A.)	AA-
252	$ 1,750,000	M	76	75.8	John Hancock Life Insurance Company (U.S.A.)	AA-
253	$ 5,000,000	M	76	118.7	Transamerica Life Insurance Company	AA-
254	$ 600,000	M	76	99.1	Protective Life Insurance Company	AA-
255	$ 3,000,000	M	75	120.3	Protective Life Insurance Company	AA-
256	$ 2,000,000	F	75	136.4	Aviva Life Insurance Company	A-
257	$ 4,000,000	M	75	81.5	Massachusetts Mutual Life Insurance Company	AA+
258	$ 7,000,000	F	75	139.7	Pacific Life Insurance Company	A+
259	$ 1,000,000	M	75	98.8	Pacific Life Insurance Company	A+
260	$ 490,620	M	75	102.1	Ameritas Life Insurance Corporation	A+
261	$ 5,000,000	M	75	73.7	West Coast Life Insurance Company	AA-
262	$ 5,000,000	M	74	166.4	Prudential Life Insurance Company	AA-
263	$ 3,000,000	M	74	69.8	Aviva Life Insurance Company	A-
264	$ 200,000	M	74	85.2	ING Life Insurance and Annuity Company	A-
265	$ 8,000,000	M	74	120.1	Metropolitan Life Insurance Company	AA-
266	$ 5,000,000	M	74	44.4	Lincoln Benefit Life Company	BBB+
267	$ 850,000	M	74	81.2	New York Life Insurance Company	AA+
268	$ 4,000,000	F	73	162.3	American General Life Insurance Company	A+
269	$ 300,000	M	73	26.5	Lincoln National Life Insurance Company	AA-
270	$ 2,000,000	M	73	116.0	American General Life Insurance Company	A+
271	$ 3,000,000	F	73	133.6	General American Life Insurance Company	AA-
272	$ 500,000	M	72	47.5	Midland National Life Insurance Company	A+
273	$ 3,000,000	M	72	91.4	AXA Equitable Life Insurance Company	A+
274	$ 1,000,000	M	72	84.8	United of Omaha Life Insurance Company	A+
275	$ 2,500,000	M	71	115.6	American General Life Insurance Company	A+
276	$ 1,167,000	M	71	40.5	Transamerica Life Insurance Company	AA-
277	$ 1,500,000	M	71	130.9	Metropolitan Life Insurance Company	AA-
278	$ 3,000,000	M	70	93.9	John Hancock Life Insurance Company (U.S.A.)	AA-
279	$ 2,000,000	M	70	121.4	New York Life Insurance Company	AA+
280	$ 2,000,000	M	70	121.4	New York Life Insurance Company	AA+
281	$ 600,000	M	70	104.4	AXA Equitable Life Insurance Company	A+
282	$ 500,000	M	69	112.1	Transamerica Life Insurance Company	AA-
283	$ 500,000	M	69	112.1	North American Company for Life And Health Insurance	A+
284	$ 2,000,000	M	67	134.3	Transamerica Life Insurance Company	AA-
285	$ 1,000,000	M	67	134.3	Genworth Life Insurance Company	A-
286	$ 2,000,000	M	67	65.9	MetLife Investors USA Insurance Company	AA-
287	$ 2,000,000	M	67	65.9	MetLife Investors USA Insurance Company	AA-
288	$ 156,538	F	66	126.2	New York Life Insurance Company	AA+
289	$ 1,000,000	M	65	63.7	Lincoln National Life Insurance Company	AA-
	$784,651,923					

(1) The insured s age is current as of the measurement date.

(2) The insured s life expectancy estimate, other than for a small face value insurance policy benefit, is the average of two life expectancy estimates provided by independent third-party medical-actuarial underwriting firms at the time of purchase, actuarially adjusted through the measurement date. Numbers in this column represent months. For more information, see disclosure under the caption *Pricing Life Insurance Policies*.

Obtaining Life Insurance Assets

We seek to offer our services nationwide. In general, we work directly with consumers in states where we hold proper licensure, and in states where we are not licensed we work through other licensed providers. Historically, sourcing policy assets typically begins with life insurance agents and financial advisors (agents) that identify consumers owning life insurance who could benefit from the extraction of value from their life insurance in the secondary market. The agents typically work with professional life insurance policy brokers specializing in packaging the policies for presentation to participants in the secondary market. Their packaging includes obtaining medical records on the insured, life expectancy estimates from medical-actuarial firms, current insurance policy illustrations, and other information needed to properly evaluate the policy. The only parties able to evaluate the policies are regulated licensed providers. Once the providers have evaluated the policy, offers are made to the owner through a competitive auction process whereby brokers facilitate competing offers from providers, concurrently negotiating fees.

We maintain membership affiliations and representation within key industry groups, such as the Life Insurance Settlement Association. Our Executive Chairman, Paul Siegert, currently serves on the board of the Life Insurance Settlement Association. We typically sponsor events and/or maintain a trade booth at events where we are able to maintain contacts with existing life settlement brokers and meet new brokers to submit policies for purchase.

In the future, we expect to develop new channels for obtaining life insurance assets by soliciting consumers directly, which may eliminate fees we pay brokers and competition we experience when a policy is auctioned through a broker. While these new channels are unproven, we believe that consumer awareness of the life insurance secondary market is relatively low while the consumer value proposition is very high and, as a result, provides a significant growth opportunity for our business.

Life Insurance Policy Underwriting and Investment Process

The process used to value and underwrite life insurance policies is relatively new and continues to be refined. We underwrite and service all the life insurance policies that we purchase. When we identify a life insurance policy that meets our criteria, we seek to invest in the policy at a discount sufficient to provide us with an expected internal rate of return that meets our internal guidelines. Once our offer to invest in a policy is accepted, we enter into a purchase agreement with the seller. This agreement gives us the right to, among other things, pay premiums, collect policy benefits, file collateral assignments, change the ownership, and obtain medical records. The general terms and conditions of the agreement are standardized and regulated by most states.

We maintain an underwriting department with experience in underwriting life insurance policies for investment. The underwriting due diligence process consists of a careful review and analysis of available materials related to a life insurance policy and the covered individual. The goal of the underwriting process is to make an informed investment decision with respect to the life insurance policy. While we believe that our underwriting policies and practices are consistent with industry best practices, it is possible that the processes may change or may not accurately reflect actual mortality experience or catch fraud or deception by sellers. To the extent the underwriting is not accurate or we are subject to fraud or deception by sellers, the performance of policies may be different from the expected results, which could adversely affect profitability.

Life Insurance Policy Characteristics

We typically invest in universal life insurance policies whose insureds are 65 years or older and whose actuarial life expectancies are estimated to be less than 168 months. In some cases, however, we invest in term life insurance policies that are convertible into universal life insurance policies, depending on the analysis of the life insurance policy and the insured s life expectancy estimate. The life expectancy estimate is the number of months the insured is expected to live based upon 50% mortality (meaning roughly half of the individuals with similar age, sex,

smoking and medical statuses will have died within that number of months), which is in turn based upon actuarial tables.

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We invest only in life insurance assets that have been in force for more than two years from the policy issuance date and meet our other underwriting guidelines. We reserve the right to disqualify some life insurance companies or categories of life insurance policies for purchasing in our sole discretion.

Pricing Life Insurance Policies

Pricing involves an analysis of both the policy and the insured. An analysis of the insurance policy starts with an illustration obtained from the insurance company providing a schedule of level premium payments until the insured reaches age 125. Then, utilizing pricing software now owned by Modeling Actuarial Pricing Systems, Inc. (MAPS), we reverse engineer the premium schedule of the policy to determine a premium schedule that provides for the minimum payments required to keep the policy in effect. An analysis of the insured involves an actuarial evaluation of the insured s probable mortality at different points in the future the mortality curve. This analysis covers the insured s entire projected lifespan using life expectancy estimates generated by third-party medical-actuarial underwriting firms or generated from base actuarial tables in the case of small face policies.

In determining the life expectancy estimate, we presently require two life expectancy estimates from independent third-party medical-actuarial underwriting firms, unless the life insurance policy is a small face policy (defined as a policy with $1,000,000 in face value benefits or less), in which case we may use a life expectancy estimate derived from base actuarial mortality table assumptions. When a life expectancy estimate is obtained from a medical-actuarial firm, the health of the insured is summarized by the underwriters in a written health assessment based on the review of the insured s historical and current medical records. Underwriting assesses the characteristics and health risks of the insured in order to quantify the health into a mortality rating that represents their life expectancy estimate. We currently average the life expectancy estimates provided by two independent medical-actuarial underwriting firms to form our life expectancy estimate for life insurance policies other than small face policies. In some cases, we may obtain more than two life expectancy estimates. In those cases, we average the two life expectancy estimates that we believe are the most reliable of those we have received, based on our own analyses and conclusions. In this regard, the two life expectancy estimates we ultimately choose to average may not always be the most conservative. If in the future our we believe our business model will benefit from changes in our underwriting process and are permitted under our borrowing covenants, we may change our underwriting processes and policies, including our present policy under which we generally obtain two life expectancy estimates from independent third-party medical-actuarial firms (other than for small face policies).

By combining the optimized premiums and the insured s life expectancy estimate within the MAPS software, we generate detailed information, including the expected mortality curve over the insured s total projected lifespan; the expected premiums and related costs over the insured s total projected lifespan; the expected policy benefit paid over the insured s total projected lifespan; the account values within the policy; and the expected internal rate of return we will achieve at various investment amounts. From this information, we are able to calculate the present value of the life insurance policy by discounting the anticipated cash flows at the targeted internal rate of return using the probabilistic pricing methodology employed by the MAPS program. The actuarial value of the life insurance policy asset is the present value of the policy s cash flows discounted at an expected internal rate of return. We expect that our investments in life insurance assets will generate yields in excess of our borrowing and operating costs.

On January 22, 2013, one of the independent medical-actuarial underwriting firms we utilize, 21st Services, announced advancements in its underwriting methodology, resulting in revised estimated life expectancy mortality tables for life settlement transactions. We were advised by 21st Services that the changes are very granular and relate to both specific medical conditions and lifestyles of insureds. These changes resulted from the application of additional medical information gathered by 21st Services over a period of time. While we do not believe these revised methodologies indicate the previous estimated life expectancies were inaccurate, we believe the revised methodologies provide additional information that should be considered in updating our estimate of the life expectancies of the insureds within our portfolio. Based upon our evaluation and analysis of data made available by 21st Services, as well as information regarding the insureds within our portfolio, we have estimated the impact of the changes in 21st Services methodologies for

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determining life expectancies on a policy-by-policy basis within our portfolio as of December 31, 2012 and applied such changes to the life expectancy inputs used to estimate fair value. We have adjusted the original life expectancies provided by 21st Services based on four factors, the impact of each analyzed individually for each insured in the GWG portfolio. The four factors are gender, anti-selection, age, and primary impairment. GWG applied this set of adjustments to all 21st Services life expectancy reports used in valuation of the portfolio as of December 31, 2012. At that time, the portfolio contained 211 policies on 194 insured lives. Of those 211 policies, 199 were valued using a 21st Services life expectancy report as part of the pricing life expectancy estimate calculation. While the analysis and adjustments were applied on an individual policy basis, the result was an average overall increase in the original life expectancy estimates of 8.67%. We have a standard practice of obtaining two third-party life expectancy estimates for each policy in our portfolio. As a result, the effective change in life expectancy on the portfolio as of December 31, 2012 was an average of approximately 4.33%, which resulted in an aggregate decrease in the fair value of our life settlements portfolio of $12.4 million as of December 31, 2012. Life expectancy reports by their very nature are estimates.

During 2013, we sought to update our life expectancy estimates from all four of the major independent third-party medical-actuarial underwriting firms (including 21st Services) with updated medical records on all of the 211 policies we originally used a life expectancy report from 21st Services. As of December 31, 2013, we had successfully procured new life expectancy reports on 176 of the 211 policies owned as of December 31, 2012. We experienced ten mortalities in 2013 for which no updated life expectancy reports were necessary. We also had two small face policies in our portfolio for which we did not update life expectancy reports. Accordingly, as of December 31, 2013 we had updated our life expectancy estimates based on updated life expectancy reports on all but 22 policies (covering 21 people) in our portfolio that we are still seeking to update.

In order to assess the reasonableness of our adjustments made effective December 31, 2012, we compared the life expectancy estimates including any adjustments used on December 31, 2012 to the updated life expectancy estimates used on December 31, 2013. Because an additional year has elapsed since the December 31, 2012 date, the older set of adjusted life expectancy estimates were rolled down to shorter numbers based on an actuarial calculation to make them comparable to the updated life expectancy estimates used on December 31, 2013. The average amount of roll down to account for the 12-month passage of time was eight and one-half months. We concluded that our the adjustments we made a year ago were reasonable when we the compared the rolled down life expectancy estimates from December 31, 2012 to the updated life expectancy estimates on December 31, 2013. The average rolled down life expectancy estimate from December 31, 2012 is 80.9 months. The average updated life expectancy estimate obtained from updated life expectancy reports as of December 31, 2013 is 79.4 months, shorter by one and one-half months. We see no need to make any further adjustments to our life expectancy estimates at this time.

On September 15, 2014, 21st Services announced changes to its mortality tables primarily for insureds age 90 and older, as well as updated adjustment factors designed to better underwrite seniors with multiple impairments. These changes represent small portions of 21st Services historical underwritings. We expect medical-actuarial underwriting firms to continue improving and refining their underwriting methodology. We generally expect to incorporate such changes to our portfolio when we update our life expectancy reports.

Portfolio Administration

We have developed a comprehensive administration and servicing platform to manage the life insurance assets we own. This allows us to safeguard our life insurance assets and to process and report on the assets in our portfolio. We regularly contact each insurance company on every policy we own to verify policy account values, confirm the correct application of premium payments made, and the resulting account values inside the life insurance policy after application of the premium payment and the deduction of the cost of insurance. We typically maintain little account value inside the policy and seek to make only minimum premium payments necessary to keep the life insurance policy in force until the next scheduled premium payment.

In addition to policy servicing, we monitor insureds by periodically contacting them directly, or their appointed representatives, to confirm their location and health status. We monitor the social security database

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for mortalities as well as online obituary databases. When we are notified of an insured s mortality, we are required to obtain a copy of the death certificate and present it to the life insurance company for payment of the face value of the policy benefit.

Portfolio Management

We realize profits by earning a spread between our investment cost in our life insurance assets and the face value of the policy benefits that will be paid upon the insured s mortality. We believe that building and managing a profitable portfolio of life insurance policies is complex, requires considerable technical knowledge and resources, and is subject to numerous regulations. We have developed extensive experience and disciplines to work toward a stable and profitable portfolio. We update our actuarial projections each month for the portfolio based on the life expectancy estimates, premium payments made, and mortalities experienced. These data points combine to provide us with future forecasted cash flows with respect to our portfolio of life insurance assets. These forecasted future cash flows, along with our current financial position, are combined in a comprehensive model that includes detailed assumptions as to interest rates, financing costs, life insurance asset acquisitions, and capital markets activities. This comprehensive financial model enables us to closely monitor and manage our necessary capital reserves and attempt to project our future profitability.

While we believe our portfolio of life insurance assets represents a balanced and stable portfolio of life insurance assets, we seek to grow the size of the portfolio in order to further mitigate risk and improve our profitability. In order to assess the stability of our portfolio, we analyze longevity risk, which is the risk of the insured living longer than his/her life expectancy estimate. Longevity risk is the single largest variable affecting the returns on an investment in life insurance assets and the ability to predict the portfolio s value over time. Research by A.M. Best and others indicates that, as the number of insured lives increase within a portfolio of life insurance policies, there is a decrease in the standard deviation of the value of the portfolio i.e., the stability of longevity risk increases with an increase in the number of insured lives. While Standard & Poor s has indicated that statistical credibility is unlikely to be achieved with a pool of less than 1,000 lives, a study published in 2014 by A.M. Best concluded that at least 300 lives are necessary to narrow the band of expected cash flow volatility using the Monte Carlo simulations, which is the same methodology we use to evaluate our portfolios. Our internal analysis of our portfolio, which as of June 30, 2014 consisted of 261 lives, resulted in a standard deviation that is comparable with the A.M. Best measurement for a portfolio of 200 lives. We believe this result is due to the specific portfolio make up of our portfolio relative to the variation in underlying life expectancy estimates. Further, A.M. Best suggests that no one life should comprise more than 3.33% of the face value of an entire portfolio or collateral pool. As of June 30, 2014, the largest face value policy on one life in our portfolio represented approximately 1.27% of the total portfolio. We intend to maintain a well-diversified portfolio as we continue to expand our investments in life insurance assets.

We also believe our portfolio represents a profitable portfolio. In order to assess the profitability, we analyze the future cash flows expected from our portfolio of life insurance assets. The standard practice within the insurance industry is to analyze the timing of uncertain future cash flows through stochastic modeling, or Monte Carlo simulations. We continue to analyze the expected internal rates of return and spread against borrowing costs represented by our portfolio. As of December 31, 2013, the expected internal rate of return on our portfolio of life insurance assets was 12.21% and our weighted-average borrowing costs to finance our portfolio was 7.20%.

Portfolio Credit Risk Management

The life insurance assets that we invest in represent obligations of third-party life insurance companies to pay the benefits under the relevant policy. Because we finance life insurance policies, we rely on the payments from the face value of policy benefits from life insurance companies for revenue collections. We rely on the face value of the life insurance policy benefit at maturity as the exclusive form of payment.

The possible insolvency or loss by a life insurance company is a significant risk to our business. To manage this risk, we seek to invest in life insurance assets that are issued by insurance companies with

investment-grade ratings from either A.M. Best, Moody s or Standard & Poor s. To further mitigate risk, we seek to limit the face value of policy benefits issued by any one life insurance company within the total portfolio to 20%. State guaranty funds generally guaranty policy benefits up to $200,000. In addition, to assure diversity and stability in our portfolio, we regularly review the various metrics of our portfolio relating to credit risk. We track industry rating agency reports and industry journals and articles in order to gain insight into possible financial problems of life insurance companies. Recently, some of the credit ratings on insurance companies were downgraded and we will no longer consider purchasing policies issued by these insurance companies. Finally, we will only invest in those life insurance policies that meet the underwriting standards established in the indenture governing our debt securities, as applicable.

As of June 30, 2014, 99.08% of insurance companies in our portfolio hold an investment-grade rating by Standard & Poor s (BBB- or better), and the face value of policy benefits issued by one life insurance company with in the portfolio was 15.72%. Of the 44 insurance companies that

insure the policies we own, ten companies insure approximately 72.66% of total face value of insurance benefits and the remaining 34 insurance companies insure the remaining approximately 27.34% of total face value of insurance benefits. The concentration risk of our ten largest insurance company holdings as of June 30, 2014 is set forth in the table below.

Rank	Policy Benefits	Percentage of Policy Benefit Amt.	Insurance Company	Ins. Co. S&P Rating
1	$ 123,380,000	15.72%	AXA Equitable Life Insurance Company	A+
2	$ 85,920,000	10.95%	John Hancock Life Insurance Company (U.S.A.)	AA-
3	$ 73,920,000	9.42%	Transamerica Life Insurance Company	AA-
4	$ 58,769,000	7.49%	Jefferson-Pilot Life Insurance Company	AA-
5	$ 56,215,000	7.16%	ING Life Insurance and Annuity Company	A-
6	$ 43,550,000	5.55%	American General Life Insurance Company	A+
7	$ 42,735,000	5.45%	Massachusetts Mutual Life Insurance Company	AA+
8	$ 30,500,000	3.89%	Pacific Life Insurance Company	A+
9	$ 28,450,000	3.63%	West Coast Life Insurance Company	AA-
10	$ 26,661,000	3.40%	Metropolitan Life Insurance Company	AA-

Servicing Agents

We have contracted with Wells Fargo Bank to provide servicing, collateral agent, and trustee services with respect to certain life insurance policies owned by DLP Funding II. We have contracted with Bank of Utah to provide servicing, collateral agent, and trustee services with respect to all other life insurance policies we own. Wells Fargo Bank and Bank of Utah provide services for certain life insurance policies in connection with ownership and tracking of life insurance policies we own, including paying premiums, posting of payments (receipts) of the life insurance policies, certain monitoring, enforcement of rights and payer notifications, and related services. We reserve the right to service and provide collateral agent services for certain life insurance policies directly, or appoint additional third-party servicers in the future.

Competition

We encounter significant competition in the life insurance purchasing and financing business from numerous companies, including hedge funds, investment banks, secured lenders, specialty life insurance finance companies and life insurance companies themselves. Many of these competitors have greater financial and other resources than we do and may have significantly lower cost of funds because they have greater access to insured deposits or the capital markets. Moreover, some of these competitors have significant cash reserves and can better fund shortfalls in collections that might have a more pronounced impact on companies such as ours. They also have greater market share. In the event that the life insurance companies make a significant effort to compete against the business, we would experience significant challenges with our business model.

Competition can take many forms, including the pricing of the financing, transaction structuring, timeliness and responsiveness in processing a seller s application and customer service. Some of the

competitors may outperform us in these areas. Some competitors target the same type of life insurance clients as we do and generally have operated in the markets we service for a longer period of time. Increased competition may result in increased costs of purchasing policies, or it may affect the availability and quality of policies that are available for our purchase. These factors could adversely affect our profitability by reducing our return on investment or increasing our risk.

Government Regulation

The life insurance sector is highly regulated at both the federal and state levels. We are subject to federal and state regulation and supervision in the life insurance purchasing and finance business. There are significant regulations in many states that require us to obtain specific licenses or approvals to be able to purchase life insurance policies in those states. We continually research and monitor regulations and apply for the appropriate licenses in the required states.

Governments at both the federal and state levels have continued to review the impact of the business on the life insurance industry. Moreover, recent federal government actions with respect to insurance companies have increased the federal government s role in regulating the insurance industry. Recently we have seen legislative efforts by state governments to mandate the sale or liquidation of a life insurance policy as part of the Patient Protection and Affordable Care Act in order to increase the number of Americans covered by health insurance and decrease the cost of health care. The legislative effort is designed to monetize all assets of the insured prior to eligibility under the health care provided under the Patient Protection and Affordable Care Act. These efforts may affect the number of life insurance policies available for purchase and their attractiveness.

State statutes typically provide state regulatory agencies with significant powers to interpret, administer and enforce the laws relating to the purchase of life insurance policies in those states. Under statutory authority, state regulators have broad discretionary power and may impose new licensing requirements, interpret or enforce existing regulatory requirements in different ways or issue new administrative rules, even if not contained in state statutes. State regulators may also impose rules that are generally adverse to our industry. Because the life insurance secondary market is relatively new and because of the history of certain abuses in the industry, we believe it is likely that state regulation will increase and grow more complex in the foreseeable future. We cannot, however, predict what any new regulation would specifically involve.

Any adverse change in present laws or regulations, or their interpretation, in one or more states in which we operate (or an aggregation of states in which we conduct a significant amount of business) could result in our curtailment or termination of operations in such jurisdictions, or cause us to modify our operations in a way that adversely affects our ultimate profitability. Any such action could have a corresponding material and negative impact on our results of operations and financial condition, primarily through a material decrease in revenues, and could also negatively affect our general business prospects.

Some states and the SEC have, on occasion, attempted to regulate the purchase of non-variable life insurance policies as transactions in securities under federal or state securities laws. In July 2010, the SEC issued a Staff Report of its Life Settlement Task Force. In that report, the Staff recommended that certain types of purchased life insurance policies be classified as securities. The SEC has not taken any position on the Staff Report, and there is no indication if the SEC will take or advocate for any action to implement the recommendations of the Staff Report. In addition, there have been several federal court cases in which transactions involving the purchase and fractionalization of life insurance contracts have been held to be transactions in securities under the federal Securities Act of 1933. We believe that the matters discussed in the Staff Report, and existing case law, do not impact our current business model since our purchases of life settlements are distinguishable from those cases that have been held by courts, and advocated by the Staff Report, to be transactions in securities. For example, we are not involved in fractionalization of any life insurance policies, and we do not purchase variable life insurance policies.

If federal law were to change, whether by action of the Congress or through the courts, with the result that purchases of non-fractionalized and non-variable life insurance policies would be considered transactions in securities, we would be in violation of existing covenants under our revolving credit facility requiring us

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to not be an investment company under the Investment Company Act of 1940. This could in the short-term or long-term affect our liquidity and increase our cost of capital and operational expenses, all of which would adversely affect our operating results. It is possible that such an outcome could threaten the viability of our business and our ability to satisfy our obligations as they come due.

With respect to state securities laws, almost all states currently treat the sale of a life insurance policy as a securities transaction under state laws, although some states exclude from the definition of a security the original sale from the insured or the policy owner to the life settlement provider. To date, due to the manner in which we conduct and structure our activities and the availability, in certain instances, of exceptions and exemptions under securities laws, such laws have not adversely impacted our business model.

State Life Settlement License Requirements

State laws differ as to the extent to which purchasers of life insurance policies are required to be licensed by a state regulatory agency. We may elect to conduct life insurance policy purchasing only in those states in which we are licensed or where no licensure is required. The licensing requirements differ from state to state, but where they exist, they typically require the payment of licensing fees, periodic reporting, and submission to audit by state regulators. We do not intend to purchase any life insurance policies in any states that require a license or similar qualification without first obtaining such license or qualification or purchasing through a licensed provider in that state.

The table below identifies all states (and the District of Columbia) in which we can conduct business directly with the seller of a life insurance policy or through a licensed provider. An asterisk (*) indicates that the state does not require licensing. In those states identified in the right-hand column, we can purchase policies through our provider relationships with Magna Administrative Services, Inc. Abacus Settlements, LLC, and Lotus Life, LLC. If our relationships with either Magna Administrative Services, Abacus Settlements or Lotus Life were to end, for any reason, we believe we would be able to replace that relationship quickly.

States Where We Conduct Business Directly	States Where We Conduct Business Through Other Licensed Providers
Alabama*	Colorado
Arizona	Georgia
Arkansas	Indiana
California	Kentucky
Connecticut	Nevada
Delaware	New Jersey
District of Columbia*	Oregon
Florida	Utah
Illinois	
Iowa	
Kansas	
Louisiana	
Maine	
Maryland	
Massachusetts	
Michigan*	
Minnesota	
Mississippi	
Missouri*	
Nebraska	
New Mexico*	
New York	
North Carolina	

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States Where We Conduct Business Directly	States Where We Conduct Business Through Other Licensed Providers
Ohio	
Oklahoma	
Pennsylvania	
Rhode Island	
South Carolina*	

States Where We Conduct Business Directly	States Where We Conduct Business Through Other Licensed Providers
South Dakota*	
Tennessee	
Texas	
Virginia	
Washington	
Wisconsin	
Wyoming*	

We are not presently able to conduct business in the following states due to the fact that we neither have a license to operate in that state nor do we have a relationship with another licensed provider in that state: Alaska, Hawaii, Idaho, Montana, New Hampshire, North Dakota, Vermont, and West Virginia.

Health Insurance Portability and Accountability Act (HIPAA)

HIPAA requires that holders of medical records maintain such records and implement procedures in ways designed to assure the privacy of patient records. HIPAA has precipitated widespread changes in record keeping, including patient consent forms and access restrictions in data processing software. In order to carry out the business, we receive medical records and obtain a release to share such records with a defined group of persons. We are entitled to have access to patient information, take on the responsibility for preserving the privacy of that information, and use the information only for purposes related to the life insurance policies.

Regulatory Matters

We have been informed that the SEC is conducting a private investigation of our company and its offering of previously issued L Bonds. The SEC has advised us in writing that the investigation is a fact-finding inquiry and does not mean the SEC has concluded that we, or anyone else, have violated any laws or regulations. Also, the SEC has advised us in writing that the investigation does not mean that they have a negative opinion of any person, entity or security. The SEC has not informed us of any intent on its part to stop order our registration statement; it has not asked us to modify our registration statement in any way; and it has not stated that it has found the registration statement to be deficient in any respect. We are fully cooperating with this investigation.

Employees

We employ approximately 40 employees.

Properties

Our principal executive offices are located at 220 South Sixth Street, Suite 1200, Minneapolis, Minnesota 55402. At that location, we lease 11,695 square feet of space for a lease term expiring in August 2015. We believe that these facilities are adequate for our current needs and that suitable additional space will be available as needed.

Legal Proceedings

Our Chief Executive Officer, Jon R. Sabes and President and Secretary, Steven F. Sabes, who together beneficially own approximately 75.07% of our common stock, are subject to litigation relating to claims by a bankruptcy trustee for loan payments made to an affiliate, Opportunity Finance, LLC. The litigation stems

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from the 2010 conviction of an individual operating a fraudulent business scheme which filed for bankruptcy in 2008. The bankruptcy trustee alleges that loan repayments to Opportunity Finance were avoidable transfers under preference or other legal theories and seeks to recover amounts for other creditors of the bankruptcy estate. Such payments may ultimately be deemed to be avoidable transfers under preference or other legal theories. Case No. 08-45257 (U.S. Bankruptcy Court District of Minnesota). In addition, GWG Holdings invested $1.0 million in Opportunity Finance, LLC in 2006 and was repaid and received $176,948 of interest income from that investment in 2007. To date, no claim has been made against us.

While we believe there are numerous meritorious defenses to the claims made by the bankruptcy trustee, and we are advised that the defendants in that action will vigorously defend against the trustee s claims, such defendants may not prevail in the litigation with the bankruptcy trustee. If the bankruptcy trustee sought to sell or transfer the equity interests of Jon R. Sabes or Steven F. Sabes as a result of the litigation, there could be a change in control of the Company and our business together with all of our investors, including investors in our debentures, could be materially and adversely impacted. Such adverse results would likely arise in connection with negative change-in-control covenants contained in our revolving credit facility agreements, the breach of those covenants and an ensuing event of default under such facility. In addition, if the bankruptcy trustee sought to sell or transfer the equity interests of Jon R. Sabes or Steven F. Sabes as a result of the litigation, such transfers would adversely affect holders of our previously issued L Bonds by reducing the number of shares of common stock of GWG Holdings that have been pledged as collateral security for our obligations under the debentures. Finally, regardless of the outcome of this litigation, these matters are likely to distract management and reduce the time and attention that they are able to devote to our business.

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MANAGEMENT AND DIRECTORS

Directors and Executive Officers

The name, age and positions of our current executive officers and directors are as follows:

Name	Age	Positions
Jon R. Sabes	47	Chief Executive Officer and Director
Paul A. Siegert	75	Director (Executive Chairman)
Steven F. Sabes	45	President, Secretary and Director
William Acheson	49	Chief Financial Officer
Jon Gangelhoff	56	Chief Operating Officer
Jeffrey L. McGregor	61	Director
Charles H. Maguire III	71	Director
David H. Abramson	73	Director
Shawn R. Gensch	45	Director

Jon R. Sabes, co-founder and Chief Executive Officer of our company, is a financial professional with over 20 years of experience in the fields of finance, venture capital, business development, managerial operations, and federal taxation. Since 1999, Mr. Sabes has served as Chief Executive Officer of Opportunity Finance, LLC, a family investment company specializing in structured finance. Over his career, Mr. Sabes has been active in receivable financing, life insurance financing, and casualty insurance financing, structuring over $900 million in financing commitments for his related businesses. Mr. Sabes experience includes co-founding and leading the development of two leading insurance-related finance companies: GWG Life, a company in the life insurance finance industry founded in 2006, and MedFinance, an innovator in casualty insurance and healthcare finance founded in 2005. Through these companies, Mr. Sabes has developed and applied financial structuring techniques, underwriting algorithms, and business modeling aspects to the insurance industry. Mr. Sabes education includes a Juris Doctor degree cum laude from the University of Minnesota Law School; and a Bachelor of Arts degree in Economics, from the University of Colorado. Over his career, Mr. Sabes has held several licenses and professional association memberships including FINRA Series 7, Series 63, Minnesota State Bar Association, and American Bar Association. In addition to being an active father of three, Mr. Sabes serves on the boards of Saving Children and Building Families, and the Insurance Studies Institute. Mr. Sabes is the brother of Steven F. Sabes. Mr. Sabes has served as our Chief Executive Officer, and a director, since 2006.

Paul A. Siegert, co-founder of our company, has over 50 years of experience in national and international business with focus on general business, financial and investment strategies, management practices, fiscal controls, profit incentives, systems and corporate structuring and governance. Over his career, Mr. Siegert has consulted to Fortune 500 corporations, regional firms, emerging businesses, government and education, and has served as director, general partner and advisor to partnerships and corporations, including restructuring of economically troubled businesses. Mr. Siegert has provided written testimony to the Senate Finance Committee regarding SEC practices and created two companies registered under the Investment Advisors Act of 1940. Mr. Siegert was an active participant in the formation and direction of the Colorado Institute for Artificial Intelligence at the University of Colorado. Mr. Siegert s education includes studies toward a Master of Business Administration, University of Chicago; and Bachelor of Science and Industrial Management, Purdue University. His insurance-related experiences include the creation of one of the nation s first employer self-funded life, medical and disability insurance programs; designing medical, life insurance and social security opt-out programs for educational institutions; incorporation of financial analysis disciplines in life insurance and estate planning; and strategizing of key-man insurance plans and life insurance in business continuation planning for corporations and senior executives. From 1979 to 1986, Mr. Siegert was nationally recognized as a tax and estate planning expert. In 1999, Mr. Siegert retired from active business to engage in various personal financial and investment endeavors. In 2004, he founded Great West Growth, LLC, a Nevada limited liability company and a predecessor to GWG Life, to purchase life insurance policies. In his capacities with GWG Life, he created an insurance policy valuation and pricing model, created life insurance policy purchase documentation, undertook state licensing and compliance and developed operating and

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marketing systems. Mr. Siegert currently serves as the President and Chief Executive Officer of the Insurance Studies Institute, which he founded in 2007, and also serves on the Board of Directors of the Life Insurance Settlement Association. Mr. Siegert currently serves as Director and Executive Chairman of the Board of GWG Holdings, Inc., and served as its President until May 30, 2014. He has been active in a variety of charities and foundations, including Rotary International.

Steven F. Sabes, co-founder and President and Secretary of our company, is responsible for various managerial aspects of our business, with a specific focus on treasury and financial operations, life insurance policy purchasing, and specialty finance operations. Since 1998, Mr. Sabes has served as a Managing Director of Opportunity Finance, LLC, a family investment company specializing in structured finance. Mr. Sabes holds a Master of Science and Doctor of Philosophy in organic chemistry from the University of Minnesota, as well as a Bachelor of Arts degree from The Colorado College. Mr. Sabes is the brother of Jon Sabes. Mr. Sabes has served as our Secretary, and a director, since 2006. He also served as our Chief Operating Officer from 2006 until May 30, 2014, when he was appointed as our President.

William Acheson became our Chief Financial Officer on May 30, 2014. Prior to joining us, Mr. Acheson served as Chief Financial Officer and Senior Vice President of Strategic Development for The Homeownership Preservation Foundation, a residential real estate foreclosure prevention organization seeded by GMAC, from 2009 through 2013. Prior to that, Mr. Acheson served as Managing Director of Global Structured Finance and Investments at Merrill Lynch in London, England, from 2007 through 2008. From 1991 to 2007, Mr. Acheson spent his career at GMAC-RESCAP, where he served as Managing Director for a number of business units, concluding his career as Chief Financial Officer of the United Kingdom division from 2005 through 2007. Mr. Acheson earned a Bachelor of Science degree in accounting from the College of St. Thomas in St. Paul, Minnesota, and earned his Certified Public Accountant certificate in 1991 while working for Ernst & Young in Minneapolis, Minnesota.

Jon Gangelhoff, our Chief Operating Officer, served rapidly growing businesses in several industries as chief financial officer with a strong focus on business operations since 1986. Prior to joining our company as Chief Financial Officer in March 2009, he served as chief financial officer for Northern Metal Recycling, a metal recycling firm the sales of which exceeded $500 million annually, from 2006 to 2008. Mr. Gangelhoff s responsibilities at Northern Metal Recycling included acquisition and related integration operations focused on finance, information systems, and human resources functions. Prior to that, from 2003 to 2006, Mr. Gangelhoff served as the chief financial officer of Kuhlman Company, formerly a public reporting company, where he established corporate infrastructure, developed financial reporting and internal control systems, and managed the SEC reporting process. During his 25-year career, Mr. Gangelhoff has used an integrated hands-on and financial management approach to improve the performance of the companies he served in a variety of industries. Mr. Gangelhoff holds a Bachelor of Arts degree from Mankato State University. Mr. Gangelhoff was appointed as our Chief Operating Officer on May 30, 2014.

Jeffrey L. McGregor has had an extensive career in the insurance and financial services industry, serving as President for three major financial sales and distribution companies. Mr. McGregor has 34 years of experience in sales, distribution strategies and leadership with a proven track record in sales and growth of annuity, life insurance, and mutual fund products. Mr. McGregor has been a quoted industry source for Ignites, Foxfire, Dalbar, Mutual Fund Forum and Investment News, and has served on numerous industry boards and associations, including the Life and Annuity Advisory Board, the Mutual Fund Forum, and the International Association for Financial Planning. Mr. McGregor has written,

published and presented a number of papers focused on the insurance and financial industry. Throughout his career, Mr. McGregor s primary focus has been to promote successful collaboration with employees, clients and colleagues to create respectful, profitable, and long-term relationships.

Mr. McGregor has lead teams that represented all traditional life insurance products term, whole life, universal life, disability insurance, long-term care, along with high-net worth and estate planning strategies that maximize the protection and tax advantages that life insurance products provide. Mr. McGregor has worked closely with product development teams in determining the risk and required sales results necessary to meet profitability targets. Mr. McGregor professional career encompasses the oversight and creation of

marketing, sales presentations and advisor/only materials, seeking a balanced approached to the risks and rewards of the insurance, annuity and asset management products offered.

From 2005 to 2010, Mr. McGregor served as the President of RiverSource Distributors and Senior Vice President of Ameriprise Financial, Inc. During his tenure as the President of RiverSource Distributors, he was responsible for the sales and distribution of all insurance, annuity and asset management product lines of Ameriprise through existing and new channels. In this position, Mr. McGregor identified and greatly influenced strategy, compliance, profitability and the success of multiple insurance and investment products offered by Ameriprise.

From 2001 to 2004, Mr. McGregor was President of AXA Distributors, where he was responsible for the sales and distribution of insurance and annuity products manufactured by AXA Financial. In 2003, Mr. McGregor s sales team achieved annuity sales of $7.0 billion. This record sales year resulted in AXA Distributors market share position going from number six in 2002 to number two in 2003.

From 1988 to 1998, Mr. McGregor served in a variety of senior leadership positions for Colonial Investment Services. Mr. McGregor was named President of Colonial Investment Services in 1990 and joined Colonial s Board of Directors. During his tenure, assets under management grew from $9.0 billion to $24.0 billion. During Mr. McGregor s leadership, Colonial earned a number one rating in wholesaler and marketing support three times, according to Dalbar Survey.

Over his career, Mr. McGregor has also worked with American Capital, Prudential-Bache Securities, Planco and IDS, where he began his career as a financial advisor in 1978. Mr. McGregor has earned numerous industry degrees and certifications, including LUTC CFP, CLU, and NASD licenses Series 7 and 24. Mr. McGregor received his B.S. and M.B.A. from California Coast University. In 2012, Mr. McGregor authored a life experience and motivational book A Spirit Never Tires which echoes his results driven style to inspire others through passion, energy, courage and a positive attitude.

Charles H. Maguire III, a registered FINRA Arbitrator, has over 35 years of experience in the financial services industry. The core of Mr. Maguire s career has been with Merrill Lynch and Company from 1969 to 2004. In one of his last positions with Merrill Lynch, Mr. Maguire served as Director of Financial Institutions Services Group, where he had complete responsibility for the Merrill Lynch s institutional client services within its domestic branch office system. In addition, Mr. Maguire oversaw the professional teams responsible for product creation and had oversight of an institutional trading desk in New York City. Mr. Maguire s most notable contribution to Merrill Lynch was the creation of the Consults Product, which to this day is one of the most profitable products at Merrill Lynch. In addition to serving as Director of Financial Institutions Services Group, Mr. Maguire held a variety of sales and management roles at Merrill Lynch, including Sales Manager, Resident Vice President, Regional Sales Manager, Senior Resident Vice President, and Managing Director.

From 2009 to 2011, Mr. Maguire served as a leadership consultant for the University of Cincinnati School of Medicine and the Economic Center, University of Cincinnati. From 2005 to 2007, Mr. Maguire also served as the Senior Advisor on Staff to the Governor of the State of South Carolina, the Director of Cabinet Affairs, and the Chief of Staff of the Department of Commerce for the State of South Carolina. During his tenure as Director of Cabinet Affairs for the Governor of the State of Carolina, Mr. Maguire was fully responsible for overseeing the operations of all agencies that reported to the Governor of South Carolina. In his role as Chief of Staff of the South Carolina Department of Commerce, Mr. Maguire was responsible for the daily operations of the Department of Commerce. During his tenure with the Department of Commerce, Mr. Maguire led the restructuring of the Department of Commerce, which led to South Carolina becoming one of the top three states for job creation and corporate relocations.

Mr. Maguire has served on the boards (or similar functions) of over 25 nonprofit organizations, including services as a trustee for Centre College, trustee for The Seven Hills School, member of the Charter Review Committee of Cincinnati, trustee for the Queen City Foundation,

trustee and executive committee member for St. Elizabeth Medical Center, and President for the Joy Outdoor Education Center. Mr. Maguire holds a B.A. from Centre College.

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David H. Abramson, a certified public accountant, is presently the Chairman and Chief Executive Officer of David Abramson & Associates, LLC, an executive search and leadership development and financial consulting firm that he founded in 2002. The firm provides retained executive search services at the senior leadership levels as well as senior leadership mentoring and coaching. In addition, the firm provides financial and other consulting services to clients.

In 2001, Mr. Abramson was a Senior Vice President of AXA Financial/Equitable Life Insurance based in New York City, and served as Chairman and Chief Executive Officer of Grant Thornton Advisors, a joint venture of AXA Financial and Grant Thornton. Required by his responsibility, Mr. Abramson held NASD series 7, 24 and 66 licenses during his tenure at Grant Thornton Advisors. From 1999 to 2001 Mr. Abramson was Grant Thornton s National Managing Partner of Financial Advisory Services where he led the design of the vision, strategy, governance and operational planning for Grant Thornton Advisors. Grant Thornton Advisors was designed to offer personal financial and estate planning, and investment and insurance products and services to middle-market companies, their owners and officers and other high net worth individuals.

The core of Mr. Abramson s career was as a Partner in Grant Thornton from 1972 until 2001. In 1972, Mr. Abramson became an Audit Partner and the Minneapolis Office Managing Partner, and he continued serving in those roles throughout most of his time at Grant Thornton. Mr. Abramson also became a member of Grant Thornton s National Senior Leadership Team in 1982 and continued in that role until 2001. In this regard, his primary responsibility was Regional Managing Partner with direct line responsibility over assigned operating offices throughout the country. From 1988 to 1990, Mr. Abramson was Grant Thornton s National Managing Director of Client Services directly responsible for Accounting, Tax, Management Consulting, Human Resources, Marketing and Strategic Planning. During the 1990s, Mr. Abramson also led the development and implementation of the Manufacturing/Distribution Services practice. Mr. Abramson s partners at Grant Thornton elected him to serve on Grant Thornton s 11-person Partnership Board for three terms from 1982 to 1990. This board provided oversight and direction related to governance, partner admission and compensation, financial and strategic issues.

Mr. Abramson previously served on the Board of Directors of Southwest Casino Corporation, and served as Chairman of that board s Audit Committee and a member of its Governance and Nominating Committee from 2006 to 2009. Mr. Abramson has also served as a board member, Chairman or President of a number of nonprofit organizations, including President of the Minnesota Society of CPAs, Chairman of The Greater Minneapolis Chamber of Commerce, and President of Temple Israel. He currently is a Member of the University of Minnesota Carlson School Of Management Alumni Board, and an Advisory Board Member of the University of Minnesota Carlson Consulting Enterprise.

Mr. Abramson received his B.S. degree (Accounting) from the University of Minnesota and his M.B.A. from the University of Michigan.

Shawn R. Gensch is a financial and marketing executive with over 20 years of professional experience. Previously, Mr. Gensch was the Senior Vice President, Marketing, at Target Corporation, a role he held from 2012 through 2013, and in which he led, among other things, that corporation s media strategy, public relations, events and lifestyle marketing efforts. In previous marketing roles with Target, beginning in 2008, Mr. Gensch led brand marketing, storewide and seasonal campaigns, agency management, and marketing finance, production and technology teams. Prior to 2008, Marketing, Mr. Gensch served as the initial President of Target Bank (2003-2007), served as Vice President, Financial Product Design & Development, at Target Financial Services (2005-2008), and served as Director of New Business Development (2003-2005). Prior to joining Target Corporation in 2003, Mr. Gensch worked in various roles in the structured finance, insurance, banking and related consulting industries, including work as Vice President and Assistant Treasurer of Green Tree Financial Corporation (Conseco Finance), in which role he led that corporation s commercial paper program and asset-based funding conduits, syndicated banking lines and structured-finance securitization efforts across a variety of asset classes. Mr. Gensch began his career with KPMG as an Assurance Accountant in 1992.

Mr. Gensch presently serves as a director of Anser Innovation, a technology company developing Internet-based software and hardware to enhance remote interaction, and is currently also Vice-Chair of the

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Board of Directors of Avenues for Homeless Youth based in Minneapolis, Minnesota. He previously served on the Board of Directors of the Walker Art Center, Minneapolis, Minnesota. Mr. Gensch graduated from the University of Wisconsin-Eau Claire with a B.S. degree in accounting.

Director Qualifications, Independence and Board Committees

When considering whether directors have the experience, qualifications, attributes and skills to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of the Company s business and structure, the Board of Directors focuses primarily on the information discussed in each of the directors individual biographies set forth above. With regard to Mr. Jon R. Sabes, the board considered his significant experience, expertise and background with regard to financial matters, and his demonstrated experience and skills in managing the Company s business. With respect to Mr. Siegert, the board considered his significant experience in securities and finance, and his background in secondary life insurance market. With regard to Mr. Steven F. Sabes, the board considered his background and experience with the Company and its business. With regard to Mr. McGregor, the board considered his experience in the financial and insurance industries, and in particular his sales, marketing and leadership experience relative to those industries. In the case of Mr. Maguire, the board considered his extensive background in the financial services industry and service in various leadership positions for multiple organizations. With regard to Mr. Abramson, the board considered his extensive background and knowledge of accounting and finance, his focus on wealth management, and prior leadership positions. With regard to Mr. Gensch, the board considered his finance background as well as his marketing expertise.

The Board of Directors periodically reviews relationships that directors have with the Company to determine whether the directors are independent. Directors are considered independent as long as they do not accept any consulting, advisory or other compensatory fee (other than director fees) from the Company, are not an affiliated person of the Company or its subsidiaries (e.g., an officer or a greater-than-ten-percent stockholder) and are independent within the meaning of applicable laws, regulations and the NASDAQ listing rules. In this latter regard, the Board of Directors uses the NASDAQ listing rules (specifically, Section 5605(a)(2) of such rules) as a benchmark for determining which, if any, of its directors are independent, solely in order to comply with applicable SEC disclosure rules.

The Board of Directors has determined that, of its current directors, Messrs. Abramson, McGregor, Maguire III and Gensch are independent within the meaning of the NASDAQ listing rule cited above. In the case of Mr. Siegert, his position as an executive officer of the Company precludes him from being considered independent. In the case of both Messrs. Jon R. and Steven F. Sabes, their positions as executive officers of the Company, together with their beneficial ownership of more than ten percent of the common stock of the Company, similarly precludes them from being considered independent within the meaning of the cited NASDAQ listing rule.

Our Board of Directors has an Audit Committee, Compensation Committee and Nomination and Corporate Governance Committee. The Audit Committee is composed of Messrs. Abramson (Chair), McGregor, Maguire and Gensch. The Compensation Committee is composed of Messrs. Maguire (Chair), Abramson and Gensch. The Nomination and Corporate Governance Committee is composed of Messrs. McGregor (Chair) and Abramson.

Our Audit Committee, Compensation Committee, and Nomination and Corporate Governance Committee each comply with the listing requirements of The NASDAQ Marketplace rules. At least one member of the Audit Committee, Mr. Abramson, is an audit committee financial expert, as that term is defined in Item 401(h)(2) of Regulation S-K, and is independent as that term is defined in Rule 5605(a) of the NASDAQ Marketplace Rules.

Indemnification of Directors and Executive Officers

Section 145 of the Delaware General Corporation Law provides for, under certain circumstances, the indemnification of our officers, directors, employees and agents against liabilities that they may incur in such capacities. A summary of the circumstances in which such indemnification provided for is contained herein,

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but that description is qualified in its entirety by reference to the relevant Section of the Delaware General Corporation Law.

In general, the statute provides that any director, officer, employee or agent of a corporation may be indemnified against expenses (including attorneys fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred in a proceeding (including any civil, criminal, administrative or investigative proceeding) to which the individual was a party by reason of such status. Such indemnity may be provided if the indemnified person s actions resulting in the liabilities: (i) were taken in good faith; (ii) were reasonably believed to have been in or not opposed to our best interest; and (iii) with respect to any criminal action, such person had no reasonable cause to believe the actions were unlawful. Unless ordered by a court, indemnification generally may be awarded only after a determination of independent members of the Board of Directors or a committee thereof, by independent legal counsel or by vote of the stockholders that the applicable standard of conduct was met by the individual to be indemnified.

The statutory provisions further provide that to the extent a director, officer, employee or agent is wholly successful on the merits or otherwise in defense of any proceeding to which he was a party, he is entitled to receive indemnification against expenses, including attorneys fees, actually and reasonably incurred in connection with the proceeding.

Indemnification in connection with a proceeding by or in the right of GWG Holdings, Inc. in which the director, officer, employee or agent is successful is permitted only with respect to expenses, including attorneys fees actually and reasonably incurred in connection with the defense. In such actions, the person to be indemnified must have acted in good faith, in a manner believed to have been in our best interest and must not have been adjudged liable to us unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expense which the Court of Chancery or such other court shall deem proper. Indemnification is otherwise prohibited in connection with a proceeding brought on behalf of GWG Holdings, Inc. in which a director is adjudged liable to us, or in connection with any proceeding charging improper personal benefit to the director in which the director is adjudged liable for receipt of an improper personal benefit.

Delaware law authorizes us to reimburse or pay reasonable expenses incurred by a director, officer, employee or agent in connection with a proceeding in advance of a final disposition of the matter. Such advances of expenses are permitted if the person furnishes to us a written agreement to repay such advances if it is determined that he is not entitled to be indemnified by us.

The statutory section cited above further specifies that any provisions for indemnification of or advances for expenses does not exclude other rights under our Certificate of Incorporation, corporate bylaws, resolutions of our stockholders or disinterested directors, or otherwise. These indemnification provisions continue for a person who has ceased to be a director, officer, employee or agent of the corporation and inure to the benefit of the heirs, executors and administrators of such persons.

The statutory provision cited above also grants the power to GWG Holdings, Inc. to purchase and maintain insurance policies that protect any director, officer, employee or agent against any liability asserted against or incurred by him in such capacity arising out of his status as such. Such policies may provide for indemnification whether or not the corporation would otherwise have the power to provide for it.

Article 6 of our corporate bylaws provides that we shall indemnify our directors, officers, employees and agents to the fullest extent permitted by the Delaware General Corporation Law. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling GWG Holdings, Inc. pursuant to the foregoing provisions, we understand that in the opinion of the SEC such indemnification is against public policy as expressed in that Act and is therefore unenforceable.

We have purchased directors and officers liability insurance in order to limit the exposure to liability for indemnification of directors and officers, including liabilities under the Securities Act of 1933.

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EXECUTIVE COMPENSATION AND RELATED-PARTY TRANSACTION DISCLOSURES

Summary Compensation Table

The following table sets forth the cash and non-cash compensation awarded to or earned by: (i) each individual who served as the principal executive officer and principal financial officer of GWG Holdings during the years ended December 31, 2013 and 2012; and (ii) each other individual that served as an executive officer of either GWG Holdings or GWG Life, Inc. at the conclusion of the years ended December 31, 2013 and 2012 and who received more than $100,000 in the form of salary and bonus during such fiscal year. For purposes of this document,

these individuals are collectively the named executives of the Company.

Name and Principal Position		Salary	Bonus (1)	All Other Compensation (2)	Total
Jon R. Sabes	2013	$350,000	$544,581	$16,905	$911,486
Chief Executive Officer	2012	$350,000	$163,182	$ 0	$513,182
Jon Gangelhoff	2013	$120,000	$ 57,276	$13,244	$190,520
Chief Financial Officer	2012	$120,000	$ 28,244	$ 0	$148,244
Paul A. Siegert	2013	$150,000	$ 54,236	$ 2,631	$206,867
President and Chairman of the Board	2012	$150,000	$113,967	$ 0	$263,967
Steven F. Sabes	2013	$150,000	$426,836	$11,063	$587,899
COO and Secretary	2012	$150,000	$ 35,591	$ 0	$185,591

(1) In 2013, Messrs. Jon R. Sabes, Steven F. Sabes, and Paul A. Siegert each received a discretionary bonus related to the tax impact of the conversion of the Company from a limited liability company to a corporation. In this regard, Mr. Jon R. Sabes received a discretionary tax-related bonus of $436,700, Mr. Steven F. Sabes received a discretionary tax-related bonus of $380,600, and Mr. Paul A. Siegert received a discretionary tax-related bonus of $8,000. In addition, each named executive received a cash bonus under the Company s incentive compensation plan. Mr. Jon R. Sabes received a $107,881 cash bonus, Mr. Gangelhoff received a $57,276 cash bonus, Mr. Siegert received a $46,236 cash bonus, and Mr. Steven F. Sabes received a $46,236 cash bonus, under that incentive compensation plan.

(2) All Other Compensation includes payment of unused and accrued vacation, and premiums paid by the Company that are reported on the named executives W-2 forms as a component of gross income.

Employment Agreements and Change-in-Control Provisions

In June 2011, we entered into employment agreements with each of Messrs. Jon R. Sabes, Steven F. Sabes, Paul A. Siegert and Jon Gangelhoff. Mr. Jon R. Sabes is our Chief Executive Officer; Mr. Steven F. Sabes is our President and Secretary and previously served as our Chief Operating Officer; Mr. Siegert previously served as our President and Chairman of the Board and is currently the Executive Chairman of the Board; and Mr. Gangelhoff previously served as our Chief Financial Officer and is currently our Chief Operating Officer. On May 30, 2014, we entered into an employment agreement with William Acheson coincident with his appointment as our new Chief Financial Officer. These employment agreements establish key employment terms (including reporting responsibilities, base salary, discretionary and bonus opportunity and other benefits), provide for severance benefits in certain situations, and contain non-competition, non-solicitation and confidentiality covenants.

Under their respective employment agreements, Mr. Jon R. Sabes receives an annual base salary of $350,000, Messrs. Steven F. Sabes, William Acheson and Paul A. Siegert receive an annual base salary of $200,000, and Mr. Gangelhoff receives an annual base salary of $250,000. The employment agreements contain customary provisions prohibiting the executives from soliciting our employees for a period of 12 18 months after any termination of employment, and from competing with the Company for either two years (if

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the executive is terminated for good cause or if he resigns without good reason) or one year (if we terminate the executive s employment without good cause or if he resigns with good reason). In the case of Mr. Acheson, his employment agreement prohibits him from competing against the

Company for a one-year period after his termination of employment, regardless of the circumstances relating to that termination. If an executive s employment is terminated by us without good cause or if the executive voluntarily resigns with good reason, then the executive will be entitled to (i) severance pay for a period of 12 months and (ii) reimbursement for health insurance premiums for his family if he elects continued coverage under COBRA.

The employment agreements for Messrs. Jon R. Sabes, Steve F. Sabes and Paul A. Siegert also provide that we will reimburse them for any legal costs they incur in enforcing their rights under the employment agreement and, to the fullest extent permitted by applicable law, indemnify them for claims, costs and expenses arising in connection with their employment, regardless of the outcome of any such legal contest, as well as interest at the prime rate on any payments under the employment agreements that are determined to be past due, unless prohibited by law.

All of the executive employment agreements include a provision allowing us to reduce their severance payments and any other payments to which the executive becomes entitled as a result of our change in control to the extent needed for the executive to avoid paying an excise tax under Code Section 280G, unless the named executive officer is better off, on an after-tax basis, receiving the full amount of such payments and paying the excise taxes due.

Outstanding Equity Awards at Fiscal Year End

As of December 31, 2013, our named executives had the following outstanding options to purchase common stock:

	Vested Shares	Un-Vested Shares	Total Shares
Jon R. Sabes		6,000	6,000
Steven F. Sabes	25,000	2,500	27,500
Paul Siegert	25,000	2,500	27,500
Jon Gangelhoff	50,000	26,000	77,000
	100,000	38,000	138,000

2013 Stock Incentive Plan

In April 2013, our Board of Directors and our stockholders adopted the 2013 Stock Incentive Plan and reserved 1,000,000 shares of common stock for issuance under that plan. The 2013 Stock Incentive Plan permits the grant of both incentive and non-statutory stock options. As of the date of this prospectus, there are 490,435 common shares issuable upon exercise of outstanding incentives granted under the plan. The Board of Directors adopted the 2013 Stock Incentive Plan to provide a means by which our employees, directors, officers and consultants may be granted an opportunity to purchase our common stock, to assist in retaining the services of such persons, to secure and retain the services of persons capable of filling such positions and to provide incentives for such persons to exert maximum efforts for our success.

In September 2014, we granted an option outside the 2013 Stock Incentive Plan, exercisable into an aggregate of 318,000 shares of common stock, to a new management employee as an inducement grant.

Related-Party Transactions

As explained above under Employment Agreements and Change-in-Control Provisions, we were party to an arrangement with each of Jon R. Sabes, Paul A. Siegert and Steven F. Sabes whereby those individuals received loan advances that accrued interest at rates ranging from 4.2% to 5.0% per annum. Under this arrangement, made during the time when GWG Holdings was a limited liability company, these advance amounts were to be repaid upon or in connection with operating distributions made by us. From inception through June 13, 2011, advances aggregating approximately $981,167 were made to Jon R. Sabes with

cumulative interest owed of $114,496, $287,500 to Paul A. Siegert with cumulative interest owed of $22,708, and $861,976 were made to

Steven F. Sabes with cumulative interest owed of $94,438. On July 27, 2011, Messrs. Jon R. Sabes, Steven F. Sabes and Paul A. Siegert repaid their loan balances.

In May 2008, our affiliate, Insurance Strategies Fund, LLC, a Delaware limited liability company beneficially owned by Mr. Jon R. Sabes, our Chief Executive Officer, agreed to make discretionary unsecured general working capital loans to GWG Holdings for short-term working capital needs. As of December 31, 2013 and 2012, we owed no amounts to Insurance Strategies Fund. Nevertheless, an Amended and Restated Investment Agreement with Insurance Strategies Fund, dated as of September 3, 2009, remains in place. That agreement permits Insurance Strategies Fund to make additional discretionary unsecured short-term work capital loans in the future.

Effective July 14, 2008, we entered into an Addendum No. 1 to Sub-Sublease Agreement with Opportunity Finance, LLC, a limited liability company of which Jon R. Sabes, our Chief Executive Officer, also serves as Chief Executive Officer. Pursuant to the Addendum, Opportunity Finance, LLC assigned to us, and we assumed, all of Opportunity Finance s rights and obligations under a Sub-Sublease Agreement between Opportunity Finance and an unrelated third party. The Sub-Sublease Agreement relates to the facilities in which we conduct our business operations. Under the Sub-Sublease Agreement, as assigned, we assumed the obligation to make monthly payments of base rent that range from $7,310 (from the commencement date through July 31, 2009) to $8,770 (for the period from August 1, 2011 through the April 20, 2012 expiration of the Sub-Sublease Agreement). In addition, the Sub-Sublease Agreement, as assigned, requires that we pay additional monthly amounts in respect of operating costs as additional rent. We made aggregate payments under the Sub-Sublease Agreement of $0 and $50,000 for the calendar years ended December 31, 2013 and 2012, respectively.

On July 11, 2011, we entered into a Purchase and Sale Agreement with Athena Securities Group, Ltd. and Athena Structured Funds PLC. Under this agreement, we issued to Athena Securities Group, Ltd. (Athena) 494,500 shares of common stock, which was equal to 9.9% of our then-outstanding shares, in exchange for shares equal to 9.9% of the outstanding shares in Athena Structured Funds, PLC and cash of $5,000. This 2011 agreement had contemplated cooperative efforts by the parties aimed at developing a security and related offering in Europe or Ireland, the proceeds of which would be used to finance the acquisition of life-insurance related assets in the United States. In 2013, we sought to terminate the 2011 agreement due to a changing regulatory environment in Europe that negatively affected the likelihood of consummating the contemplated offering of securities, and our dissatisfaction with Athena s performance under the 2011 agreement. As a result, in June 2013 we entered into a second Purchase and Sale Agreement with Athena Securities Ltd. and Athena. This agreement effected the termination of the 2011 agreement. The June 2013 agreement contained mutual general releases of claims and substantially unwound certain capital stock transactions that had been effected under the 2011 agreement. In particular, Athena returned to us for redemption 432,500 shares of our common stock, and retained 62,000 common shares in recognition of their earlier efforts under the 2011 agreement. For our part, we sold back to Athena all of our ownership in Athena Structured Funds, PLC that we had originally acquired under the 2011 agreement. Presently, we have no ongoing business relationship with Athena.

Related-Party Transaction Policy

In all cases, we abide by applicable state corporate law when approving all transactions, including transactions involving officers, directors or affiliates. More particularly, our policy is to have any related-party transactions (i.e., transactions involving a director, an officer or an affiliate of the Company) be approved solely by a majority of the disinterested and independent directors serving on our Board of Directors. Presently, we have four independent directors on the board, and intend to maintain a board on which independent directors comprise a majority of directors serving on the board.

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DIRECTOR COMPENSATION

The following table sets forth the cash and non-cash compensation awarded to or earned by each individual who served as a member of the board of directors of GWG Holdings during the year ended December 31, 2013.

Director s Name	Fees Earned or Paid in Cash 2013
Paul A. Siegert (Chairman)	$ 30,000
Jon R. Sabes	$ 30,000

Director s Name	Fees Earned or Paid in Cash 2013
Steven F. Sabes	$30,000
Brian Tyrell	$25,000
Laurence Zipkin	$25,000
Kenneth Fink	$25,000
David H. Abramson	$11,000
Charles H. Maguire III	$ 8,000
Jeffrey L. McGregor	$ 8,000

On October 28, 2013, Messrs. Tyrell, Zipkin, and Fink voluntarily resigned from the board and three new directors, Messrs. David H. Abramson, Jeffrey L. McGregor, and Charles H. Maguire III, were appointed to the board. Each independent board member receives base compensation of $5,000 and an option to purchase 1,000 shares of the Company s common stock per quarter. In addition, the chairman of the audit committee receives $4,000 and an option to purchase up to 1,000 shares of the Company s common stock per quarter. The chairmen of the compensation committee and the corporate governance committee each receive $2,000 and an option to purchase up to 500 shares of the Company s common stock per quarter. Also each non-chair member of committees receive $1,000 and an option to purchase up to 250 shares of the Company s common stock per quarter.

On December 12, 2013, Messrs. Zipkin and Fink each received an option with a ten-year term to purchase 15,000 shares of the Company s common stock for their service as board members.

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SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number and percentage of outstanding common shares beneficially owned as of October 29, 2014, by:

each person known by us to be the beneficial owner of more than five percent of our outstanding common stock

each of our current directors

each our current executive officers and any other persons identified as a named executive in the Summary Compensation Table above, and

all current executive officers and directors as a group.

Shares beneficially owned and percentage ownership is based on 5,870,193 shares of common stock outstanding. Beneficial ownership is determined in accordance with the rules of the SEC, and includes general voting power and/or investment power with respect to securities. Shares of common stock issuable upon exercise of options or warrants that are currently exercisable or exercisable within 60 days of the record rate, and shares of common stock issuable upon conversion of other securities currently convertible or convertible within 60 days, are deemed outstanding for computing the beneficial ownership percentage of the person holding such securities but are not deemed outstanding for computing the beneficial ownership percentage of any other person. Under the applicable SEC rules, each person s beneficial ownership is calculated by dividing the total number of shares with respect to which they possess beneficial ownership by the total number of outstanding shares of the Company. In any case where an individual has beneficial ownership over securities that are not outstanding, but are issuable upon the exercise of options or warrants or similar rights within the next 60 days, that same number of shares is added to the denominator in the calculation described above. Because the calculation of each person s beneficial ownership set forth in the Percentage of Common Shares column of the table may include shares that are not presently outstanding, the sum total of the percentages set forth in such column may exceed 100%. Unless otherwise indicated, the address of each of the following persons is 220 South Sixth Street, Suite 1200, Minneapolis, Minnesota 55402,

and each such person has sole voting and investment power with respect to the shares set forth opposite his, her or its name.

Name and Address	Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Jon R. Sabes (1)	2,529,394	43.07%
Steven S. Sabes (2)	2,487,081	42.18%
Paul A. Siegert (3)	226,279	3.84%
Jon Gangelhoff (4)	59,000	*
William B. Acheson (5)	2,500	*
David H. Abramson (6)	12,500	*
Jeffrey L. McGregor (7)	8,750	*
Charles H. Maguire III (8)	8,750	*
Shawn R. Gensch (9)	3,000	*
All current directors and officers as a group	4,748,168	78.89%

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* less than one percent.

(1) Mr. Sabes is our Chief Executive Officer and a director of the Company. Shares reflected in the table include 1,092,276 shares held individually, 489,086 shares held by Opportunity Finance, LLC, a Minnesota limited liability company of which Mr. Sabes is a manager and member, 169,671 shares held by Jon Sabes 1992 Trust No.1, a trust of which Mr. Sabes is the beneficiary, 168,801 shares held by Esther Sabes 1992 Trust FBO Jon Sabes, a trust of which Mr. Sabes is a beneficiary, 241,632 shares held by Moe Sabes 1982 Trust FBO Jon Sabes, a trust of which Mr. Sabes is a beneficiary, and 163,738

shares held by Moe Sabes 1976 Trust FBO Jon Sabes, a trust of which Mr. Sabes is a beneficiary. Also includes 102,191 shares held by Mr. Sabes immediate family members. The trustees of each of the trusts are Robert W. Sabes, Steve F. Sabes and Ross A. Sabes. Figures also include 100,000 shares held by Insurance Strategies Fund, LLC, a Delaware limited liability company over whose securities each of Jon R. and Steven F. Sabes exercise voting and dispositive control. Jon R. and Steve F. Sabes disclaim beneficial ownership over the shares held by Insurance Strategies Fund, LLC except to the extent of their pecuniary interest in such shares.

(2) Mr. Sabes is our President, Secretary and a director of the Company. Shares reflected in the table include 799,779 shares held individually, 489,086 shares held by Opportunity Finance, LLC, a Minnesota limited liability company of which Mr. Sabes is a manager and member, 521,158 shares held by Moe Sabes 1982 Trust FBO Steven Sabes, a trust of which Mr. Sabes is the beneficiary, 350,779 shares held by Esther Sabes 1992 Trust FBO Steven Sabes, a trust of which Mr. Sabes is a beneficiary, and 200,445 shares held by Moe Sabes 1976 Trust FBO Steven Sabes, a trust of which Mr. Sabes is a beneficiary. The trustees of each of the trusts are Robert W. Sabes, Jon R. Sabes and Ross A. Sabes. The number of shares also include 25,000 of vested stock options granted pursuant to stock option agreement dated September 5, 2013 for 27,500 shares at a per-share exercise price of $8.28 vesting over a three-year period. Figures also include 100,000 shares held by Insurance Strategies Fund, LLC, a Delaware limited liability company over whose securities each of Jon R. and Steven F. Sabes exercise voting and dispositive control. Jon R. and Steve F. Sabes disclaim beneficial ownership over the shares held by Insurance Strategies Fund except to the extent of their pecuniary interest in such shares.

(3) Mr. Siegert is a director of the Company (Executive Chairman). Shares reflected in the table include 200,445 shares held individually and 25,834 of vested stock options granted pursuant to stock option agreement dated September 5, 2013 for 27,500 shares at a per-share exercise price of $7.52 vesting over a three-year period.

(4) Mr. Gangelhoff is our Chief Operating Officer. Shares reflected in the table include 59,000 of vested stock options granted pursuant to stock option agreement dated September 5, 2013 for 77,000 shares at a per-share exercise price of $7.52 vesting over a three-year period.

(5) Mr. Acheson is our Chief Financial Officer. Shares reflected in the table include 2,500 of vested stock options granted pursuant to a stock option agreement dated May 27, 2014 for 32,500 shares at a per-share exercise price of $7.52 and vesting over a three-year period.

(6) Mr. Abramson is a director of the Company. Shares reflected in the table include 12,500 of vested stock options granted pursuant to a stock option agreement dated October 28, 2013 for 30,000 shares at a per-share exercise price of $7.52 and vesting quarterly over a three-year period.

(7) Mr. McGregor is a director of the Company. Shares reflected in the table include 8,750 of vested stock options granted pursuant to a stock option agreement dated November 12, 2013 for 21,000 shares at a per-share exercise price of $7.52 and vesting quarterly over a three-year period.

(8) Mr. Maguire is a director of the Company. Shares reflected in the table include 8,750 of vested stock options granted pursuant to a stock option agreement dated November 12, 2013 for 21,000 shares at a per-share exercise price of $7.52 and vesting quarterly over a three-year period.

(9) Mr. Gensch is a director of the Company. Shares reflected in the table include 3,000 of vested stock options granted pursuant to a stock option agreement dated July 1, 2014 for 18,000 shares at a per-share exercise price of $7.52 and vesting quarterly over a three-year period.

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DESCRIPTION OF THE L BONDS

General

The L Bonds will be secured obligations of GWG Holdings. The L Bonds will be issued under the indenture between us and Bank of Utah as the indenture trustee, dated October 19, 2011, as amended or supplemented from time to time, including by that certain Amendment No. 2 to Indenture to be entered into in connection with this offering of L Bonds (referred to collectively herein as the indenture). The terms and conditions of the L Bonds include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939. The following is a summary of the material provisions of the indenture. For a complete understanding of the L Bonds, you should review the definitive terms and conditions contained in the indenture, which include definitions of certain terms used below. A copy of the indenture has been filed with the SEC as an exhibit to the registration statement of which this prospectus is a part, and is available from us at no charge upon request.

The following is a summary of the material terms associated with the L Bonds:

The L Bonds are general secured obligations of GWG Holdings. The obligations are secured by a grant of a security interest in all of the assets of GWG Holdings, which assets will serve as collateral for our obligations under the L Bonds. This grant of a security interest is effected pursuant to a pledge and security agreement attached to the indenture.

The L Bonds are fully and unconditionally guaranteed by our wholly owned direct subsidiary, GWG Life, but otherwise are not guaranteed by any other person or entity. The guarantee is backed by a grant of a security interest in all of the assets of GWG Life, which assets will serve as additional collateral for our obligations under the L Bonds. Chief among these assets is GWG Life s ownership interest in DLP Funding II. This guarantee is effected pursuant to provisions contained in the indenture.

The L Bonds are also secured by a pledge of the equity ownership interests in GWG Holdings by its principal stockholders Jon R. Sabes and Steven F. Sabes which pledge is effected pursuant to a pledge and security agreement attached to the indenture.

The collateral granted for our obligations under the L Bonds (i.e., the security interest in all of the assets of GWG Holdings, and the guarantee by GWG Life and corresponding security interest in all of its assets including a pledge of the equity ownership interests in DLP Funding II), together with (i) certain covenants contained in the documents relating to our earlier issued Series I Secured notes (of which approximately $28.0 million was outstanding as of June 30, 2014), and (ii) an intercreditor agreement, as amended, between Bank of Utah (on behalf of the L Bond holders, and on behalf of the previously issued L Bonds) and Lord Securities Corporation (the collateral trustee for the Series I Secured notes), make the L Bonds pari passu with the Series I Secured notes and the previously issued L Bonds (of which approximately $157.5 million was outstanding as of June 30, 2014) with respect to payment, security and collateral. The intercreditor agreement is attached to the indenture.

The L Bonds will be junior to the $100 million revolving credit facility of DLP Funding II with Autobahn/DZ Bank, which currently has an outstanding balance of approximately $79 million. The L Bonds will also be junior to any other senior lending facility we may later obtain.

The L Bonds are not savings accounts, certificates of deposit (CDs) or other forms of deposits, and are not insured by the FDIC or any other governmental agency.

The L Bonds are not directly secured by any life insurance assets not owned by GWG Life. A significant amount of our life insurance assets (76.8% of our policies, representing approximately 79.0% of the face value of policy benefits as of June 30, 2014) are held by our DLP Funding II subsidiary. Although GWG Life s equity ownership interests in DLP Funding II is an asset in which GWG Life has pursuant to its guarantee granted a security interest to serve as collateral for

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obligations under the L Bonds, the payment on such equity interests will be subordinate to the interests of creditors of DLP Funding II, including our senior creditor Autobahn/DZ Bank.

The L Bonds do not have the benefit of a sinking fund for the retirement of principal.

The L Bonds are not convertible into our capital stock or other securities.

We have the option to call and redeem the entire outstanding principal balance and accrued but unpaid interest of any L Bonds at any time and without premium or penalty. If we elect to call and redeem your L Bonds, those redeemed L Bonds will cease to accrue interest after the redemption date under the terms and subject to the conditions of the indenture.

Except in limited circumstances (death, bankruptcy or total disability), L Bond holders will have no right to require us to redeem any L Bond prior to its maturity date. Any early redemption will be for the total outstanding principal balance and accrued but unpaid interest. If we in our sole discretion nonetheless elect to accommodate a redemption request, we will redeem the entire (but not less than the entire) outstanding principal balance and accrued but unpaid interest of the L Bonds and impose a redemption fee of 6% against the outstanding principal balance of the L Bond redeemed. This fee will be subtracted from the amount paid to you.

The L Bonds will be denominated in U.S. dollars and we intend to sell the L Bonds at 100% of their principal face amount. The minimum investment amount in the L Bonds will be $25,000. Above that minimum amount, L Bonds may be purchased in $1,000 increments. Subject to the minimum investment amount, you may select the principal amount and term of the L Bonds (ranging from six months to seven years) you would like to purchase when you subscribe. The interest rate of your L Bond will remain fixed until maturity. Depending on our capital requirements, we may not, however, always offer L Bonds with the particular terms you seek. See Description of the L Bonds Interest Rate and Maturity below.

Upon acceptance of your subscription, we will create an account in a book-entry registration and transfer system for you, and credit the principal amount of your subscription to your account. We will also send you a purchase confirmation that will indicate our acceptance of your subscription. If your subscription is rejected, all funds deposited will be promptly returned to you without any interest. See Registration and Exchange below. Alternatively, you may subscribe for L Bonds as a direct participant with Depository Trust Company (DTC settlement). See Plan of Distribution Settlement Procedures for more information.

Investors whose subscriptions for L Bonds have been accepted and anyone who subsequently acquires L Bonds in a qualified transfer are referred to as holders or registered holders in this prospectus. We may modify or supplement the terms of the L Bonds described in this prospectus from time to time in a supplement to the indenture and a supplement to this prospectus. Except as set forth under Amendment, Supplement and Waiver below, any modification or amendment will not affect L Bonds outstanding at the time of such modification or amendment.

The L Bonds are transferable pursuant to the terms of the indenture. The L Bonds may be transferred or exchanged for other L Bonds of the same series and class of a like aggregate principal amount subject to limitations contained in the indenture. We will not charge a fee for any registration, transfer or exchange of L Bonds. However, we may require the holder to pay any tax, assessment fee, or other governmental charge required in connection with any registration, transfer or exchange of L Bonds. The registered holder of an L Bond will be treated as its owner for all purposes.

Denomination

You may purchase L Bonds in the minimum principal amount of $25,000, and in whole increments of $1,000 above $25,000. You will determine the original principal amount of each L Bond you purchase when you subscribe. You may not cumulate purchases of multiple L Bonds with principal amounts less than $25,000 to satisfy the minimum requirement. In our discretion, we may waive the $25,000 minimum purchase requirement for any investor.

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Term

We may offer L Bonds with the following terms to maturity:

six months	three years
one year	five years
two years	seven years

You will select the term of each L Bond you purchase when you subscribe. You may purchase multiple L Bonds with different terms by filling in investment amounts for more than one term on your Subscription Agreement. Nevertheless, during this offering we may not always offer L Bonds with each of the maturity terms outlined above.

The actual maturity date will be on the last day of the month in which the L Bond matures (i.e., the month in which the L Bond s term ends). For example, if you select a one-year term and your L Bond becomes effective on January 1, 2015, the actual maturity date will be January 31, 2016. After actual maturity, we will pay all outstanding principal and accrued but unpaid interest on the L Bond no later than the fifth day of the calendar month next following its maturity (or the first business day following the fifth day of such month). So, in the case of an L Bond with a maturity date of January 31, 2016, actual payment will be made on or prior to February 5, 2016 (unless such date is not a business day, in which case actual payment will be made on the next business day). The L Bonds do not earn interest after the maturity date or any date set for prepayment.

Should the original L Bond holder (x) no longer be the holder of the L Bond or (y) be unavailable, or a change in payee be necessary, such as in the case of a surviving estate, we may require a copy of the executed assignment to any transferee, or an order from a court or probate commission, as the case may be, in order that we know the principal is returned to the rightful party.

Interest Rate

The rate of interest we will offer to pay on L Bonds at any particular time will vary based upon market conditions, and will be determined by the term to maturity of the L Bonds, our capital requirements and other factors described below. The interest rate on a particular L Bond will be determined at the time of subscription or renewal and then remain fixed for the original or renewal term of the L Bond. We will establish and may change the interest rates payable for L Bonds of various terms and at various investment levels in an interest rate supplement to this prospectus.

We may offer L Bonds that earn incrementally higher interest rates when, at the time they are purchased or renewed, the aggregate principal amount of the L Bond portfolio of the holder increases. If applicable, the interest rates payable at each level of investment will be set forth in an interest rate supplement to this prospectus. We may change the interest rate for any or all maturities to reflect market conditions at any time by supplementing this prospectus. If we change the interest rates, the interest rate on L Bonds issued before the date of the change will not be affected.

Payments on the L Bonds; Paying Agent and Registrar

Investors will have the opportunity to select whether interest on their L Bonds will be paid monthly or annually. For investors using direct settlement with the Company, this selection opportunity will be presented in the Subscription Agreement.

Interest will accrue on the L Bonds at the stated rate from and including the effective date of the L Bond until maturity. The effective date of an L Bond will be as follows:

> If you purchase an L Bond through DTC settlement, the first business day after the monthly closing cycle with DTC. In this regard, you should be aware that the final settlement date for participating in a closing cycle will generally require you to have paid your subscription no later than the last business day of the prior calendar month. So for example, to participate in a closing cycle on which L Bonds will be issued on May 1, your DTC settlement subscription must be effected and paid for no later than April 30 (if April 30 is a business day, and if not then the last business day prior to April 30).

> If you purchase an L Bond through direct settlement with the Company, the effective date of your bond will be the following, as applicable: (i) in cases where you pay for your bond via wire transfer directly to us, the first business day of the next calendar month after which we receive the wire; (ii) in cases where you pay for your bond by bank draft directly to us, the first business day of the next calendar month after which we receive the draft; or (iii) in cases where you pay for your bond by personal check, the first business day of the calendar month that is at least five full business days after which we receive the check. In all cases involving direct settlement with the Company, we must also have received your completed and executed Subscription Agreement.

Interest payments on L Bonds will be paid on the 15th day immediately following the last day of the applicable interest payment period. Interest will be paid without any compounding. The first payment of interest will include interest for the partial period in which the purchase occurred. The indenture provides that all interest will be calculated based on a year with twelve 30-day months.

If you purchase your L Bond through direct settlement, we will pay the principal of, and interest on, L Bonds by direct deposit to the account you specify in your Subscription Agreement. We will not accept subscriptions from investors who are not willing to receive their interest payments via direct deposit. If the foregoing payment method is not available, principal and interest payments on the L Bonds will be payable at our principal executive office or at such other place as we may designate for payment purposes. If you purchase your L Bond through DTC settlement, our payments of principal and interest will be paid to the depositary (DTC) and then be credited to your brokerage or custodial account through the DTC procedures followed by your brokerage firm or custodian. For more information, please see Registration and Exchange Global Certificates Deposited with DTC below.

We will withhold 28% of any interest payable to any investor who has not provided us with a social security number, employer identification number, or other satisfactory equivalent in the Subscription Agreement (or another document) or where the IRS has notified us that backup withholding is otherwise required. Please see Material Federal Income Tax Considerations Backup Withholding and Information Reporting.

Registration and Exchange

The L Bonds that we settle directly will generally be issued in book-entry form, which means that no physical L Bond is created, subject, however, to limited exceptions described in the indenture. The L Bonds settled through DTC settlement will be represented by global certificates deposited with the depositary as described below.

Book-Entry Registration

Evidence of your ownership will be provided by written confirmation. As described below, holders may, under certain circumstance described below, opt to receive physical delivery of a certificated security that evidences their L Bonds. Otherwise, the issuance and transfer of L Bonds will be accomplished exclusively through the crediting and debiting of the appropriate accounts in our book-entry registration and transfer system.

The holders of the accounts established upon the purchase or transfer of L Bonds will be deemed to be the owners of the L Bonds under the indenture. The holder of the L Bonds must rely upon the procedures established by the trustee to exercise any rights of a holder of L Bonds under the indenture. We will regularly provide the trustee with information regarding the establishment of new accounts and the transfer of existing accounts.

On or prior to any interest payment date or upon redemption, we will also provide the trustee with information regarding the total amount of any principal and interest due to holders of L Bonds. On each interest payment date, we will credit interest due on each account and direct payments to the holders. We will determine the interest payments to be made to the book-entry accounts and maintain, supervise and review any records relating to book-entry accounts for the L Bonds.

Book-entry notations in the accounts evidencing ownership of the L Bonds are exchangeable for certificated L Bonds only: (i) at the request of the holder, at the end of the Company s next fiscal quarter; or (ii) after the occurrence of an event of default under the indenture, if holders of more than 50% of the aggregate outstanding principal amount of the L Bonds advise the trustee in writing that the continuation of a book-entry system is no longer in the best interests of the holders of L Bonds. In its discretion, the Company may elect to terminate the book-entry system and replace book-entry notations with physical certificates.

Global Certificates Deposited with DTC

L Bonds may be issued in the form fully registered global certificates deposited with, or on behalf of, The Depository Trust Company (DTC), New York, NY, and registered in the name of Cede & Co., as nominee of DTC. Unless and until exchanged, in whole or in part, for L Bonds in definitive registered form, a global certificate may not be transferred except as a whole by the depositary to a nominee of such depositary, by a nominee of such depositary to such depositary or another nominee of such depositary, or by such depositary or any nominee of such depositary to a successor of such depositary or a nominee of such successor.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among its participants in such securities through electronic computerized book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC s participants include securities brokers and dealers (including the managing broker-dealer), banks, trust companies, clearing corporations and certain other organizations, some of whom own DTC. Access to DTC s book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

If available, purchases of the L Bonds within the DTC system must be made by or through direct participants, which will receive a credit for the L Bonds on DTC s records. The ownership interest of each beneficial owner of the L Bonds will be recorded on the direct and indirect participants records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners entered into the transaction. Transfers of ownership interests in the L Bonds are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners.

To facilitate subsequent transfers, all L Bonds deposited by participants with DTC will be registered in the name of DTC s nominee, Cede & Co. The deposit of the L Bonds with DTC and their registration in the name of Cede & Co. will effect no change in beneficial ownership. DTC will have no knowledge of the actual beneficial owners of the L Bonds. DTC s records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

We will make payments due on the notes to Cede & Co., as nominee of DTC, in immediately available funds. DTC s practice is to credit direct participants accounts, upon DTC s receipt of funds and corresponding detailed information, on the relevant payment date in accordance with their respective holdings shown on DTC s records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or

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registered in street name, and will be the responsibility of such participant and not our responsibility or DTC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. is our responsibility. Disbursement of such payments to direct participants is the responsibility of Cede & Co. Disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants.

Except as provided herein, a beneficial owner of an interest in a global certificate will not be entitled to receive physical delivery of the L Bonds. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the L Bonds. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global certificate.

As long as the depositary, or its nominee, is the registered holder of a global certificate, the depositary or such nominee will be considered the sole owner and holder of the L Bonds represented thereby for all purposes under the L bonds and the indenture. Except in the limited circumstances referred to below, owners of beneficial interests in a global certificate will not be entitled to have such global certificate or any L Bonds represented thereby registered in their names, will not receive or be entitled to receive physical delivery of certificated L Bonds in exchange for the global certificate and will not be considered to be the owners or holders of such global certificate or any certificates represented thereby for any purpose under the L Bonds or the indenture. Accordingly, each person owning a beneficial interest in such global certificate must rely on the procedures of the depositary and, if such person is not a participant, on the procedures of the participant through which such person owns its interest to exercise any rights of a holder under the indenture.

If the depositary for a global certificate representing L Bonds is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by us within 90 days, we will issue L Bonds in definitive form in exchange for such global certificate. In addition, we may at any time and in our sole discretion determine not to have the L Bonds represented by one or more global certificates and, in such event, we will issue the notes in definitive form in exchange for all of the global certificates representing the L Bonds. Finally, if an event of default, or an event which with the giving of notice or lapse of time or both would constitute an event of default, with respect to the L Bonds represented by a global certificate has occurred and is continuing, then we will issue L Bonds in definitive form in exchange for all of the global certificates representing the notes.

Although DTC has agreed to the procedures provided above in order to facilitate transfers, it is under no obligation to perform these procedures, and these procedures may be modified or discontinued at any time.

Limited Rescission Right

If you are purchasing L Bonds through direct settlement with the Company and your Subscription Agreement is accepted at a time when we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the SEC, but such post-effective amendment has not yet been declared effective, we will send to you at your registered address a notice and a copy of the related prospectus once it has been declared effective. You will thereupon have the right to rescind your investment upon written request within ten business days from the postmark date of the notice we send to you that the post-effective amendment has been declared effective (and containing the related prospectus). We will promptly return any funds sent with a Subscription Agreement that is properly rescinded without penalty, although any interest previously paid on a rescinded L Bond will be deducted from the funds returned to you upon rescission. A written request for rescission, except in the case of a mailed rescission, must be postmarked on or before the tenth business day after our notice to you (described above). If you notify us other than by mail, we must actually receive your rescission request on or before the tenth business day after our notice to you.

We will not accept purchases of L Bonds through DTC settlement if, as of the end of the monthly closing for DTC settlement, we have determined that a post-effective amendment to the registration statement of which this prospectus is a part must be filed with the SEC, but such post-effective amendment has not yet

been declared effective. In any such case, settlement of your L Bond purchase must occur in the following month.

Renewal or Repayment on Maturity

At least 30 days prior to the maturity of your L Bond, we will provide you with a notice indicating that your L Bond is about to mature and whether we will allow automatic renewal of your L Bond. If we allow you to renew your L Bond, we will also provide to you the then-current form of prospectus, which may include an interest rate or prospectus supplement and any other updates to the information contained in this prospectus. The prospectus, or the interest rate or prospectus supplement, will set forth the interest rates then in effect. The notice will recommend that you review the then-current prospectus, including any interest rate or prospectus supplement, prior to exercising one of the below options. If we do not provide you a new prospectus because the prospectus has not changed since the delivery of this prospectus in connection with your original investment or any prior renewal, we will nonetheless send you a new copy of the prospectus upon your request. Unless the election period is extended as described below, you will have until 15 days prior to the maturity date to exercise one of the following options:

You can do nothing, in which case (subject to applicable law) your L Bond will automatically renew for a new term equal to the original term but at the interest rate in effect at the time of renewal. Interest on renewed L Bonds will be paid on the same schedule (i.e., monthly or annually) as the original L Bond. If applicable, a new certificate will be issued.

You can elect repayment of your L Bond, in which case the principal amount will be repaid in full along with any accrued but unpaid interest. If you choose this option, your L Bond will not earn interest on or after the maturity date.

You can elect repayment of your L Bond and use all or part of the proceeds to purchase a new L Bond with a different term or principal amount. To exercise this option, you will need to complete a new Subscription Agreement for the new L Bond and mail it along with your request, or else work with your broker if you wish to purchase your new L Bond through DTC settlement. Any proceeds from the old L Bond that are not applied to the new L Bond will be sent to you.

The foregoing options will be available to holders unless and until terminated under the indenture. Interest will accrue from the first day of each renewed term. Each renewed L Bond will retain all its original provisions, including provisions relating to payment, except that the interest rate payable during any renewal term will be the interest rate that is being offered at that time to other holders with similar aggregate L Bond portfolios for L Bonds of the same term as set forth in the interest rate supplement delivered with the maturity notice. If similar L Bonds are not then being offered, the interest rate upon renewal will be the rate specified by us on or before the maturity date, or the rate of the existing L Bond if no such rate is specified.

If we notify the holder of our intention to repay an L Bond at maturity, or if the holder timely requests repayment, we will pay the principal and all accrued but unpaid interest on the L Bond on or prior to the fifth day of the calendar month after the maturity date (or the first business day following the fifth day of such month). Thus, in the case of an L Bond with a maturity date of January 31, 2015, actual payment will be made on or prior to February 5, 2015 (unless such date is not a business day, in which case actual payment will be made on the next business day). No interest will accrue after the maturity date. You should be aware that because payment is made by ACH transfer, funds may not be received in the holder s account for two to three business days.

We will be required from time to time to file post-effective amendments to the registration statement of which this prospectus is a part to update the information it contains. If you would otherwise be entitled to renew your L Bonds upon their stated maturity at a time when we have determined that a post-effective amendment must be filed with the SEC, but such post-effective amendment has not yet been declared effective, then the period during which you can elect renewal (or repayment) will be automatically extended until ten days following the postmark date of our notice to you that the post-effective amendment has been

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declared effective, which notice shall contain a copy of the related prospectus. All other provisions relating to the renewal or redemption of L Bonds upon their stated maturity described above shall remain unchanged.

For any L Bonds offered hereby that mature on or after the three-year anniversay of the date on which the registration statement of which this prospectus is a part shall have been declared effective, we expect that the renewal of such L Bonds may require us to file a new registration statement. In such a case, the new registration statement must be declared effective before we can renew your L Bond. In this event, if the new registration statement has not yet been filed or become effective, we will extend your election period until ten days following the date of our notice to you that the new registration statement has become effective, which notice will include a new prospectus.

Call and Redemption Prior to Stated Maturity

We may call and redeem, in whole or in part, principal amount and accrued but unpaid interest on any L Bonds prior to their stated maturity only as set forth in the indenture and described below. The holder has no right to put or otherwise require us to redeem any L Bond prior to its maturity date (as originally stated or as it may be extended), except as indicated in the indenture and described below.

Our Voluntary Redemption

We have the right to redeem any L Bond, in whole or in part, at any time prior to its stated maturity upon at least 30 days written notice to the holder of the L Bond. The holder of the L Bond being redeemed will be paid a redemption price equal to the outstanding principal amount thereof plus accrued but unpaid interest up to but not including the date of redemption without any penalty or premium. We may use any criteria we choose to determine which L Bonds we will redeem if we choose to do so. We are not required to redeem L Bonds on a pro rata basis.

Holder s Put Election Upon Death, Bankruptcy or Total Permanent Disability

L Bonds may be redeemed prior to maturity at the election of a holder who is a natural person (including L Bonds held in an individual retirement account and the holders of a beneficial interest in a global certificate held by a depositary or its nominee), by giving us written notice within 45 days following the holder s total permanent disability or bankruptcy, as established to our satisfaction, or at the election of the holder s estate, by giving written notice within 45 days following the death of the holder. Subject to the limitations described below, we will redeem the L Bonds not later than the 15th day of the month next following the month in which we establish to our satisfaction the holder s death, bankruptcy or total permanent disability. In the event that the 15th day of the month next following the month in which we so establish such facts is not a business day, we will redeem the L Bonds on the next business day. The redemption price, in the event of such a death, bankruptcy or total permanent disability, will be the entire principal amount of the L Bonds, plus accrued but unpaid interest thereon up to and through the last day of the calendar month preceding the redemption date.

If spouses are joint registered holders of an L Bond, the right to elect to have us redeem L Bonds will apply when either registered holder dies, files bankruptcy or suffers a total permanent disability. If the L Bond is held jointly by two or more persons who are not legally married, none of these persons will have the right to request that we redeem the L Bonds unless all joint holders have died, filed bankruptcy or suffered a total permanent disability. If the L Bond is held by a trust, partnership, corporation or other similar entity, the right to request redemption upon death or total permanent disability does not apply.

Redemption at Request of Holder

We have no obligation to redeem any L Bonds other than upon maturity, or upon the death, bankruptcy or total permanent disability of a natural person holder. Nevertheless, at our sole discretion we may agree from time to time, at the written request of a holder (including the holder of a beneficial interest in a global certificate held by a depositary or its nominee), to redeem an L Bond, subject, however, to a redemption fee of 6.0% of the principal amount of such L Bond. If we so redeem any L Bond prior to maturity, we will redeem

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the entire principal amount of such L Bond together with accrued but unpaid interest thereon, The redemption fee will be subtracted from the amount paid to you.

Transfers

The L Bonds will be transferable in accordance with the indenture. For L Bonds that are issued solely in book-entry form, transfers will be effective only upon the delivery to us of an executed assignment or other conveyance instrument in customary form. For L Bonds that are represented by a global certificate held by a depositary or its nominee, transfers of beneficial interests in such certificate must be effected in accordance with the procedures and rules of the depositary.

Upon transfer of an L Bond, we will provide the new holder of the L Bond with a purchase confirmation that will evidence the transfer of the account on our records. If applicable (e.g., if transferred to a custodial account), a new certificate will be issued. No written confirmations will be provided with respect to transfers of beneficial interests in a global certificate held by a depositary or its nominee.

Quarterly Statements

We will provide holders of the L Bonds with quarterly statements, which will indicate, among other things, the account balance at the end of the quarter, interest credited, redemptions made, if any, and the interest rate paid during the quarter. These statements will be sent electronically on or prior to the 10th business day after the end of each calendar quarter. If a holder is unwilling or unable to receive quarterly statements electronically, we will mail the statements to the address of record on or prior to the 10th business day after the end of each calendar quarter. In such a case, we may charge such holders a reasonable fee to cover our expenses incurred in mailing the statements.

Ranking

The L Bonds will constitute secured debt of GWG Holdings. The payment of principal and interest on the L Bonds will be:

pari passu with respect to payment and collateral securing the approximately $28.0 million in outstanding principal amount of Series I Secured notes previously issued by our subsidiary GWG Life, and the L Bonds previously issued by GWG Holdings, Inc. (originally under the name Renewable Secured Debentures and to be renamed L Bonds upon the effectiveness of the registration statement of which this prospectus is a part) (referred to in this prospectus as the previously issued L Bonds or the Renewable Secured Debentures), of which approximately $157.5 million in principal amount is outstanding as of June 30, 2014 (see the caption Collateral Security below);

structurally junior to the present and future obligations owed by our subsidiary DLP Funding II under the senior secured revolving credit facility with Autobahn/DZ Bank (including the approximately $79 million outstanding under such facility as of June 30, 2014), and structurally or contractually junior to any future obligations that DLP Funding II or other primary obligors or guarantors may have under future senior secured borrowing facilities; and

structurally junior to the present and future claims of creditors of our subsidiaries, other than GWG Life, including trade creditors, including trade creditors.

The indenture will permit us to issue other forms of debt, including secured and senior debt, in the future.

Pari passu means that claims for payment and entitlement to security among the holders of L Bonds, the holders of previously issued L Bonds, and the holders of Series I Secured notes previously issued by GWG Life, together with the holders of any later-created class of pari passu debt, will be treated equally and without preference. Although we have no present intention of causing GWG Life to issue additional secured debt in the future, any such debt issued on a pari passu basis in the future would also be treated equally and

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without preference in respect of the L Bonds, the previously issued L Bonds and Series I Secured notes. We may continue our offering of Series I Secured Notes and previously issued L Bonds for renewals only, and any such debt issued on a pari passu basis in the future would also be treated equally and without preference in respect of the L Bonds and any secured debt issued by GWG Life. Thus, in the event of any default on the L Bonds (or any other debt securities of ours that is pari passu with the L Bonds) resulting in claims for payment or claims on collateral security, the holders of the L Bonds and all such other debt securities pari passu with the L Bonds would share in payment or collateral in proportion to the amount of principal and interest owed on each such debt instrument.

Guarantee by GWG Life Subsidiary

The payment of principal and interest on the L Bonds is fully and unconditionally guaranteed by GWG Life. This guarantee, together with (i) the accompanying grant of a security interest in all of the assets of GWG Life, including GWG Life s entire ownership interest in DLP Funding II, (ii) the pledge of ownership interests in GWG Holdings, Inc. by our principal stockholders, and (iii) an intercreditor agreement, as amended, between Bank of Utah (on behalf of the L Bond holders and on behalf of the holders of previously issued L Bonds) and Lord Securities Corporation (the collateral trustee for the Series I Secured notes), make the L Bonds pari passu with the Series I Secured notes and the previously issued L Bonds with respect to payment, security and collateral. For an explanation of the term pari passu, see Ranking above. There were approximately $28.0 million in principal amount of Series I Secured notes and approximately $157.5 million in principal amount of previously issued L Bonds outstanding as of June 30, 2014.

Collateral Security

The L Bonds are secured by the assets of GWG Holdings, Inc. We will grant a security interest in all of the assets of GWG Holdings to the indenture trustee for the benefit of the L Bond holders. The assets of GWG Holdings consist, and are expected to consist, primarily of (i) any cash proceeds received from its subsidiaries as distributions derived from life insurance assets of subsidiaries, (ii) all other cash and investments held in various accounts, (iii) the equity ownership interests in subsidiaries of GWG Holdings, including the equity ownership interest in GWG Life, together with (iv) all proceeds from the foregoing. This collateral security granted by us is referred to as the GWG Holdings Assets Collateral.

As indicated above, our direct and wholly owned subsidiary, GWG Life, will fully and unconditionally guarantee our obligations under the L Bonds. This guarantee will be supported by GWG Life s grant of a security interest in all of its assets. The assets of GWG Life consist, and are expected to consist, primarily of (i) certain life insurance assets, (ii) any cash proceeds received from life insurance assets owned by GWG Life or received from its direct subsidiary DLP Funding II as distributions derived from life insurance policies owned by that subsidiary, (iii) all other cash and investments held by GWG Life in its various accounts, (iv) GWG Life s equity ownership interest in its direct subsidiary DLP Funding II, together with (v) all proceeds from the foregoing. The collateral security granted by GWG Life pursuant to its guarantee of our obligations under the L Bonds is referred to as the GWG Life Assets Collateral.

In addition, Messrs. Jon R. Sabes and Steven F. Sabes, our principal stockholders beneficially holding approximately 75.07% of the outstanding shares of our common stock, have pledged all of the shares they own in GWG Holdings to further secure our obligations under the L Bonds. This collateral security granted by Messrs. Jon R. Sabes and Steven F. Sabes is referred to as the GWG Holdings Equity Collateral.

Together, the GWG Holdings Assets Collateral, GWG Life Assets Collateral and GWG Holdings Equity Collateral comprise all of the collateral security for our obligations under the L Bonds. To the extent that we subsequently establish one or more wholly owned subsidiaries of GWG Holdings or GWG Life, the L Bonds will have a security interest in the equity ownership interests of those subsidiaries if and to the extent owned by GWG Holdings or GWG Life.

The guarantee by GWG Life is contained in the indenture, and the grant of security interests in the GWG Holdings Assets Collateral, GWG Life Assets Collateral and GWG Holdings Equity Collateral is effected through a Pledge and Security Agreement that is an exhibit to the indenture and has been amended in

connection with this offering of L Bonds. The grant of collateral security comprising the GWG Life Assets Collateral and GWG Holdings Equity Collateral is designed to afford the holders of L Bonds with rights to the same payment and collateral as that granted to holders of our Series I Secured notes and the holders of our previously issued L Bonds on a pari passu basis. To effect this arrangement, the trustee under the

indenture, Bank of Utah (to whom the security grant for L Bonds and the previously issued L Bonds are made under the Pledge and Security Agreement, as amended), has entered into an Intercreditor Agreement with Lord Securities Corporation (the trustee for our Series I Secured notes). This intercreditor agreement is an exhibit to the indenture and has been amended in connection with this offering of L Bonds. Neither the indenture nor the Pledge and Security Agreement contain any provision preventing a pledging party from disposing of any collateral in the ordinary course of business. In this regard, the Pledge and Security Agreement permits the disposition of GWG Holdings Equity Collateral to the extent the number of shares continuing to constitute such collateral represents at least 10% of the number of shares held by each individual grantor as of the date of the Pledge and Security Agreement.

A significant amount of our life insurance assets (76.8% of our policies, representing approximately 79.0% of the face value of policy benefits as of June 30, 2014) are held in our subsidiary GWG DLP Funding II, LLC, which we refer to throughout this prospectus as DLP Funding II. The L Bonds will not be directly secured by any security interest in the assets of DLP Funding II. Instead, the L Bonds will be secured by a pledge of the equity ownership interests in DLP Funding II owned by GWG Life by virtue of the guarantee provisions in the indenture and the Pledge and Security Agreement referenced above. An equity ownership interest is, by its very nature, subordinate to the interests of creditors. **Therefore, although investors in the L Bonds will have a security interest in the ownership of DLP Funding II, any claim they may have to the assets owned by such entity will be subordinate to the interests of creditors of that entity, including (i) Autobahn/DZ Bank which is the lender to DLP Funding II under our revolving credit facility, and (ii) all other creditors of DLP Funding II, including trade creditors. In addition, there is the risk that the collateral security granted for our obligations under the L Bonds may be insufficient to repay the L Bonds upon an event of default. See Risk Factors, page 28** *(The collateral granted as security...).*

Subordination; Other Indebtedness

Our obligations under the L Bonds will be subordinate to all our senior debt. For this purpose, our senior debt presently includes all indebtedness of our subsidiaries with respect to which the L Bonds are not pari passu with respect to payment and collateral (i.e., other than our Series I Secured notes and previously issued L Bonds). In this regard, our subsidiary DLP Funding II has, as of June 30, 2014, approximately $79 million of debt outstanding under our revolving credit facility. With respect to pari passu indebtedness, as of June 30, 2014 our subsidiary GWG Life has approximately $28.0 million of debt outstanding under our Series I Secured notes, and we had approximately $157.5 million of debt outstanding under our previously issued L Bonds.

The maximum amount of debt, including the L Bonds, we may issue is limited by the indenture. In particular, the indenture prohibits us from issuing debt in an amount such that our debt coverage ratio would exceed 90%. The indenture defines the debt coverage ratio as a percentage calculated by the ratio of (A) obligations owing by us and our subsidiaries on all outstanding debt for borrowed money (including the L Bonds), over (B) the net present asset value of all life insurance assets we own, directly or indirectly, plus any cash held in our accounts. For this purpose, the net present asset value of our life insurance assets is equal to the present value of the cash flows derived from the face value of policy benefit assets we own, discounted at a rate equal to the weighted average cost of capital for all our indebtedness for the prior month.

We are required to notify the indenture trustee in the event that we violate this restrictive covenant. An event of default will exist under the indenture if a violation of this covenant persists for a period of 30 calendar days after our initial notice to the trustee.

The L Bonds are guaranteed by GWG Life but otherwise are not guaranteed by any of our subsidiaries, affiliates or control persons. Neither indenture nor the Pledge and Security Agreement prevent holders of debt issued by our subsidiaries from disposing of, or exercising any other rights with respect to, any or all of the

collateral securing that debt. Accordingly, in the event of a liquidation or dissolution of one of our subsidiaries (other than GWG Life), creditors of that subsidiary that are senior in rank will be paid in full, or provision for such payment will be made, from the assets of that subsidiary prior to distributing any remaining assets to us as an equity owner of that subsidiary.

The indenture also contains specific subordination provisions, benefitting lenders under senior credit facilities to our operating subsidiaries, restricting the right of L Bond holders to enforce certain of their rights in certain circumstances, including:

- a prohibition on challenging any enforcement action taken by a senior lender or interfering with any legal action or suits undertaken by the senior lender against us and our affiliates;

a 180-day standstill period during which there may not be brought any action to enforce an event of default against us or our affiliates unless our revolving credit facility has been repaid in full, which period may be extended if the credit facility provider takes action during such standstill period; and

a prohibition on filing a bankruptcy or insolvency case against us or our affiliates for at least one year plus one day after the revolving credit facility lender has been paid in full.

We will not make any payment, direct or indirect (whether for interest, principal, as a result of any redemption or repayment at maturity, on default, or otherwise), on the L Bonds and any other indebtedness, and neither the holders of the L Bonds nor the trustee will have the right, directly or indirectly, to sue to enforce the indenture or the L Bonds, if a default or event of default under any senior credit facility has occurred and is continuing, or if any default or event of default under any senior credit facility would result from such payment, in each case unless and until:

the default and event of default has been cured or waived or has ceased to exist; and

the end of the period commencing on the date the indenture trustee receives written notice of default from a holder of such credit facility and ending on the earlier of the indenture trustee s receipt of (i) a valid waiver of default from the holder of a credit facility, or (ii) a written notice from the holder of a credit facility terminating the payment blockage period.

Notwithstanding the foregoing, if any of the blockage events described above have occurred and 179 days have passed since the indenture trustee s receipt of the notice of default without the occurrence of the cure, waiver, termination, or extension of all blockage periods described above, the trustee may thereafter sue on and enforce the indenture and our obligations thereunder and under the L Bonds as long as any funds paid as a result of any such suit or enforcement action shall be paid toward the senior credit facility until it is indefeasibly paid in full before being applied to the L Bonds. The indenture contains provisions whereby each investor in the L Bonds consents to the subordination provisions contained in the indenture and related agreements governing collateral security.

If the 180-day standstill period noted above or any other limitation on the rights of the trustee or L Bond holders to assert their rights to payment of principal or interest under the indenture or L Bonds is ultimately determined to conflict with provisions of the Trust Indenture Act of 1939 (most notably sections 316(b) and 317(a) of that Act), then the trustee, as well as any holder who shall not have earlier consented to such subordination provisions, shall (notwithstanding such provision contained in the indenture) be authorized to institute a lawsuit for the enforcement of any payment of principal or interest after their respective due dates.

No Sinking Fund

The L Bonds are not associated with any sinking fund. A sinking fund is generally any account to which contributions will be made, from which payments of principal or interest owed on the L Bonds will be made. See Risk Factors, page 19.

Restrictive Covenants

The indenture contains covenants that restrict us from certain actions as described below. In particular, the indenture provides that:

we will not declare or pay any dividends or other payments of cash or other property solely in respect of our capital stock to our stockholders (other than a dividend paid in shares of our capital stock on a pro rata basis to all our stockholders) unless no default and no event of default with respect to the L Bonds exists or would exist immediately following the declaration or payment of the dividend or other payment;

to the extent legally permissible, we will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or the performance of the indenture;

our Board of Directors will not adopt a plan of liquidation that provides for, contemplates or the effectuation of which is preceded by (a) the sale, lease, conveyance or other disposition of all or substantially all of our assets, otherwise than (i) substantially as an entirety, or (ii) in a qualified sales and financing transaction, and (b) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition and of our remaining assets to the holders of our capital stock, unless, prior to making any liquidating distribution pursuant to such plan, we make provision for the satisfaction of our obligations under the renewable unsecured subordinated notes; and

our debt coverage ratio may not exceed 90%.

The indenture defines the debt coverage ratio as a percentage calculated by the ratio of (A) obligations owing on all outstanding debt for borrowed money (including the L Bonds), over (B) the net present asset value of all life insurance assets we own, plus any cash held in our accounts. For this purpose, the net present asset value of our life insurance assets is equal to the present value of the face value of policy benefit assets we own, discounted at a rate equal to the weighted-average cost of capital for all our indebtedness for the prior month.

Importantly, we are not restricted from entering into qualified sale and financing transactions as defined in the indenture, or incurring additional indebtedness, including additional senior debt.

Consolidation, Mergers or Sales

The indenture generally permits a consolidation or merger between us and another entity. It also permits the sale or transfer by us of all or substantially all of our property and assets. These transactions are permitted if:

the resulting or acquiring entity, if other than us, is a United States corporation, limited liability company or limited partnership and assumes all of our responsibilities and liabilities under the indenture, including the payment of all amounts due on the notes and performance of the covenants in the indenture; and

immediately after the transaction, and after giving effect to the transaction, no event of default shall exist under the indenture.

If we consolidate or merge with or into any other entity or sell or lease all or substantially all of our assets, according to the terms and conditions of the indenture, the resulting or acquiring entity will be substituted for us in the indenture with the same effect as if it had been an original party to the indenture. As a result, the successor entity may exercise our rights and powers under the indenture in our name, and we (as an entity) will be released from all our liabilities and obligations under the indenture and under the L Bonds. Nevertheless, no such transaction will by itself eliminate or modify the collateral that we have provided as security for our obligations under the indenture.

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Events of Default and Remedies

The indenture provides that each of the following constitutes an event of default:

the failure to pay interest or principal on any L Bond for a period of 30 days after it becomes due and payable;

a failure to observe or perform any material covenant, condition or agreement in the indenture, but only after notice of failure from the indenture trustee and such failure is not cured within 60 days;

our debt coverage ratio exceeds 90% for a period of 30 consecutive calendar days, but only after notice of such breach from the indenture trustee and such breach is not cured within 60 days;

certain events of bankruptcy, insolvency or reorganization with respect to us; or

the cessation of our business.

In addition, the indenture provides that for so long as any Series I Secured notes or previously issued L Bonds remain outstanding, an event of default under the borrowing agreements relating to the Series I Secured notes or the previously issued L Bonds (as the same may from time to time be amended) will constitute an event of default under the indenture. In this regard, a default under the Series I Secured note or previously issued L Bonds borrowing agreements includes a default under our revolving credit facility. As explained in other parts of this prospectus, our revolving credit facility is currently provided by Autobahn Funding Company, LLC, as lender, and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, as agent, pursuant to a Credit and Security Agreement dated July 15, 2008, which was amended and restated effective as of January 29, 2013. DLP Funding II is the borrower under the line of credit, and GWG Holdings is a party to the facility as performance guarantor (primarily for the obligations of GWG Life, as the servicer of policy assets).

The maximum line of credit is $100 million subject to a borrowing base, which permits us to borrow up to 70% of the amount of eligible policies purchased and held in our portfolio. As of June 30, 2014, approximately $79 million was outstanding under the line of credit. Proceeds of the line of credit may be used to purchase policies and loans. The credit facility matures in December 31, 2016. Advances under the line of credit bear interest based either at the commercial paper rates available to the lender at the time of funding or at the lender s cost of borrowing plus an applicable margin.

The line of credit is secured by a pledge of substantially all of each borrower s assets and requires GWG Holdings to provide certain indemnities to the lender. In addition, the borrowers are required to maintain a reserve account for the benefit of the lenders. If at any time the ratio of outstanding borrowings under the line of credit, together with accrued and unpaid interest and fees, exceeds 50% of the borrower s net eligible receivables balance (as defined in the loan agreement), collections from the maturity of life insurance policies are required to be deposited in the reserve account.

The line of credit is subject to customary affirmative and negative covenants. In addition, we must maintain certain financial covenants, including a positive consolidated net income measured annually and, at all times, a tangible net worth in excess of $15,000,000 (calculated on a prescribed non-GAAP basis). In addition, the line of credit requires us to maintain a reserve equal to 12 months of certain projected expenditures, including anticipated premium payments required to service our life insurance portfolio.

Finally, the line of credit is subject to certain customary events of default (e.g., payment defaults, covenant defaults, cross-defaults, material adverse change, changes in control and changes in management) and certain events of default specifically relating to our business, including but not limited to (i) portfolio defaults in excess of 10% on an annualized basis, (ii) failure to obtain an unqualified opinion on our annual consolidated financial statements, (iii) failure to maintain certain hedge transactions or replace hedge counterparties under any certain hedging transactions required under the credit agreement, (iv) any governmental authority directs that the purchase and/or servicing of loans be terminated or any law, rule or regulation makes it unlawful to originate, purchase and/or service loans, (v) the performance guaranty of GWG Holdings shall cease to be in full force and effect (vi) a deficiency in the borrowing base, as calculated

under the credit agreement, or (vii) any default in the payment when due of other indebtedness in excess of $100,000.

The indenture requires that we give immediate notice to the indenture trustee upon the occurrence of an event of default, unless it has been cured or waived. The indenture trustee may then provide notice to the L Bond holders or withhold the notice if the indenture trustee determines in good faith that withholding the notice is in your best interest, unless the default is a failure to pay principal or interest on any L Bond.

If an event of default occurs, the indenture trustee or the holders of at least 25% in principal amount of the outstanding L Bonds, may by written notice to us declare the unpaid principal and all accrued but unpaid interest on the L Bonds to be immediately due and payable. Notwithstanding the foregoing, the indenture limits the ability of the L Bond holders to enforce certain rights under the indenture in certain circumstances. These limitations are required subordination provisions under our revolving credit facility and are summarized above under Subordination; Other Indebtedness. The Pledge and Security Agreement permits the trustee to exercise on behalf of the holders of L Bonds all rights and remedies as are available to a secured creditor under applicable law, subject to any limitations in the indenture, that agreement or the intercreditor agreement. In this regard, the trustee is not authorized under the Pledge and Security Agreement to distribute in kind any collateral in its possession to the holders of L Bonds.

Amendment, Supplement and Waiver

Except as provided in this prospectus or the indenture, the terms of the indenture or the L Bonds then outstanding may be amended, supplemented or waived with the consent of the holders of at least a majority in principal amount of the L Bonds then outstanding (which consent will be presumed if a holder does not object within 30 days of a request for consent), and any existing default or compliance with any provision of the indenture or the L Bonds may be waived with the affirmative consent of the holders of a majority in principal amount of the then outstanding L Bonds.

Notwithstanding the foregoing, an amendment or waiver will not be effective with respect to the L Bonds held by a holder who him, her or itself has not consented if such amendment or waiver:

- reduces the principal of, or changes the fixed maturity of, any L Bond;
- reduces the rate of or changes the time for payment of interest, including default interest, on any L Bond;
- waives a default or event of default in the payment of principal or interest on the L Bonds, except for a rescission or withdrawal of acceleration of the L Bonds made by the holders of at least a majority in aggregate principal amount of the then-outstanding L Bonds and a waiver of the payment default that resulted from such acceleration;
- makes any change in the provisions of the indenture relating to waivers of past defaults or the rights of holders of L Bonds to receive payments of principal of or interest on the L Bonds; or
- makes any change to the subordination provisions of the indenture that has a material adverse effect on holders of L Bonds.

Notwithstanding the foregoing, the following kinds of amendments or supplements to the indenture may be effected by us and the trustee without any consent of any holder of the L Bonds:

- to cure any ambiguity, defect or inconsistency;
- to provide for assumption of our obligations to holders of the L Bonds in the case of a merger, consolidation or sale of all or substantially all of our assets;
- to provide for additional uncertificated or certificated L Bonds;
- to make any change that does not materially and adversely affect the legal rights under the indenture of any holder of L Bonds, including but not limited to an increase in the aggregate dollar amount of L Bonds which may be outstanding under the indenture and limited in amount thereunder;

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- to modify or eliminate our policy regarding redemptions elected by a holder of L Bonds prior to maturity, including our obligation to redeem L Bonds upon the death, bankruptcy or total permanent disability of any holder of the L Bonds, but only so long as such modifications do not materially and adversely affect any then-existing obligations under pending repurchase commitments for L Bonds;
- to comply with requirements of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act of 1939, or to comply with other applicable federal or state laws or regulations;
- to comply with the rules or policies of a depositary of the L Bonds; or

in connection with an amendment, extension, replacement, renewal or substitution of any senior debt, to amend the subordination provisions of the indenture to conform to the reasonable requirements of the holder or holders of such senior debt.

Rights of L Bond Holders

As an L Bond holder, you have limited rights to vote on our actions as they are limited by the indenture. In general, you will have the right to vote on whether or not to approve some amendments to the indenture. For a description of these rights, see Amendment, Supplement and Waiver above. You will also have the right to direct some actions that the trustee takes if there is an event of default with respect to the L Bonds. For a description of these rights, see above under the caption Events of Default. For a complete description of your rights as an L Bond holder, we encourage you to read a copy of the indenture, which is filed as an exhibit to the registration statement of which this prospectus is a part. We will also provide you with a copy of the indenture upon your request.

The trustee and the L Bond holders will have the right to direct the time, method and place of conducting any proceeding for some of the remedies available, except as otherwise provided in the indenture. The trustee may require reasonable indemnity, satisfactory to the trustee, from L Bond holders before acting at their direction. You will not have any right to pursue any remedy with respect to the indenture or the L Bonds unless you satisfy the conditions contained in the indenture.

The Indenture Trustee

General

Bank of Utah has agreed to be the trustee under the indenture. The indenture contains certain limitations on the rights of the trustee, should it become one of our creditors, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any claim as security or otherwise. The trustee will be permitted to engage in other transactions with us.

Subject to certain exceptions, the holders of a majority in principal amount of the then-outstanding L Bonds will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee. The indenture provides that if an event of default specified in the indenture shall occur and not be cured, the trustee will be required, in the exercise of its power, to use the degree of care of a reasonable person in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any holder of L Bonds, unless the holder shall have offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

Resignation or Removal of the Trustee

The trustee may resign at any time, or may be removed by the holders of a majority of the aggregate principal amount of the outstanding L Bonds. In addition, we may remove the trustee for certain failures in its duties, including the insolvency of the trustee or the trustee s ineligibility to serve as trustee under the Trust Indenture Act of 1939. However, no resignation or removal of the trustee may become effective until a successor trustee has accepted the appointment as provided in the indenture.

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Reports to Trustee

We will provide the trustee with (i) a calculation date report by the 15th day of each month containing a calculation of the debt coverage ratio that includes a summary of all cash, life insurance policy investments serving as collateral, as well as our total outstanding indebtedness including outstanding principal balances, interest credited and paid, transfers made, any redemption or repayment and interest rate paid; (ii) copies of our audited annual financials, no earlier than when the same become a matter of public record; and (iii) any additional information reasonably requested by the trustee.

Certain Charges

We and our servicing agents, if any, may assess service charges for changing the registration of any L Bond to reflect a change in name of the holder, multiple changes in interest payment dates or transfers (whether by operation of law or otherwise) of an L Bond by the holder to another

person. The indenture permits us to set off, against amounts otherwise payable to you under the L Bonds, the amount of these charges.

Variations in Terms and Conditions

We may from time to time vary the terms and conditions of the L Bonds offered, including but not limited to minimum initial principal investment amount requirements, maximum aggregate principal amount limits, interest rates, minimum denominations, service and other fees and charges, and redemption provisions. Terms and conditions may be varied by state, locality, principal amount, type of investor (for example, new or current investor) or as otherwise permitted under the indenture governing the securities offered by this prospectus. No change in terms, however, will apply to any L Bonds already issued and outstanding at the time of such change.

Satisfaction and Discharge of Indenture

The indenture shall cease to be of further effect upon the payment in full of all of the outstanding L Bonds and the delivery of an officer s certificate to the trustee stating that we do not intend to issue additional L Bonds under the indenture or, with certain limitations, upon deposit with the trustee of funds sufficient for the payment in full of all of the outstanding L Bonds.

Reports

We will publish annual reports containing financial statements and quarterly reports containing financial information for the first three quarters of each fiscal year. We will send copies of these reports, at no charge, to any holder of L Bonds who sends us a written request.

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PLAN OF DISTRIBUTION

General

We are offering up to $1,000,000,000 in principal amount of L Bonds on a continuous basis. The L Bonds will be sold at their face value and in amounts of $25,000 or more in principal. There is no minimum amount of L Bonds that must be sold before we access and use the proceeds. The proceeds of new sales of L Bonds will be paid directly to us promptly following each sale and will not be placed in an escrow account. Even if we sell less than the entire $1,000,000,000 in L Bonds being offered, the L Bonds that we sell will be issued, and the proceeds of those L Bond sales will be invested, as described in this prospectus.

The L Bonds will be offered and sold on a best efforts basis by Emerson Equity LLC (our dealer manager) and any participating broker-dealers it engages for this purpose (together the selling group). Emerson Equity LLC will be the placement agent for our L Bonds. The L Bonds will be offered to the public on the terms set forth in this prospectus and any prospectus supplements we may file from time to time. Both we and the selling group plan to market the L Bonds directly to the public primarily through presentations, the Internet, and personal contacts made by us and through the selling group. We may also sell L Bonds to registered investment advisors. Neither our dealer manager nor any other broker-dealer participating in our selling group will have any obligation to take or purchase any L Bonds. Our dealer manager and each broker-dealer member of our selling group is expected to assist in the offering by: (1) conducting informational meetings for subscribers and other qualified potential purchasers; (2) keeping records of all subscriptions; and (3) training and educating employees regarding the mechanics and regulatory requirements of the offering process.

Members of the selling group will receive sales commissions of up to 5.00% of the gross offering proceeds depending upon the maturity of the L Bond sold. In addition, members of our selling group may receive up to 3.00% of the gross offering proceeds as additional compensation consisting of (i) an accountable and non-accountable expense allowance, (ii) a dealer-manager fee (payable only to Emerson Equity LLC) for managing and coordinating the offering, and (iii) a wholesaling fee (payable only to wholesaling dealers). We have also agreed to reimburse Emerson Equity for certain pre-offering expenses that we expect will aggregate to no more than $180,500. We will not pay referral or similar fees to any accountants, attorneys or other persons in connection with the distribution of the L Bonds.

Our dealer manager will enter into participating dealer agreements with certain other broker-dealers that are members of FINRA, referred to as selling group members, to authorize such broker-dealers to sell our L Bonds. Upon the sale of L Bonds by such broker-dealers, the broker-dealer effecting the sale will receive selling commissions and additional compensation in connection therewith.

As part of the accountable expense allowance, the dealer manager and members of the selling group are expected to be reimbursed for accountable out-of-pocket expenses incurred by them during the course of the offering. Expenses eligible for reimbursement may include travel, lodging, meals and other reasonable out-of-pocket expenses incurred by participating broker-dealers and their personnel, and reimbursement of actual costs of third-party professionals retained to by them. In no event will the total selling commissions, additional compensation and accountable due diligence expenses (including reimbursements), together with non-transaction-based selling compensation, if any, exceed 8.00% of the aggregate principal amount of L Bonds sold.

Our L Bonds will also be distributed through registered investment advisors who are generally compensated on a fee-for-service basis by the investor. In the event of the sale of L Bonds in our primary offering through an investment advisor compensated on a fee-for-service basis by the investor, our selling group member will waive its right to a commission.

In addition to the sales commissions, fees, allowances, reimbursements and expenses described above, we expect to pay approximately $1,350,000 in offering and related costs and expenses in connection with this offering. These kinds of expenses include all expenses to be paid by us in connection with the offering (other than sales commissions, additional compensation, and expense allowances and reimbursement to our selling

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group members), including but not limited to legal, accounting, printing and mailing expenses, registration, qualification and associated securities filing fees and other costs and expenses.

The table below sets forth the maximum amount of sales commissions and additional compensation (consisting of accountable and non-accountable expense allowances, a dealer-manager fee (payable only to Emerson Equity LLC), and a wholesaling fee (payable only to wholesaling dealers), and more fully described in fn. 1 to the table below) we may pay in connection with this offering.

L Bond Term	Sales Commission	Additional Compensation (1)	Total
6 months	0.50%	3.00%	3.50%
1 year	1.00%	3.00%	4.00%
2 years	3.25%	3.00%	6.25%
3 years	4.25%	3.00%	7.25%
5 years	4.90%	3.00%	7.90%
7 years	5.00%	3.00%	8.00%

(1) As described above, additional compensation includes: (i) a non-accountable allowance expense of 1.00% for all L Bond maturities; (ii) an accountable allowance expense of up to 0.70% of gross offering proceeds for all L Bond maturities; (iii) a dealer-manager fee of 0.50% of gross offering proceeds for all L Bond maturities; and (iv) if applicable, a wholesaling fee of up to 0.80% of gross offering proceeds for all L Bond maturities. Additional compensation may also include any non-transaction-based selling compensation.

The line items reflected in the table below are our current estimates of average sales commissions and additional compensation (including accountable due diligence expenses) that we will pay. Specifically, we estimate that the average sales commission will be 4.25%, or $42,500,000 based on $1,000,000,000 in principal amount of L Bonds sold, and the average additional compensation will be 3.00%, or $30,000,000 based on $1,000,000,000 in principal amount of L Bonds sold. The components of additional compensation are detailed in fn. 1 to the table below. Actual costs may differ from the percentages and amounts shown in the table below, subject, however, to the limitations noted above.

L Bonds Sold	Sales Commission	Additional Compensation (1)	Total

$300,000,000	$12,750,000	$ 9,000,000	7.25%
500,000,000	21,250,000	15,000,000	7.25%
1,000,000,000	42,500,000	30,000,000	7.25%

(1) Additional compensation consists of all selling compensation (other than sales commissions) paid in the form of an accountable and non-accountable expense allowance, a dealer-manager fee, and wholesale commissions. We have assumed the maximum accountable and non-accountable allowance expense of 1.70% or $17,000,000 of gross offering proceeds (assuming $1,000,000,000 in principal amount of L Bonds sold), dealer-manager fees of 0.50% or $5,000,000 of gross offering proceeds (assuming $1,000,000,000 in principal amount of L Bonds sold), and wholesale commissions of 0.80% or $8,000,000 of gross offering proceeds (assuming $1,000,000,000 in principal amount of L Bonds sold) will be paid by us in connection with the offering.

Our dealer manager holds the FINRA licenses for wholesalers employed by us, who attend local, regional and national conferences of the participating broker-dealers and who contact participating broker-dealers and their registered representatives to make presentations concerning us and this offering and to encourage them to sell our L Bonds. The wholesalers will receive a portion of their base salaries as compensation for their selling efforts. We host training and education meetings for broker-dealers and their representatives. The costs of the training and education meetings will be borne by us.

In accordance with FINRA rules, in no event will our total compensation to FINRA members, including but not limited to sales commissions, the dealer-manager fee and accountable and non-accountable expense

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and other reimbursements to our dealer manager and selling group broker-dealers (including and non-transaction-based selling compensation), exceed 8.00% of our gross offering proceeds, in the aggregate.

We will indemnify the participating broker-dealers and our dealer manager against some civil liabilities, including certain liabilities under the Securities Act of 1933 and liabilities arising from breaches of our representations and warranties contained in the Managing Broker-Dealer Agreement. If we are unable to provide this indemnification, we may contribute to payments the indemnified parties may be required to make in respect of those liabilities.

The foregoing is a summary of the material terms relating to the plan of distribution of the L Bonds contained in the Managing Broker-Dealer Agreement. Any amendment to the Managing Broker-Dealer Agreement will be filed as an exhibit to an amendment to the registration statement of which this prospectus is a part.

Settlement Procedures

If you purchase L Bonds through a broker-dealer who is a DTC participant and offers DTC settlement, then you can place an order for the purchase of L Bonds through your broker-dealer. A broker-dealer using this service will have an account with DTC in which your funds will be placed to facilitate the anticipated monthly closing cycle. Orders will be executed by your broker-dealer electronically and you must coordinate with your broker-dealer s registered representative to pay the full purchase price of the L Bonds by the final settlement date. Generally, orders must be received by the third to last business day of a month, and the final settlement date will be the last business day of a month. Interest will then begin to accrue and you will be credited with ownership of a bond on the first business day of the following month. If you purchase your L Bonds in this manner, your purchase price will not be held in escrow.

You also have the option to elect to settle your purchase directly with us, the Company. If you elect to use direct settlement with us, you should complete and sign a Subscription Agreement similar to the one filed as an exhibit to the registration statement of which this prospectus is a part. A form of Subscription Agreement is available from your broker-dealer s registered representative. Once completed and signed, your Subscription Agreement should be provided to your broker-dealer who will deliver it to us to be held, together with your related subscription

funds, until our acceptance of your subscription. In connection with a direct settlement subscription, you should pay the full purchase price of the L Bonds to us as set forth in the Subscription Agreement. Subscribers may not withdraw funds from the subscription account. Subscriptions will be effective upon our acceptance of your Subscription Agreement and related funds, and we reserve the right to reject any subscription in whole or in part.

Covered Security

Our L Bonds are a covered security. The term covered security applies to securities exempt from state registration because of their oversight by federal authorities and national-level regulatory bodies pursuant to Section 18 of the Securities Act of 1933. Generally, securities listed on national exchanges are the most common type of covered security exempt from state registration. A non-traded security also can be a covered security if it has a seniority greater than or equal to other securities from the same issuer that are listed on a national exchange. Our L Bonds are a covered security because they are senior to our common stock, which was listed on The Nasdaq Capital Market on September 25, 2014, and therefore our offering of L Bonds will be exempt from state registration.

Although the status of our L Bonds as a covered security will facilitate their purchase and sale to a broader range of investors than would otherwise be available to us, and although the offer and sale of a covered security generally involves fewer issuance costs to the issuer of such securities, our L Bonds are not a suitable purchase for all investors. In this regard, please carefully review the Risk Factors contained in this prospectus, as well as the disclosures on page 3 under the heading Covered Security.

MATERIAL FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of the material United States (U.S.) federal income tax considerations relating to the initial purchase, ownership and disposition of the L Bonds by U.S. and non-U.S. holders. This discussion is a summary only and is not a complete analysis of all the potential tax considerations relating to the purchase, ownership and disposition of the L Bonds. We have based this summary on current provisions of the Code of 1986, as amended (the Code), applicable U.S. Treasury Regulations promulgated thereunder, judicial opinions, and published rulings of the Internal Revenue Service (the IRS), all as in effect on the date of this prospectus. However, these laws and other guidance are subject to differing interpretations or change, possibly with retroactive effect. In addition, we have not sought, and will not seek, a ruling from the IRS or an opinion of counsel with respect to any tax consequences of purchasing, owning or disposing of L Bonds. Thus, the IRS could take a different position regarding one or more of the tax consequences or matters described in this prospectus; and there can be no assurance that any position taken by the IRS would not be sustained.

This discussion is limited to purchasers of L Bonds who acquire the L Bonds from us in this offering and hold the L Bonds as capital assets for federal income tax purposes. This discussion does not address all possible tax consequences that may be applicable to you in light of your specific circumstances. For instance, this discussion does not address the alternative minimum tax provisions of the Code, or special rules applicable to some categories of investors such as financial institutions, insurance companies, tax-exempt organizations, dealers in securities, real estate investment trusts, regulated investment companies, or persons who hold L Bonds as part of a hedge, conversion or constructive sale transaction, straddle or other risk reduction transaction that may be subject to special rules. This discussion also does not address the tax consequences arising under the laws of any foreign, state or local jurisdiction; or any U.S. estate or gift tax laws.

If you are considering the purchase of an L Bond, you should consult your own tax advisors as to the particular tax consequences to you of acquiring, holding or otherwise disposing of the L Bonds, including the effect and applicability of state, local or foreign tax laws, or any U.S. estate and gift tax laws.

As used in this discussion, the term U.S. holder means a holder of an L Bond that is:

(i) for United States federal income tax purposes, a citizen or resident of the United States;

(ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof or other entity characterized as a corporation or partnership for federal income tax purposes;

(iii) an estate, the income of which is subject to United States federal income taxation regardless of its source; or

(iv) a trust, the administration of which is subject to the primary supervision of a court within the United States and which has one or more United States persons with authority to control all substantial decisions, or if the trust was in existence on August 20, 1996, and has elected to continue to be treated as a United States trust.

For the purposes of this discussion, a non-U.S. holder means any holder of L Bonds other than a U.S. holder. Any L Bond purchaser who is not a U.S. citizen will be required to furnish documentation, on IRS Form W-8BEN, that clearly states whether it is subject to U.S. withholding taxes, in accordance with applicable requirements of the United States taxing authority.

Characterization of the L Bonds

The federal income tax consequences of owning L Bonds depend on characterization of the L Bonds as debt for federal income tax purposes, rather than as equity interests or a partnership among the holders of the L Bonds. We believe that the L Bonds have been structured in a manner that will allow the L Bonds to be characterized as debt for federal income tax purposes. However, this is only our belief; and no ruling from the

IRS or an opinion of counsel has been sought in this regard. Thus, the IRS could successfully challenge this characterization.

If the L Bonds were treated as equity interests, there could be adverse effects on some holders. For example, payments on the L Bonds could (1) if paid to non-U.S. holders, be subject to federal income tax withholding; (2) constitute unrelated business taxable income to some tax-exempt entities, including pension funds and some retirement accounts (if the relationship were characterized as a partnership for tax purposes); and (3) cause the timing and amount of income that accrues to holders of L Bonds to be different from that described below.

Because of these potential adverse effects, you are urged to consult your own tax advisors as to the tax consequences that may apply to your particular situation in the event the L Bonds are re-characterized as equity interests; and as to the likelihood that the L Bonds could be so re-characterized. The remainder of this discussion assumes that the L Bonds are characterized as debt.

Taxation of U.S. Holders

Stated Interest

Under general federal income tax principles, you must include stated interest in income in accordance with the method of accounting you use for federal income tax purposes. Accordingly, if you are using the accrual method of tax accounting, you must include stated interest in income as it accrues. If you are using the cash method of tax accounting, you must include stated interest in income as it is actually or constructively received. Payments of interest to taxable holders of L Bonds will constitute portfolio income, and not passive activity income, for the purposes of the passive loss limitations of the Code. Accordingly, income arising from payments on the L Bonds will not be subject to reduction by losses from passive activities of a holder.

Income attributable to interest payments on the L Bonds may be offset by investment expense deductions, subject to the limitation that individual investors may only deduct miscellaneous itemized deductions, including investment expenses other than interest, to the extent these deductions exceed 2% of the investor s adjusted gross income.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds L Bonds, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership purchasing

L Bonds, we urge you to consult your tax advisor.

Disposition of L Bonds

In general, a U.S. holder will recognize gain or loss upon the sale, exchange or other taxable disposition of an L Bond measured by the difference between (1) the sum of the cash and the fair market value of all other property received on such disposition, excluding any portion of the payment that is attributable to accrued interest on the L Bonds; and (2) your adjusted tax basis in the L Bond. A U.S. holder s adjusted tax basis in an L Bond generally will be equal to the price the U.S. holder paid for the L Bond. Any of this gain or loss generally will be long-term capital gain or loss if, at the time of any such taxable disposition, the L Bond was a capital asset in the hands of the holder and was held for more than one year. Net long-term capital gain recognized by individual U.S. holders is eligible for a reduced rate of taxation. The deductibility of capital losses is subject to annual limitations.

The terms of the L Bonds may be modified upon the consent of a specified percentage of holders and, in some cases, without consent of the holders. In addition, the L Bonds may be assumed upon the occurrence of specific transactions. The modification or assumption of an L Bond could, in some instances, give rise to a deemed exchange of an L Bond for a new debt instrument for federal income tax purposes. If an exchange is deemed to occur by reason of a modification or assumption, you could realize gain or loss without receiving any cash.

Additional Tax on Net Investment Income

If you are a U.S. holder other than a corporation, you generally will be subject to a 3.8% additional tax on the lesser of (1) your net investment income for the taxable year, and (2) the excess of your modified adjusted gross income for the taxable year over a certain threshold. Your net investment income generally will include any income or gain recognized by you with respect to our L Bonds, unless such income or gain is derived in the ordinary course of the conduct of your trade or business (other than a trade or business that consists of certain passive or trading activities).

Considerations for Tax-Exempt Holders of L Bonds

Tax-exempt entities, including charitable corporations, pension plans, profit sharing or stock bonus plans, individual retirement accounts and some other employee benefit plans are subject to federal income tax on unrelated business taxable income. For example, net income derived from the conduct of a trade or business regularly carried on by a tax-exempt entity or by a partnership in which it is a partner is treated as unrelated business taxable income.

A $1,000 special deduction is allowed in determining the amount of unrelated business taxable income subject to tax. Tax-exempt entities taxed on their unrelated business taxable income are also subject to the alternative minimum tax for items of tax preference which enter into the computation of unrelated business taxable income.

In general, interest income does not constitute unrelated business taxable income. However, under the debt-financed property rules, if tax-exempt holders of L Bonds finance the acquisition or holding of L Bonds with debt, interest on the L Bonds will be taxable as unrelated business taxable income. The L Bonds will be treated as debt-financed property if the debt was incurred to acquire the L Bonds or was incurred after the acquisition of the L Bonds, so long as the debt would not have been incurred but for the acquisition and, at the time of the acquisition, the incurrence of the debt has already occurred or was foreseeable.

Non-U.S. Holders

The following discussion is a summary of the principal U.S. federal income consequences resulting from the ownership of the L Bonds by non-U.S. holders. However, application of the U.S. federal income tax rules associated with non-U.S. holders is complex and factually sensitive. Thus, if you could be considered to be a non-U.S. holder, you are urged to consult your own tax advisors with respect to the application of the federal income tax rules for your particular situation.

Payments of Interest to Non-U.S. Holders

Subject to the discussion below under Backup Withholding and Information Reporting, payments of interest received by a non-U.S. holder generally will not be subject to U.S. federal withholding tax, provided (1) that (a) the non-U.S. holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote; (b) the non-U.S. holder is not a controlled foreign corporation, actually or constructively, through stock ownership; and (c) the beneficial owner of the L Bond complies with the certification requirements, including delivery of a statement, signed by the holder under penalties of perjury, certifying that the holder is a foreign person and provides its name and address; or (2) that the non-U.S. holder is entitled to the benefits of an income tax treaty under which the interest is exempt from U.S. withholding tax and the non-U.S. holder complies with the reporting requirements. If an L Bond is held through a securities clearing organization or other specified financial institutions (an Intermediary), the Intermediary may provide the relevant signed statement and, unless the Intermediary is a qualified intermediary as defined under the Code, the signed statement provided by the Intermediary must be accompanied by a copy of a valid Form W-8BEN provided by the non-U.S. beneficial holder of the L Bond.

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Payments of interest not exempt from United States federal withholding tax as described above will be subject to a withholding tax at the rate of 30%, subject to reduction under an applicable income tax treaty. Payments of interest on an L Bond to a non-U.S. holder generally will not be subject to U.S. federal income tax, as opposed to withholding tax, unless the income is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States. To claim the benefit of a lower treaty withholding rate, a non-U.S. holder must provide a properly executed IRS Form W-8BEN to us or our paying agent before the payment of stated interest; and may be required to obtain a U.S. taxpayer identification number and provide documentary evidence issued by foreign governmental authorities to prove residence in the foreign country. You should consult your own tax advisor to determine the effects of the application of the U.S. federal withholding tax to your particular situation.

Disposition of the L Bonds by Non-U.S. Holders

Subject to the discussion below under Backup Withholding and Information Reporting, a non-U.S. holder generally will not be subject to United States federal income tax, and generally no tax will be withheld with respect to gains realized on the disposition of an L Bond, unless (a) the gain is effectively connected with a United States trade or business conducted by the non-U.S. holder or (b) the non-U.S. holder is an individual who is present in the United States for 183 or more days during the taxable year of the disposition and other requirements are satisfied.

Non-U.S. Holders Subject to U.S. Income Taxation

If interest and other payments received by a non-U.S. holder with respect to the L Bonds, including proceeds from the disposition of the L Bonds, are effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, or the non-U.S. holder is otherwise subject to United States federal income taxation on a net basis with respect to the holder s ownership of the L Bonds, or are individuals that have by operation of law become residents in the United States for federal income tax purposes, the non-U.S. holder generally will be subject to the rules described above applicable to U.S. holders of L Bonds, subject to any modification provided under an applicable income tax treaty. If any of these non-U.S. holders is a corporation, it may also be subject to a U.S. branch profits tax at a 30% rate.

Backup Withholding and Information Reporting

Non-corporate U.S. holders may be subject to backup withholding at a rate of 28% on payments of principal, premium, and interest on, and the proceeds of the disposition of, the L Bonds. In general, backup withholding will be imposed only if the U.S. holder (1) fails to furnish its taxpayer identification number (TIN), which for an individual would be his or her Social Security number; (2) furnishes an incorrect TIN; (3) is notified by the IRS that it has failed to report payments of interest or dividends; or (4) under some circumstances, fails to certify under penalty of perjury that it has furnished a correct TIN and has been notified by the IRS that it is subject to backup withholding tax for failure to report interest or dividend payments. In addition, the payments of principal and interest to U.S. holders generally will be subject to information reporting. You should consult your tax advisors regarding your qualification for exemption from backup withholding and the procedure for obtaining an exemption, if applicable.

Backup withholding generally will not apply to payments made to a non-U.S. holder of an L Bond who provides the certification that it is a non-U.S. holder, and the payor does not have actual knowledge that a certificate is false, or otherwise establishes an exemption from backup withholding. Payments by United States office of a broker of the proceeds of a disposition of the L Bonds generally will be subject to backup withholding at a rate of 28% unless the non-U.S. holder certifies it is a non-U.S. holder under penalties of perjury or otherwise establishes an exemption. In addition, if a foreign office of a foreign custodian, foreign nominee or other foreign agent of the beneficial owner, or if a foreign office of a foreign broker pays the proceeds of the sale of an L Bond to the seller, backup withholding and information reporting will not apply;

provided that the nominee, custodian, agent or broker is not a United States related person, or a person which derives more than 50% of its gross income for some periods from the conduct of a trade or business in the United States or is a controlled foreign corporation. The payment by a foreign office of a broker that is a

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United States person or a United States related person of the proceeds of the sale of L Bonds will not be subject to backup withholding, but will be subject to information reporting unless the broker has documentary evidence in its records that the beneficial owner is not a United States person for purposes of the backup withholding and information reporting requirements and other conditions are met, or the beneficial owner otherwise establishes an exemption.

The amount of any backup withholding imposed on a payment to a holder of an L Bond will be allowed as a credit against the holder s United States federal income tax liability and may entitle the holder to a refund; provided that the required information is furnished to the IRS.

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STATE, LOCAL AND FOREIGN TAXES

We make no representations regarding the tax consequences of the purchase, ownership or disposition of the L Bonds under the tax laws of any state, locality or foreign country. You should consult your own tax advisors regarding these state and foreign tax consequences.

ERISA CONSIDERATIONS

General

Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and Section 4975 of the Code impose restrictions on employee benefit plans that are subject to ERISA, or plans or arrangements that are subject to Code Section 4975, and on persons who are parties in interest or disqualified persons with respect to those plans or arrangements. Some employee benefit plans, like governmental plans and church plans (if no election has been made under Section 410(d) of the Code), are not subject to the restrictions of Title I of ERISA or Code Section 4975, and assets of these plans may be invested in the L Bonds without regard to the ERISA considerations described below, subject to the Code and other applicable federal and state laws affecting tax-exempt organizations generally. Any plan fiduciary that proposes to cause a plan to acquire any of the L Bonds should consult with its counsel with respect to the potential consequences under ERISA and the Code of the plan s acquisition and ownership of the L Bonds. Investments by plans are also subject to ERISA s and the Code s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that a plan s investments be made in accordance with the documents governing the plan.

Prohibited Transactions

General

Section 406 of ERISA and Section 4975 of the Code prohibits certain parties in interest and disqualified persons with respect to a plan from engaging in select transactions involving a plan and its assets unless a statutory, regulatory or administrative exemption applies to the transaction. Section 4975 of the Code imposes excise taxes on parties in interest that engage in non-exempt prohibited transactions. Section 502(i) of ERISA requires the Secretary of the U.S. Department of Labor (Labor) to assess a civil penalty against a fiduciary who breaches any fiduciary responsibility under, or commits any other violation of, part 4 of Title I of ERISA, or any other person who knowingly participates in a breach or violation.

Plan Asset Regulations

Labor has issued regulations concerning the definition of what constitutes the assets of a plan for purposes of ERISA and the prohibited transaction provisions of the Code. The plan asset regulations describe the circumstances where the assets of an entity in which a plan invests will be considered to be plan assets, so that any person who exercises control over the assets would be subject to ERISA s fiduciary standards. Generally, under the plan asset regulation, when a plan invests in another entity, the plan s assets do not include, solely by reason of the investment, any of the underlying assets of the entity. However, the plan asset regulation provides that, if a plan acquires an equity interest in an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the Investment Company Act of 1940 the assets of the entity will be treated as assets of the plan investor unless exceptions apply.

Under the plan asset regulations the term equity interest is defined as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. Although the plan asset regulation is silent with respect to the question of which law constitutes applicable local law for this purpose, Labor has stated that these determinations should be made under the state law governing interpretation of the instrument in question. In the preamble to the plan asset regulation, Labor declined to provide a precise definition of what features are equity features or the circumstances under which the features would be considered substantial, noting that the question of whether

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a plan s interest has substantial equity features is an inherently factual one, but that in making that determination it would be appropriate to take into account whether the equity features are such that a plan s investment would be a practical vehicle for the indirect provision of investment management services. We believe that the L Bonds will be classified as indebtedness without substantial equity features for ERISA purposes.

Under the plan asset regulations the term publicly-offered security is defined as a security that is (i) freely transferable, (ii) part of a class of securities that is widely held, and (iii) either (A) part of a class of securities registered under section 12(b) or 12(g) of the Securities Exchange Act of 1934 or (B) sold to the plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act of 1933 and the class of securities of which such security is a part is registered under the Securities Exchange Act of 1934 within 120 days after the end of the fiscal year of the issuer during which the offering of such securities to the public occurred. For purposes of the above, a class of securities is considered to be widely held if it is owned by 100 or more investors independent of the issuer and of one another. In the case of this offering, while the offer and sale of the L Bonds have been registered under the Securities Act of 1933, the L Bonds themselves have not been registered under the Securities Exchange Act of 1934. For this reason, we believe that the L Bonds will not likely meet the definition for publicly-offered security under the plan asset regulations.

In light of the foregoing, if the L Bonds were deemed to be equity interests for this purpose and no statutory, regulatory, or administrative exception applies, we could be considered to hold plan assets by reason of a plan s investment in the L Bonds. These plan assets would include an undivided interest in all of our assets. In this case, we may be considered a fiduciary with respect to the investing plans. We would be subject to the fiduciary responsibility provisions of Title I of ERISA, including the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, and to Section 4975 of the Code with respect to transactions involving any of our assets. The ERISA fiduciary standards could affect the way we conduct the business, which would have consequences for all investors, not just those that are employee benefit plans.

Depending on the relevant facts and circumstances, prohibited transaction exemptions may apply to the purchase or holding of the L Bonds. See, for example, Prohibited Transaction Class Exemption (PTE) 96-23, which exempts some transactions effected on behalf of a plan or by an in-house asset manager; PTE 95-60, which exempts some transactions between insurance company general accounts and parties in interest; PTE 91-38, which exempts some transactions between bank collective investment funds and parties in interest; PTE 90-1, which exempts some transactions between insurance company pooled separate accounts and parties in interest; or PTE 84-14, which exempts some transactions effected on behalf of a plan by a qualified professional asset manager. However, there can be no assurance that any of these exemptions will apply with respect to any plan s investment in the L Bonds, or that the exemption, if it did apply, would apply to all prohibited transactions that may occur in connection with the investment.

Any plan fiduciary considering whether to purchase L Bonds on behalf of a plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code. Before purchasing any L Bonds, a fiduciary of a plan should make its own determination as to (1) whether GWG Holdings, as issuer of and borrower under the L Bonds, is a party in interest under ERISA or a disqualified person under the Code with respect to the plan; (2) the availability of the relief provided in the plan asset regulation and (3) the availability of any other prohibited transaction exemptions. In addition, purchasers that are insurance companies should consult their own ERISA counsel with respect to their fiduciary responsibilities associated with their purchase and ownership of the L Bonds, including any responsibility under the Supreme Court case *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank.*

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LEGAL MATTERS

Certain legal matters in connection with the L Bonds will be passed upon for us by Maslon Edelman Borman & Brand, LLP, of Minneapolis, Minnesota.

EXPERTS

The consolidated financial statements of GWG Holdings, Inc. and its subsidiaries as of and for the year ended December 31, 2013, included in this prospectus and in the registration statement of which this prospectus is a part, have been audited by Baker Tilly Virchow Krause, LLP, an independent registered public accounting firm. The consolidated financial statements of GWG Holdings, Inc. and its subsidiaries as of and for the year ended December 31, 2012, included in this prospectus and in the registration statement of which this prospectus is a part, have been audited by Mayer Hoffman McCann P.C., an independent registered public accounting firm. As indicated in their reports with respect thereto, these consolidated financial statements are included in this prospectus in reliance upon the authority of such firms as experts in auditing and accounting, with respect to each such respective report.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the L Bonds to be offered and sold pursuant to the prospectus which is a part of that registration statement. This prospectus does not contain all the information contained in the registration statement. For further information with respect to us and the L Bonds to be sold in this offering, we refer you to the registration statement, including the agreements, other documents and schedules filed as exhibits to the registration statement.

We file annual, quarterly and current reports, and other information with the SEC. We intend to make these filings available on our website at www.gwglife.com. Information on our website is not incorporated by reference in this prospectus. We maintain an office at 220 South Sixth Street, Suite 1200, Minneapolis, MN 55402 where all records concerning the L Bonds are to be retained. L Bond holders and their representatives can request information regarding the L Bonds by contacting our office by mail at our address or by telephone at (612) 746-1944 or by fax at (612) 746-0445. Upon request, we will provide copies of our filings with the SEC free of charge to our investors. Our SEC filings, including the registration statement of which this prospectus is a part, will also be available on the SEC s Internet site at *http://www.sec.gov*. You may read and copy all or any portion of the registration statement or any reports, statements or other information we file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. In addition, you may call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. You may receive copies of these documents upon payment of a duplicating fee by writing to the SEC.

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GWG HOLDINGS, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Audit Committee and Board of Directors
GWG Holdings, Inc.
Minneapolis, MN

We have audited the accompanying consolidated balance sheet of GWG Holdings, Inc. as of December 31, 2013, and the related consolidated statements of operations, changes in stockholders equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GWG Holdings, Inc. as of December 31, 2013 and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Baker Tilly Virchow Krause, LLP
Minneapolis, Minnesota
March 19, 2014, except for Note 18, as to which the date is June 24, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

GWG HOLDINGS, INC. AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheet of GWG Holdings, Inc. and Subsidiaries (Company) as of December 31, 2012, and the related consolidated statements of operations, changes in stockholders (deficit), and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GWG Holdings, Inc. and Subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Mayer Hoffman McCann P.C.
Minneapolis, MN
March 30, 2013, except for Note 18 as to which the date is June 24, 2014

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 33,449,793	$ 27,497,044
Restricted cash	5,832,970	2,093,092
Due from related parties		8,613
Investment in life settlements, at fair value	234,672,794	164,317,183
Deferred financing costs, net	357,901	97,040
Death benefits receivable		2,850,000
Other assets	1,067,018	1,085,063
TOTAL ASSETS	$275,380,476	$197,948,035
LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)		
LIABILITIES		
Revolving credit facility	$ 79,000,000	$ 71,000,000
Series I Secured notes payable	29,275,202	37,844,711
Renewable Secured Debentures	131,646,062	55,718,950
Accounts payable	839,869	470,059
Interest payable	7,209,408	3,477,320
Other accrued expenses	504,083	1,291,499
Deferred taxes, net	7,675,174	5,501,407

	December 31, 2013	December 31, 2012
TOTAL LIABILITIES	256,149,798	175,303,946

COMMITMENTS AND CONTINGENCIES (NOTES 14 AND 15)

CONVERTIBLE, REDEEMABLE PREFERRED STOCK (par value $0.001; shares authorized 40,000,000; shares issued and outstanding 3,368,109 and 3,361,076; liquidation preference of $25,261,000 and $25,208,000 on December 31, 2013 and 2012, respectively)	24,722,693	23,905,878
STOCKHOLDERS EQUITY (DEFICIT)		
Common stock (par value $0.001: shares authorized 210,000,000; shares issued and outstanding 4,562,000 and 4,994,500 on December 31, 2013 and 2012)	4,562	4,995
Additional paid-in capital	2,942,000	6,976,838
Accumulated deficit	(8,438,577)	(8,243,622)
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(5,492,015)	(1,261,789)
TOTAL LIABILITIES & EQUITY (DEFICIT)	$275,380,476	$197,948,035

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

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended	
	December 31, 2013	December 31, 2012
REVENUE		
Gain on life settlements, net	$29,513,642	$17,436,743
Gain upon termination of agreement with Athena Securities Ltd.	$ 3,252,400	
Interest and other income	298,732	89,055
TOTAL REVENUE	33,064,774	17,525,798
EXPENSES		
Interest expense	20,762,644	10,878,627
Employee compensation and benefits	5,043,848	2,903,373
Legal and professional fees	1,754,209	1,076,694
Other expenses	3,525,261	2,486,813
TOTAL EXPENSES	31,085,962	17,345,507
INCOME BEFORE INCOME TAXES	1,978,812	180,291

	Year Ended	
INCOME TAX EXPENSE	2,173,767	1,193,190
NET LOSS	(194,955)	(1,012,899)
Accretion of preferred stock to liquidation value	(806,624)	(1,578,405)
LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (1,001,579)	$ (2,591,304)
NET LOSS PER COMMON SHARE (BASIC AND DILUTED)		
Net loss	$ (0.04)	$ (0.20)
Accretion of preferred stock to liquidation value	$ (0.17)	$ (0.32)
Net loss per share attributable to common shareholders	$ (0.21)	$ (0.52)
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic and diluted	4,758,699	4,994,500

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

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT)

	Common Shares	Common Stock (par)	Additional Paid-in Capital	Accumulated Deficit	Total Equity
Balance, December 31, 2011	**4,994,500**	**$4,995**	**$ 8,174,297**	**$(7,230,723)**	**$ 948,569**
Net loss				(1,012,899)	(1,012,899)
Issuance of warrants to purchase common stock			380,946		380,946
Accretion of preferred stock to liquidation value			(1,578,405)		(1,578,405)
Balance, December 31, 2012	**4,994,500**	**4,995**	**6,976,838**	**(8,243,622)**	**(1,261,789)**
Net loss				(194,955)	(194,955)
Repurchase of common stock	(432,500)	(433)	(3,251,967)		(3,252,400)
Stock-based compensation			23,753		23,753
Accretion of preferred stock to liquidation value			(806,624)		(806,624)
Balance, December 31, 2013	**4,562,000**	**$4,562**	**$ 2,942,000**	**$(8,438,577)**	**$(5,492,015)**

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

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

	Year Ended	
	December 31, 2013	December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (194,955)	$ (1,012,899)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Gain on life settlements	(39,337,542)	(27,856,374)
Amortization of deferred financing and issuance costs	2,470,390	1,908,930
Deferred income taxes	2,173,767	1,193,190
Convertible, redeemable preferred stock issued in lieu of cash dividends	623,899	567,478
Convertible, redeemable preferred stock dividends payable	255	338,695
Gain upon termination of agreement with Athena Securities Ltd.	(3,252,400)	
(Increase) decrease in operating assets:		
Due from related parties	8,613	(6,348)
Death benefits receivable	2,850,000	(2,850,000)
Other assets	(566,418)	(869,165)
Increase (decrease) in operating liabilities:		
Accounts payable	369,809	(257,708)
Interest payable	3,418,432	1,744,599
Other accrued expenses	50,642	(69,292)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(31,385,508)	(27,168,894)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in life settlements	(34,997,500)	(15,067,495)
Proceeds from settlement of life settlements	4,563,896	1,067,210
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(30,433,604)	(14,000,285)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from revolving credit facility	8,000,000	11,000,000
Payments for redemption of Series I Secured notes payable	(8,671,624)	(7,477,197)
Proceeds from issuance of Renewable Secured Debentures	85,260,976	58,553,280
Payment of deferred issuance costs for Renewable Secured Debentures	(4,320,542)	(3,024,545)
Payments for redemption of Renewable Secured Debentures	(8,143,363)	(112,500)
Proceeds from (uses of) restricted cash	(3,739,878)	2,701,210
Issuance (redemption) of convertible, redeemable preferred stock	(613,708)	6,414,273
Payments of issuance cost for convertible, redeemable preferred stock		(1,266,647)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	67,771,861	66,787,874
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,952,749	25,618,695
CASH AND CASH EQUIVALENTS		
BEGINNING OF PERIOD	27,497,044	1,878,349
END OF PERIOD	$ 33,449,793	$ 27,497,044

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

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

	Year Ended	
	December 31, 2013	**December 31, 2012**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest and preferred dividends paid	$13,627,000	$6,280,000
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Non-cash conversion of Series I Secured notes	$ 912,000	$4,220,000
Non-cash conversion of accrued interest payable on Series I Secured notes	$	$ 6,000
Warrants issued to purchase common stock	$	$ 381,000
Options issued to purchase common stock	$ 24,000	$
Accrued interest payable on Series I Secured notes added to principal	$ 185,000	$ 142,000
Accrued interest payable on Renewable Secured Debentures added to principal	$ 141,000	$ 13,000
Unsettled life settlements included in accounts payable	$	$ 292,000

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

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of business and summary of significant accounting policies

Nature of business GWG Holdings, Inc. and subsidiaries, located in Minneapolis, Minnesota, facilitates the purchase of life insurance policies for its own investment portfolio through its wholly owned subsidiary, GWG Life Settlements, LLC (GWG Life), and its subsidiaries, GWG Trust (Trust), GWG DLP Funding II, LLC (DLP II) and its wholly owned subsidiary, GWG DLP Master Trust II (the Trust II). Our wholly owned subsidiary, GWG Broker Services, LLC (Broker Services), was formed to earn fees for brokering policy transactions between market participants. Our wholly owned subsidiary United Lending, LLC (United Lending) and its wholly owned subsidiary United Lending SPV, LLC (United Lending SPV) were formed to finance life settlement premiums and policy loans. All of these entities are legally organized in Delaware. Unless the context otherwise requires or we specifically so indicate, all references in this report to we , us , our , our Company , GWG , or the Company refer to these entities collectively. GWG Member, LLC, a wholly owned subsidiary formed November 2010 to facilitate the acquisition of policies, has not commenced operations as of December 31, 2013. The entities were legally organized in Delaware and are collectively referred herein to as GWG, or the Company.

Use of estimates The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. The most significant estimates with regard to these consolidated financial statements relates to (1) the determination of the assumptions used in estimating the fair value of the investment in life insurance policies, and (2) the value of deferred tax assets and liabilities.

Cash and cash equivalents The Company considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents with highly rated financial institutions. From time to time, the Company s balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Company periodically evaluates the risk of exceeding insured levels and may transfer funds as it deems appropriate. The Company has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

Life settlements ASC 325-30, Investments in Insurance Contracts, allows a reporting entity the election to account for its investments in life settlements using either the investment method or the fair value method. The election shall be made on an instrument-by-instrument basis and is irrevocable. Under the investment method, an investor shall recognize the initial investment at the purchase price plus all initial direct costs. Continuing costs (policy premiums and direct external costs, if any) to keep the policy in force shall be capitalized. Under the fair value method, an investor shall recognize the initial investment at the purchase price. In subsequent periods, the investor shall re-measure the investment at fair value in its entirety at each reporting period and shall recognize the change in fair value in current period income net of premiums paid. The Company uses the fair value method to account for all life settlements.

The Company recognizes realized gains (revenue) from life settlement contracts upon one of the two following events:

1) Receipt of death notice or verified obituary of insured

2) Sale of policy and filing of change of ownership forms and receipt of payment

GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recognizes the difference between the death benefits and carrying values of the policy when an insured event has occurred and the Company determines 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. In an event of a sale of a policy the Company recognizes 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.

Deposits and initial direct costs advanced on unsettled policy acquisitions are recorded as other assets until policy ownership has been transferred to the Company. Such deposits and direct cost advances were $201,000 and $785,000 at December 31, 2013 and 2012 respectively.

Deferred financing and issuance costs Costs incurred to obtain financing under the revolving credit facility, as described in note 6, have been capitalized and are amortized using the straight-line method over the term of the revolving credit facility. Amortization of deferred financing costs was $455,000 and $233,000 for the years ended December 31, 2013 and 2012, respectively. The future amortization is expected to be $358,000 for the year ending December 31, 2014. The Series I Secured notes payable, as described in note 7, are reported net of issuance costs, sales commissions and other direct expenses, which are amortized using the interest method over the term of each respective borrowing. The Renewable Secured debentures, as described in note 8, 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, is reported net of issuance costs, sales commissions, including the fair value of warrants issued, and other direct expenses, which are amortized using the interest method as interest expense over the three-year redemption period.

Earnings (loss) per share Basic per share earnings (loss) attributable to non-redeemable interests is calculated using the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated based on the potential dilutive impact, if any, of the Company s convertible, redeemable preferred stock, and outstanding warrants, and stock options.

Subsequent events Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the consolidated financial statements are available to be issued. The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the consolidated financial statements are filed for potential recognition or disclosure.

Recently adopted pronouncements Pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company.

(2) Restrictions on cash

The Company is required by its lenders to maintain collection and escrow accounts. These accounts are used to fund the acquisition, pay annual premiums of insurance policies, pay interest and other charges under the revolving credit facility, and collect policy benefits. DZ Bank AG, as agent for Autobahn Funding Company, LLC, the lender for the revolving credit facility as described in note 6, authorizes the disbursements from these accounts. At December 31, 2013 and 2012 there was a balance of $5,833,000, and $2,093,000, respectively, maintained in these restricted cash accounts.

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(3) Investment in life insurance policies

The life insurance policies (Level 3 fair value measurements) are valued based on unobservable inputs that are significant to the overall fair value measurement. Changes in the fair value of these instruments are recorded in gain or loss on life insurance policies in the consolidated statements of operations (net of the cash premiums paid on the policies). The fair value is determined on a discounted cash flow basis that incorporates life expectancy assumptions. Life expectancy reports have been obtained from widely accepted life expectancy providers. The discount rate incorporates current information about market interest rates, the credit exposure to the insurance company that issued the life insurance policy and our estimate of the risk premium an investor in the policy would require. As a result of management s analysis, discount rates of 11.69% and 12.08% were applied to the portfolio as of December 31, 2013 and 2012, respectively.

A summary of the Company s life insurance policies accounted for under the fair value method and their estimated maturity dates, based on remaining life expectancy is as follows:

	As of December 31, 2013			As of December 31, 2012		
Years Ending December 31,	Number of Contracts	Estimated Fair Value	Face Value	Number of Contracts	Estimated Fair Value	Face Value
2014		$	$		$	$
2015	4	5,065,000	6,750,000			
2016	8	8,174,000	13,750,000	2	1,163,000	2,000,000
2017	25	33,345,000	63,916,000	13	11,608,000	22,229,000
2018	33	37,243,000	80,318,000	17	21,155,000	53,439,000
2019	34	32,844,000	89,295,000	31	28,252,000	75,668,000

	As of December 31, 2013			As of December 31, 2012		
2020	34	27,741,000	75,644,000	35	26,947,000	84,579,000
Thereafter	125	90,261,000	410,975,000	113	75,192,000	334,331,000
Totals	263	$234,673,000	$740,648,000	211	$164,317,000	$572,246,000

The Company recognized death benefits of $16,600,000 and $7,350,000 during 2013 and 2012, respectively, related to policies with a carrying value of $4,564,000 and $1,067,000, respectively. The Company recorded realized gains of $12,036,000 and $6,283,000 on such policies.

Reconciliation of gain on life settlements:

	2013	2012
Change in fair value	$ 39,338,000	$ 27,856,000
Premiums and other annual fees	(21,860,000)	(16,702,000)
Policy maturities	12,036,000	6,283,000
Gain on life settlements, net	$ 29,514,000	$ 17,437,000

The estimated expected premium payments to maintain the above life insurance policies in force for the next five years, assuming no mortalities, are as follows:

Years Ending December 31,	
2014	$ 22,739,000
2015	25,056,000
2016	27,508,000
2017	30,653,000
2018	33,509,000
	$139,465,000

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Management anticipates funding the estimated premium payments as noted above with proceeds from the DZ Bank revolving credit facility and through additional debt and equity financing as well as from cash proceeds from maturities of life insurance policies. The proceeds of these capital sources are also intended to be used for the purchase, financing, and maintenance of additional life insurance policies.

(4) Fair value definition and hierarchy

ASC 820 establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment and the state of the marketplace including the existence and transparency of transactions between market participants. Assets and liabilities with readily available active quoted prices or for which fair value can be measured from actively quoted prices in an orderly market generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. ASC 820 establishes a three-level valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable

inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company s assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary by types of assets and liabilities and is affected by a wide variety of factors, including, for example, whether an instrument is established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for assets and liabilities categorized in Level 3.

Level 3 Valuation Process

The estimated fair value of the Company s portfolio of life settlements is determined on a quarterly basis by the Company s portfolio management committee, taking into consideration changes in discount rate assumptions, estimated premium payments and life expectancy estimate assumptions, as well as any changes in economic and other relevant conditions. These inputs are then used to estimate the discounted cash flows using the Model Actuarial Pricing System (MAPS), probabilistic portfolio pricing model, which estimates the cash flows using various probabilities and scenarios. The valuation process includes a review by senior management as of each valuation date. Management has also engaged a third party expert to independently test the accuracy of the valuations using the inputs provided by management on a quarterly basis.

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Life insurance policies, as well as the portfolio taken as a whole, represent financial instruments recorded at fair value on a recurring basis. The following table reconciles the beginning and ending fair value of the Company s Level 3 investments in its portfolio of life insurance policies for the years ending December 31, as follows:

	2013	2012
Beginning balance	$164,317,000	$122,169,000
Purchases	35,582,000	15,359,000
Maturities (acquisition cost)	(4,564,000)	(1,067,000)
Gross unrealized gains	39,338,000	28,055,000
Gross unrealized losses		(199,000)
Ending balance	$234,673,000	$164,317,000

The fair value of a portfolio of life insurance policies is based on information available to the Company at the reporting date. Fair value is based upon a discounted cash flow model that incorporates life expectancy estimate assumptions. Life expectancy estimates are obtained from independent, third-party widely accepted life expectancy estimate providers at policy acquisition. The life expectancy values of each insured, as determined at policy acquisition, are rolled down monthly for the passage of time by the MAPS actuarial software the Company uses for ongoing valuation of its portfolio of life insurance policies. The discount rate incorporates current information about discount rates applied by other reporting companies owning portfolios of life insurance policies, discount rates observed in the life insurance secondary market, market interest rates, the credit exposure to the insurance company that issued the life insurance policy and management s estimate of the risk premium a purchaser would require to receive the future cash flows derived from our portfolio of life insurance policies.

On January 22, 2013, one of the independent medical actuarial underwriting firms we utilize, 21st Services, announced advancements in its underwriting methodology, resulting in revised estimated life expectancy mortality tables for life settlement transactions. We have been advised by 21st Services that the changes are very granular and relate to both specific medical conditions and lifestyles of insureds. These changes are the result of the application of additional medical information that has been gathered by 21st Services over a period of time, and which has now been applied to the inputs and methodologies used to develop the actuarial life expectancies. While we do not believe these revised methodologies indicate the previous estimated life expectancies were inaccurate, we believe the revised methodologies provide additional information that should be considered in updating our estimate of the life expectancies of the insureds within our portfolio of life settlement contracts as of December 31, 2012. Based upon our evaluation and analysis of data made available by 21st Services, as well as information regarding the insureds within our portfolio, we have estimated the impact of the changes in 21st Services methodologies for determining life expectancies on a policy-by-policy basis within our portfolio as of December 31, 2012 and applied such changes to the life expectancy inputs used to estimate fair value. We have adjusted the original life expectancies provided by 21st Services based on four factors, the impact of each analyzed individually for each insured in the GWG portfolio. The four factors are gender, anti-selection, age, and primary impairment. GWG applied this set of adjustments to all 21st Services LEs used in valuation of the portfolio as of December 31, 2012. At that time, the portfolio contained 211 policies on 194 insured lives. Of those 211 policies, 199 were valued using a 21st Services LE as part of the pricing LE calculation. While the analysis and adjustments were applied on an individual policy basis, the result was an average overall increase in the original life expectancy estimates of 8.67%. We have a standard practice of obtaining two third-party life expectancy estimates for each policy in our portfolio. As a result, the effective change in life expectancy on the portfolio was an average of approximately 4.33%, which resulted in an aggregate decrease in the fair value of our life settlements portfolio of $12.4 million. Life expectancy reports by their very nature are estimates.

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The fair value of life insurance policies is estimated using present value calculations of estimated cash flows based on the data specific to each individual life insurance policy. Estimated future policy premium payments are calculated based on the terms of the policy and the premium payment history. The following summarizes the unobservable inputs utilized in estimating the fair value of the portfolio of life insurance policies:

	As of December 31, 2013	As of December 31, 2012
Weighted average age of insured	82.1	81.3
Weighted average life expectancy, months*	87.0	91.6
Average face amount per policy	$2,816,000	$2,712,064
Discount rate	11.69%	12.08%

* Standard life expectancy as adjusted for insured s specific circumstances.

These assumptions are, by their nature, inherently uncertain and the effect of changes in estimates may be significant. The techniques used in estimating the present value of estimated cash flows are derived from valuation techniques generally used in the industry that include inputs for

the asset that are not based on observable market data. The extent to which the fair value could reasonably vary in the near term has been quantified by evaluating the effect of changes in significant underlying assumptions used to estimate the fair value. If the life expectancy estimates were increased or decreased by four and eight months on each outstanding policy and the discount factors were increased or decreased by 1% and 2%, while all other variables are held constant, the fair value of the investment in life insurance policies would increase or (decrease) by the amounts summarized below:

	Change in life expectancy			
	plus 8 months	minus 8 months	plus 4 months	minus 4 months
Investment in life policies				
December 31, 2013	$(34,382,000)	$36,152,000	$(17,417,000)	$17,865,000
December 31, 2012	$(24,072,000)	$25,268,000	$(12,185,000)	$12,484,000

	Change in discount rate			
	plus 2%	minus 2%	plus 1%	minus 1%
Investment in life policies				
December 31, 2013	$(22,944,000)	$27,063,000	$(11,933,000)	$12,959,000
December 31, 2012	$(16,811,000)	$19,978,000	$ (8,759,000)	$ 9,547,000

Other Fair Value Considerations

Carrying value of receivables, prepaid expenses, accounts payable and accrued expenses approximate fair value due to their short-term maturities and low credit risk. The estimated fair value of the Company s Series I Secured notes payable is approximately $33,067,000 based on a weighted-average market interest rate of 7.51% based on an income approach. The Company began issuing Renewable Secured Debentures in the first quarter of 2012. The current interest rates on the Renewable Secured Debentures approximate market rates. The carrying value of the Renewable Secured Debentures approximates fair value. The carrying value of the revolving credit facility reflects interest charged at the commercial paper rate plus an applicable margin. The margin represents our credit risk, and the strength of the portfolio of life insurance policies collateralizing the debt. The overall rate reflects market, and the carrying value of the revolver approximates fair value. All of the financial instruments are level 3 fair value measurements.

The Company has issued warrants to purchase common stock in connection with the issuance of its convertible, redeemable preferred stock. Warrants were determined by the Company as permanent equity. The fair value measurements associated with the warrants, measured at issuance represent level 3 instruments.

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As of December 31, 2013:

Month issued	Warrants issued	Fair value per share	Risk free rate	Volatility	Term
December 2011	68,937	$0.22	0.42%	25.25%	3 years
March 2012	38,130	$0.52	0.38%	36.20%	3 years

Month issued	Warrants issued	Fair value per share	Risk free rate	Volatility	Term
June 2012	161,841	$1.16	0.41%	47.36%	3 years
July 2012	144,547	$1.16	0.41%	47.36%	3 years
September 2012	2,500	$0.72	0.31%	40.49%	3 years
	415,955				

Volatility is based upon the weekly percentage change in the stock price of selected comparable insurance companies. In June 2012, we evaluated the comparable companies used, and made certain changes to those used. The percentage change is calculated on the average price of those selected stocks at the weekly close of business for the year preceding the balance sheet date. We compare annual volatility based on this weekly information.

(5) Notes receivable from related parties

As of December 31, 2013 and December 31, 2012, the Company had receivables totaling $5,000,000 due from an affiliate, Opportunity Finance, LLC, which were fully reserved. Opportunity Finance ceased operations in 2008.

(6) Credit facilities

Revolving credit facility Autobahn Funding Company LLC

On July 15, 2008, DLP II and United Lending entered into a revolving credit facility pursuant to a Credit and Security Agreement (Agreement) with Autobahn Funding Company LLC (Autobahn), providing the Company with a maximum borrowing amount of $100,000,000. Autobahn is a commercial paper conduit that issues commercial paper to investors to provide funding to DLP II and United Lending. DZ Bank AG acts as the agent for Autobahn. The original Agreement was to expire on July 15, 2013. On January 29, 2013, Holdings, together with GWG Life and DLP II, entered into an Amended and Restated Credit and Security Agreement with Autobahn, extending the facility expiration date to December 31, 2014, and removing United Lending as a party to the amended and restated Agreement. The amount outstanding under this facility as of December 31, 2013 and 2012, was $79,000,000 and $71,000,000, respectively.

The Agreement requires DLP II to pay, on a monthly basis, interest at the commercial paper rate plus an applicable margin, as defined in the Agreement. The effective rate was 6.19% and 2.02% at December 31, 2013 and December 31, 2012, respectively. The weighted average effective interest rate (excluding the unused line fee) was 6.14% and 2.14% for the years ended December 31, 2013 and 2012, respectively. The Agreement also requires payment of an unused line fee of 0.30% on the unfunded amount under the revolving credit facility. The note is secured by substantially all of DLP II assets which consist primarily of life settlement policies.

The Agreement has certain financial and nonfinancial covenants. The Company was in compliance with these covenants at December 31, 2013 and 2012. The Agreement generally prohibits the Company from:

changing its corporate name, offices, and jurisdiction of incorporation

changing any deposit accounts or payment instructions to insurers;

changing any operating policies and practices such that it would be reasonably likely to adversely affect the collectability of any asset in any material respect;

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merging or consolidating with, or selling all or substantially all of its assets to, any third party;

selling any collateral or creating or permitting to exist any adverse claim upon any collateral;

engaging in any other business or activity than that contemplated by the Agreement;

incurring or guaranteeing any debt for borrowed money;

amending the Company s certificate of incorporation or bylaws, making any loans or advances to, investments in, or paying any dividends to, any person unless both before and after any such loan, advance, investment or dividend there exists no actual event of default, potential event of default or termination event;

removing an independent director on the board of directors except for cause or with the consent of the lender; or

making payment on or issuing any subsidiary secured notes or debentures, or amending any agreements respecting such notes or debentures, if an event of default, potential event of default or termination event exists or would arise from any such action.

In addition, the Company has agreed to maintain (i) a positive consolidated net income (as defined and calculated under the Agreement) for each complete fiscal year and (ii) a tangible net worth (again, as defined and calculated under the Agreement) of not less than $15 million, and (iii) maintain a borrowing base surplus or cash cushion sufficient to pay three to twelve months (increasing throughout 2013) of premiums and facility fees.

Consolidated net income and tangible net worth as of and for the year ended December 31, 2013, as calculated under the agreement, was $20,916,000 and $54,286,000 respectively.

Advances under the Agreement are subject to a borrowing base formula, which limits the availability of advances on the borrowing base calculation based on attributes of policies pledged to the facility. Over-concentration of policies by insurance carrier, over-concentration of policies by insurance carriers with ratings below a AA- rating, and the premiums and facility fees reserve are the three primary factors with the potential of limiting availability of funds on the facility. Total funds available for additional borrowings under the borrowing base formula criteria at December 31, 2013 and 2012, were $3,937,000 and $15,043,000 respectively.

On July 15, 2008, Holdings delivered a performance guaranty in favor of Autobahn pursuant to which it guaranteed the obligations of GWG Life, in its capacity as the seller and master servicer, under the Credit and Security Agreement and related documents. On January 29, 2013 and in connection with the Amended and Restated Credit and Security Agreement, Holdings delivered a reaffirmation of its performance guaranty. The obligations of Holdings under the performance guaranty and subsequent reaffirmation do not extend to the principal and interest owed by DLP II as the borrower under the credit facility.

(7) Series I Secured notes payable

Series I Secured notes payable have been issued in conjunction with the GWG Series I Secured notes private placement memorandum dated August 25, 2009 (last revised November 15, 2010). On June 14, 2011 the Company closed the offering to additional investors, however, existing investors may elect to continue advancing amounts outstanding upon maturity subject to the Company s option. Series I Secured notes have maturity dates ranging from six months to seven years with fixed interest rates varying from 5.65% to 9.55% depending on the term of the note. Interest is payable monthly, quarterly, annually or at maturity depending on the terms of the note. At December 31, 2013 and 2012 the weighted average interest rates of Series I Secured notes were 8.35% and 8.22%, respectively. The notes are secured by assets of GWG Life. The principal amount outstanding under these Series I Secured notes was $29,744,000 and $38,570,000 at December 31, 2013, and December 31, 2012, respectively. The difference between the amount outstanding on the Series I

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Secured notes and the carrying amount on the consolidated balance sheet is due to netting of unamortized deferred issuance costs. Overall, interest expense includes amortization of deferred financing and issuance costs of $606,000 and $1,170,000 in 2013 and 2012, respectively. Future expected amortization of deferred financing costs is $468,000 over the next six years.

On November 15, 2010, Jon Sabes and Steve Sabes pledged their ownership interests in the Company to the Series I Trust as security for advances under the Series I Trust arrangement.

The use of proceeds from the issuances of Series I Secured notes was limited to the following: (1) payment of commissions of Series I Secured note sales, (2) purchase life insurance policies, (3) pay premiums of life insurance policies, (4) pay principal and interest to Senior Liquidity Provider (DZ Bank), (5) pay portfolio or note operating fees or costs, (6) pay trustee (Wells Fargo Bank, N.A.), (7) pay servicer and collateral fees, (8) pay principal and interest on Series I Secured notes, (9) make distributions to equity holders for tax liability related to portfolio, (10) purchase interest rate caps, swaps, or hedging instruments, (11) pay GWG Series I Trustee fees, and (12) pay offering expenses.

On November 1, 2011, GWG entered into a Third Amended and Restated Note Issuance and Security Agreement with Lord Securities Corporation after receiving majority approval from the holders of Series I Secured notes. Among other things, the amended and restated agreement modified the use of proceeds and certain provisions relating to the distribution of collections and subordination of cash flow. Under the amended and restated agreement, GWG is no longer restricted as to its use of proceeds or subject to restrictions on certain distributions of collections and subordination of cash flows. Under the amended and restated agreement, GWG may extend the maturity of Series I Secured notes of a six month term for up to two additional six month terms, and Series I Secured notes of a one year term for up to six months.

Future contractual maturities of Series I Secured notes payable at December 31, 2013 are as follows:

Years Ending December 31,	
2014	$16,111,000
2015	6,700,000
2016	2,030,000
2017	4,085,000
2018	754,000
Thereafter	64,000
	$29,744,000

(8) Renewable Secured Debentures

The Company has registered with the Securities and Exchange Commission, effective January 2012, the offer and sale of $250,000,000 of secured debentures. Renewable Secured Debentures have maturity dates ranging from six months to seven years with fixed interest rates varying from 4.75% to 9.50% depending on the term of the note. Interest is payable monthly, annually or at maturity depending on the terms of the debenture. At December 31, 2013 and 2012, the weighted average interest rate of Renewable Secured Debentures was 7.53% and 7.65%, respectively. The debentures are secured by assets of GWG Life and GWG Holdings. The amount outstanding under these Renewable Secured Debentures was $134,891,000 and $57,609,000 at December 31, 2013 and 2012, respectively. The difference between the amount outstanding on the Renewable Secured Debentures and the carrying amount on the consolidated balance sheet is due to netting of unamortized deferred issuance costs and cash receipts for new issuances in process at December 31, 2013 and 2012. Amortization of deferred issuance costs was $1,843,000 and $506,000 in 2013 and 2012, respectively. Future expected amortization of deferred financing costs is $5,147,000. Subsequent to December 31, 2013, the Company has issued approximately an additional $17,715,000 in principal amount of these Renewable Secured Debentures.

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The use of proceeds from the issuances of Renewable Secured Debentures is limited to the following: (1) payment of commissions on sales of Renewable Secured Debentures, (2) payment of offering expenses, (3) purchase of life insurance policies, (4) Payment of premiums on life insurance policies, (5) payment of principal and interest on Renewable Secured Debentures, (6) payment of portfolio operations expenses, and (7) for general working capital.

Future contractual maturities of Renewable Secured Debentures at December 31, 2013 are as follows:

Years Ending December 31,	
2013	$ 34,258,000
2014	41,509,000
2015	29,152,000
2016	7,667,000
2017	5,381,000
Thereafter	16,924,000
	$134,891,000

The Company entered into an Indenture effective October 19, 2011 with Holdings as obligor, GWG Life as guarantor, and Bank of Utah as trustee for the benefit of the debenture holders. The Indenture has certain financial and nonfinancial covenants. The Company was in compliance with these covenants at December 31, 2013 and 2012.

(9) Convertible, redeemable preferred stock

The Company began offering 3,333,333 shares of convertible redeemable preferred stock (Series A preferred stock) for sale to accredited investors in a private placement on July 31, 2011. The offering of Series A preferred stock concluded on September 2, 2012 and resulted in 3,278,000 shares being issued for gross consideration of $24,582,000. As of December 31, 2013, 166,000 shares have been issued as a result of conversion of $1,163,000 in dividends into shares of Series A preferred stock. The Series A preferred stock was sold at an offering price of $7.50 per share. Series A preferred stock has a preferred dividend yield of 10% per annum, and each share has the right to convert into 0.75 shares of the Company s common stock. The Company may elect to automatically convert the Series A preferred stock to common stock as described below. Series A preferred shareholders also received three-year warrants to purchase, at an exercise price per share of $12.50, one share of common stock for every 40 shares of Series A preferred stock purchased. The warrants are exercisable immediately. In the Certificate of Designations for the Series A preferred stock dated July 31, 2011, the Company agreed to permit preferred shareholders to sell their shares back to the Company for the stated value of $7.50 per share, plus accrued dividends, according to the following schedule:

Up to 33% of the holder s unredeemed shares one year after issuance:

Up to 66% of the holder s unredeemed shares two years after issuance; and

Up to 100% of the holder s unredeemed shares three years after issuance.

The Company s obligation to redeem Series A preferred shares will terminate upon the Company completing a registration of its common stock with the SEC. The Company may redeem the Series A preferred shares at a price equal to 110% of their liquidation preference ($7.50 per share) at any time after December 15, 2012.

At the election of the Company, the Series A preferred shares may be automatically converted into the common stock of the Company in the event of either (1) a registered offering of the Company s common stock with the SEC aggregating gross proceeds of at least $5.0 million at a price equal to or greater than $11.00 per share of common stock, or (2) the consent of shareholders holding at least a majority of the then-outstanding shares of Series A preferred stock. As of December 31, 2013, the Company had issued 3,450,000

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preferred shares resulting in gross consideration of $25,799,000 (including cash proceeds, conversion of Series I Secured notes and accrued interest on Series I notes, and conversion of preferred dividends payable). In 2013, the Company redeemed 82,000 shares valued at $614,000 resulting in 3,368,000 shares outstanding with the gross value of $25,176,000. The Company incurred Series A preferred stock issuance costs of $2,838,000, of which $2,385,000 was amortized to additional paid in capital as of December 31, 2013, resulting in a carrying amount of $24,723,000.

The Company determined that the grant date fair value of the outstanding warrants attached to the Series A preferred stock was $395,000 for warrants issued through December 31, 2013. The Company may redeem outstanding warrants prior to their expiration, at a price of $0.01 per share upon 30 days written notice to the investors at any time after (i) the Company has completed a registration of its common stock with the SEC and (ii) the weighted-average sale price per share of common stock equals or exceeds 14.00 per share for ten consecutive trading days ending on the third business day prior to proper notice of such redemption. Total warrants outstanding as of December 31, 2013, were 415,955 with a weighted-average remaining life of 1.34 years. Total warrants outstanding at December 31, 2012, were 415,955 with a weighted-average remaining life of 2.34 years.

Dividends on the Series A preferred stock may be paid in either cash or additional shares of Series A preferred stock at the election of the holder and approval of the Company. The dividends are reported as an expense and included in the caption interest expense in the consolidated statements of operations.

The Company declared and accrued dividends of $2,528,000 and $2,227,000 in 2013 and 2012, respectively, pursuant to a board resolution declaring the dividend. 89,000 and 81,000 shares of Series A preferred stock were issued in lieu of cash dividends in 2013 and 2012. The shares issued in lieu of cash dividends were issued at $7.00 per share. As of December 31, 2013, Holdings has $629,000 of accrued preferred dividends which were paid or converted to shares of Series A preferred stock on January 15, 2014.

(10) Income taxes

The Company did not have any current income taxes for the years ended December 31, 2013 or 2012. The components of deferred income tax expense for the years ended December 31, 2013 and 2012, respectively, consisted of the following:

	2013	2012
Income tax provision:		
Deferred:		
Federal	$ 1,826,000	$ 1,002,000
State	348,000	191,000
Total income tax expense	$ 2,174,000	$ 1,193,000

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

	2013		2012	
Statutory federal income tax	$ 673,000	34.0%	$ 61,000	34.0%
State income taxes, net of federal benefit	298,000	15.1%	165,000	91.2%
Series A preferred stock dividends	860,000	43.4%	757,000	420.1%
Other permanent differences	343,000	17.3%	210,000	116.5%
Total income tax expense	$ 2,174,000	109.8%	$ 1,193,000	661.8%

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

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The tax effects of temporary differences that give rise to deferred income taxes were as follows:

	2013	2012
Deferred tax assets:		
Athena Securities Group, LTD, advisory services	$	$ 1,455,000
Note receivable from related party	2,023,000	2,023,000
Net operating loss carryforwards	2,596,000	1,671,000
Other assets	164,000	20,000
Subtotal	4,783,000	5,169,000
Valuation allowance	(2,164,000)	(2,023,000)
Net deferred tax asset	2,619,000	3,146,000
Deferred tax liabilities:		
Investment in life settlements	(10,294,000)	(8,647,000)
Net deferred tax liability	$ (7,675,000)	$ (5,501,000)

At December 31, 2013 and 2012, the Company had federal net operating loss (NOL) carryforwards of $4,182,000 and $4,129,000, respectively, which will begin to expire in 2031. Future utilization of NOL carryforwards is subject to limitation under Section 382 of the Internal Revenue Code. This section generally relates to a more than 50 percent change in ownership over a three-year period. We currently do not believe that any issuance of common stock has resulted in an ownership change under Section 382.

The Company provides for a valuation allowance when it is not considered more likely than not that our deferred tax assets will be realized. At December 31, 2013 and 2012, based upon all available evidence, the Company has provided a valuation allowance of $2,164,000, and 2,023,000, respectively, against deferred tax assets related to the likelihood of recovering the tax benefit of a capital loss on a note receivable from a related entity. The change was $141,000 and $0 for the years ended December 31, 2013 and 2012, respectively. Management believes all other deferred tax assets are recoverable.

ASC 740, Income Taxes, requires the reporting of certain tax positions which do not meet a threshold of more-likely-than-not to be recorded as uncertain tax benefits. It is management s responsibility to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation, based upon the technical merits of the position. Management has reviewed all income tax positions taken or expected to be taken for all open years and determined that the income tax positions are appropriately stated and supported. The Company does not anticipate that the total unrecognized tax benefits will significantly change prior to December 31, 2014.

Under the Company s accounting policies, interest and penalties on unrecognized tax benefits, as well as interest received from favorable tax settlements are recognized as components of income tax expense. At December 31, 2013 and 2012, the Company has recorded no accrued interest or penalties related to uncertain tax positions.

The Company s income tax returns for tax years ended December, 31 2013, 2012 and 2011 remain open to examination by the Internal Revenue Service and various state taxing jurisdictions.

(11) Common Stock

On July 11, 2011, the Company entered into a Purchase and Sale Agreement with Athena Securities Group, LTD and Athena Structured Funds PLC. Under this agreement, Holdings issued to Athena Securities Group, LTD (Athena) 494,500 shares of common stock, which was equal to 9.9% of the outstanding shares in the Company, in exchange for shares equal to 9.9% of the outstanding shares in Athena Structured

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Funds, PLC (Athena Funds) and cash of $5,000. In accordance with Accounting Standards Codification (ASC) 505-50, the Company recorded the share-based payment transaction with Athena at the fair value of the Company s 494,500 shares of common stock issued as it was the most reliable measurable form of consideration in this exchange the total value ascribed to the common stock issued to Athena was $3.6 million. The $5,000 cash paid by Athena, which represents the fair value of the shares of Athena Funds, is included in financing activities of the Consolidated Statement of Cash Flows.

On June 28, 2013, GWG Holdings, Inc. entered into a new Purchase and Sale Agreement with Athena Securities Limited and Athena Securities Group Limited. The June 28, 2013 agreement terminated the parties original Purchase and Sale Agreement dated July 11, 2011. Under the new agreement, Holdings appointed Athena Securities Group Limited (i) as Holdings exclusive representative for the offer and sale of Holdings Renewable Secured Debentures in Ireland, and (ii) as a distributor for the offer and sale of those debentures in Europe and the Middle East, in each case until May 8, 2014. Any compensation payable to Athena Securities Group Limited will be in accordance with the compensation disclosures set forth in Holdings prospectus for the offering filed with the SEC on dated June 4, 2013, as the same may be supplemented or amended from time to time. In addition, the new agreement effected the sale by Athena Securities Limited to Holdings of 432,500 shares of Holdings common stock, and Holdings sale back to Athena Securities Group Limited of certain shares of GWG Securities International Public Limited Company (formerly known as Athena Structured Funds PLC) originally transacted under the original July 11, 2011 agreement. The Company recorded a non-cash gain on the transaction of $3,252,000.

(12) Stock Incentive Plan

The Company adopted the GWG Holdings, Inc. 2013 Stock Incentive Plan on March 27, 2013. The plan shall be administered by Compensation Committee of the Board of Directors of the Company. The Company s Chief Executive Officer may, on a discretionary basis and without committee review or approval, grant incentives to new employees of the Company who are not Officers of the Company. Incentives under the plan may be granted in one or a combination of the following forms: (a) incentive stock options and non-statutory stock options; (b) stock appreciation rights; (c) stock awards; (d) restricted stock; (e) restricted stock units; and (f) performance shares. Eligible participants include officers and employees of the company, members of the Board of Directors, and consultants or other independent contractors. 1,000,000 shares are issuable under the plan. No person shall receive grants of stock options and SARs under the plan that exceed, in the aggregate 200,000 shares of common stock in any one year. The term of each stock option shall be determined by the committee but shall not exceed ten years. Vested stock options may be exercised in whole or part by the holder giving notice to the Company. The holder of the option may provide payment for the exercise price or surrender shares equal to the exercise price.

The Company issued stock options for 433,250 shares of common stock to employees, officers, and directors of the Company in 2013. Options for 208,750 shares vested immediately, and the remaining options vested over three years. The shares were issued with an exercise price of $7.52, which is equal to the estimated market price of the shares on the date of grant valued using Black-Scholes Binomial option pricing model. The expected volatility used in the Black-Scholes model valuation of options issued during the year was 19.73% annualized. The annual volatility rate is based on the standard deviation of the average continuously compounded rate of return of five selected comparable companies over the previous 52 weeks. Forfeiture rate of 15% is based on historical company information and expected future trend. In 2013 stock options for 52,750 shares were forfeited.

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Stock options granted during the year ended December 31, 2013:

Grant Date	Exercise Price	Shares	Vesting	Binomial Value	Forfeiture Factor	Compensation Expense
9/5/2013	$7.46	1,250.00	Immediate	0.36	0.87	391.50*
9/5/2013	$7.52	142,500.00	Immediate	0.36	0.87	44,631.00*
9/5/2013	$8.28	25,000.00	Immediate	0.36	0.87	7,830.00*
9/5/2013	$7.46	1,500.00	1 year	0.36	0.85	459.00
9/5/2013	$7.52	44,338.50	1 year	0.36	0.85	13,567.58
9/5/2013	$8.28	2,833.50	1 year	0.36	0.85	867.05
9/5/2013	$7.46	1,500.00	2 years	0.6	0.7225	650.25
9/5/2013	$7.52	44,333.00	2 years	0.6	0.7225	19,218.36
9/5/2013	$8.28	2,833.50	2 years	0.6	0.7225	1,228.32
9/5/2013	$7.46	1,500.00	3 years	0.82	0.6141	755.34
9/5/2013	$7.52	44,328.50	3 years	0.82	0.6141	22,322.15
9/5/2013	$8.28	2,833.00	3 years	0.82	0.6141	1,426.59
9/30/2013	$7.52	4,000.00	Immediate	0.66	0.87	2,296.80*
10/28/2013	$7.52	4,250.00	Immediate	0.66	0.87	2,440.35*
10/28/2013	$7.52	17,000.00	1 year	0.66	0.85	9,537.00
10/28/2013	$7.52	17,000.00	2 years	0.92	0.7225	11,299.90
10/28/2013	$7.52	12,750.00	3 years	1.14	0.6141	8,925.94
11/11/2013	$7.52	4,167.00	1 year	0.66	0.85	2,337.69
11/11/2013	$7.52	4,166.50	2 years	0.92	0.7225	2,769.47
11/11/2013	$7.52	4,166.50	3 years	1.14	0.6141	2,916.86
11/12/2013	$7.52	1,750.00	Immediate	0.66	0.87	1,004.85*
11/12/2013	$7.52	7,000.00	1 year	0.66	0.85	3,927.00
11/12/2013	$7.52	7,000.00	2 years	0.92	0.7225	4,652.90
11/12/2013	$7.52	5,250.00	3 years	1.14	0.6141	3,675.39
12/12/2013	$7.52	30,000.00	Immediate	0.66	0.87	17,226.00*
		433,250.00				

* Amounts reflected in current period earnings.

Outstanding stock options:

	Vested	Un-vested	Total
Balance as of December 31, 2012			
Granted during the year	208,750	224,500	433,250
Exercised during the year			
Forfeited during the year	(13,750)	(14,250)	(28,000)
Expired during the year			
Balance as of December 31, 2013	195,000	210,250	405,250

Compensation expense related to un-vested options not yet recognized is $104,851. We expect to recognize this compensation expense over the next 2.7 years.

(13) Net loss per common share

The Company began issuing Series A preferred stock September, 1, 2011, as described in note 9. The Series A preferred stock is anti-dilutive to the net loss per common share calculation at December 31, 2013 and 2012. The Company has also issued warrants to purchase common stock in conjunction with the sale of convertible preferred stock, as discussed in note 9. The warrants are anti-dilutive at December 31, 2013 and 2012 and have not been included in the fully diluted net loss per common share calculation.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
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	December 31, 2013	December 31, 2012
NET LOSS	$ (194,955)	$ (1,012,899)
Accretion of preferred stock to liquidation value	(806,624)	(1,578,405)
LOSS ATTRIBUTABE TO COMMON SHAREHOLDERS	$ (1,001,579)	$ (2,591,304)
Basic and diluted weighted average shares outstanding	4,758,699	4,999,500
NET LOSS PER COMMON SHARE (BASIC AND DILUTED)		
Net loss	$ (0.04)	$ (0.20)
Accretion of value to preferred stock	$ (0.17)	$ (0.32)
Net loss attributable to common shareholders	$ (0.21)	$ (0.52)

(14) Commitments

The Company entered into an office lease with U.S. Bank National Association as the landlord. The lease was effective April 22, 2012 with a term through August 31, 2015. The lease is for 11,695 square feet of office space located at 220 South Sixth Street, Minneapolis, Minnesota. The Company is obligated to pay base rent plus common area maintenance and a share of the building operating costs. Rent expenses under this and previous agreements were $200,000 and $162,000 in years ended December 31, 2013 and 2012, respectively. Minimum lease payments under the lease agreement effective April 22, 2012 are as follows:

2014	104,000
2015	70,000
Total	$ 174,000

(15) Contingencies

Litigation   In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Company s financial position, results of operations or cash flows.

Opportunity Finance, LLC, owned by Jon Sabes and Steven Sabes, is subject to litigation clawback claims by the bankruptcy trustee for third-party matters for payments that may have been deemed preference payments. In addition, Jon Sabes and Steven Sabes are subject to litigation clawback claims by the bankruptcy trustee for third-party matters for payments received from Opportunity Finance that may have been deemed preference payments. If the parties are unsuccessful in defending against these claims, their equity ownership in the Company may be sold or transferred to other parties to satisfy such claims. In addition, the Company loaned $1,000,000 to Opportunity Finance, LLC, and was repaid in full plus interest of $177,000. This investment amount may also be subject to clawback claims by the bankruptcy court.

(16) Guarantees of secured debentures

Holdings has registered with the SEC the offer and sale $250,000,000 of secured debentures as described in note 8. The secured debentures are secured by the assets of Holdings as described in note 8 and a pledge of all the common stock by the largest shareholders. Obligations under the debentures are guaranteed by GWG Life. This guarantee involves the grant of a security interest in all the assets of GWG Life. The payment of principal and interest on the secured debentures is fully and unconditionally guaranteed by GWG Life. Substantially all of the Company s life insurance policies are held by DLP II and the Trust. The policies held by DLP II are not collateral for the debenture obligations as such policies are collateral for the credit facility.

The consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that separate financial statements and related disclosures would be material to investors. There are currently no significant

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restrictions on the ability of Holdings or GWG Life, the guarantor subsidiary, to obtain funds from its subsidiaries by dividend or loan, except as follows. DLP II is a borrower under a credit agreement with Autobahn, with DZ Bank AG as agent, as described in note 6. The significant majority of insurance policies owned by the Company are subject to a collateral arrangement with DZ Bank AG described in notes 3 and 6. Under this arrangement, collection and escrow accounts are used to fund premiums of the insurance policies and to pay interest and other charges under the revolving credit facility. DZ Bank AG and Autobahn must authorize all disbursements from these accounts, including any distributions to GWG Life. Distributions are limited to an amount that would result in the borrowers (DLP II, GWG Life and Holdings) realizing an annualized rate of return on the equity funded amount for such assets of not more than 18%, as determined by DZ Bank AG. After such amount is reached, the credit agreement requires that excess funds be used for repayments of borrowings before any additional distributions may be made.

The following represents consolidating financial information as of December 31, 2013 and 2012, with respect to the financial position, and for the years ended December 31, 2013 and 2012 with respect to results of operations and cash flows of Holdings and its subsidiaries. The parent column presents the financial information of Holdings, the primary obligor of the secured debentures. The guarantor subsidiary column presents the financial information of GWG Life, the guarantor subsidiary of the secured debentures, presenting its investment in DLP II and Trust under the equity method. The non-guarantor subsidiaries column presents the financial information of all non-guarantor subsidiaries including DLP II, United Lending, GWG Broker Services and the Trust.

Consolidating Balance Sheets

December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 32,711,636	$ 738,157	$	$	$ 33,449,793
Restricted cash		1,420,000	4,412,970		5,832,970
Investment in life settlements, at fair value			234,672,794		234,672,794
Deferred financing costs, net			357,901		357,901
Other assets	381,883	484,510	200,625		1,067,018
Investment in subsidiaries	129,839,241	159,798,490		(289,637,731)	
TOTAL ASSETS	$ 162,932,760	$ 162,441,157	$ 239,644,290	$ (289,637,731)	$ 275,380,476

December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$	$	$ 79,000,000	$	$ 79,000,000
Series I Secured notes payable		29,275,202			29,275,202
Renewable Secured Debentures	131,646,062				131,646,062
Accounts payable	233,214	106,655	500,000		839,869
Interest payable	3,806,820	3,065,465	337,123		7,209,408
Other accrued expenses	340,812	154,594	8,677		504,083
Deferred taxes	7,675,174				7,675,174
TOTAL LIABILITIES	143,702,082	32,601,916	79,845,800		256,149,798
CONVERTIBLE, REDEEMABLE PREFERRED STOCK	24,722,693				24,722,693

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Consolidating Balance Sheets (continued)

December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
STOCKHOLDERS EQUITY (DEFICIT)					
Member capital		129,839,241	159,798,490	(289,637,731)	
Common stock	4,562				4,562
Additional paid-in capital	2,942,000				2,942,000
Accumulated deficit	(8,438,577)				(8,438,577)
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(5,492,015)	129,839,241	159,798,490	(289,637,731)	(5,492,015)
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 162,932,760	$ 162,441,157	$ 239,644,290	$ (289,637,731)	$ 275,380,476

December 31, 2012	Parent			Eliminations	Consolidated

		Guarantor Subsidiary	Non-Guarantor Subsidiaries		
ASSETS					
Cash and cash equivalents	$ 25,035,579	$ 2,461,465	$	$	$ 27,497,044
Restricted cash		1,748,700	344,392		2,093,092
Due from related parties		8,613			8,613
Investment in life settlements, at fair value			164,317,183		164,317,183
Deferred financing costs, net			97,040		97,040
Death benefits receivable			2,850,000		2,850,000
Other assets	96,994	202,979	785,090		1,085,063
Investment in subsidiaries	60,608,585	96,914,613		(157,523,198)	
TOTAL ASSETS	$ 85,741,158	$ 101,336,370	$ 168,393,705	$ (157,523,198)	$ 197,948,035
LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$	$	$ 71,000,000	$	$ 71,000,000
Series I Secured notes payable		37,844,711			37,844,711
Renewable Secured Debentures	55,718,950				55,718,950
Accounts payable	73,084	104,975	292,000		470,059
Interest payable	905,017	2,444,097	128,206		3,477,320
Other accrued expenses	898,611	382,522	10,366		1,291,499
Deferred taxes	5,501,407				5,501,407
TOTAL LIABILITIES	63,097,069	40,776,305	71,430,572		175,303,946
CONVERTIBLE, REDEEMABLE PREFERRED STOCK	23,905,878				23,905,878
STOCKHOLDERS EQUITY (DEFICIT)					
Member capital		60,560,065	96,963,133	(157,523,198)	
Common stock	4,995				4,995
Additional paid-in capital	6,976,838				6,976,838
Accumulated deficit	(8,243,622)				(8,243,622)
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(1,261,789)	60,560,065	96,963,133	(157,523,198)	(1,261,789)
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 85,741,158	$ 101,336,370	$ 168,393,705	$ (157,523,198)	$ 197,948,035

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statements of Operations

For the year ended December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$	$ 3,710,737	$	$ (3,710,737)	$
Gain on life settlements, net			29,513,642		29,513,642
Gain upon termination of agreement with Athena Securities Ltd.	$ 3,252,400				$ 3,252,400
Interest and other income	81,931	2,612,420	79,767	(2,475,386)	298,732
TOTAL REVENUE	3,334,331	6,323,157	29,593,409	(6,186,123)	33,064,774
EXPENSES					
Origination and servicing fees			3,710,737	(3,710,737)	
Interest expense	11,800,718	3,684,811	5,277,115		20,762,644
Employee compensation and benefits	3,424,383	1,619,465			5,043,848
Legal and professional fees	1,206,520	514,728	32,961		1,754,209
Other expenses	2,004,636	1,463,084	2,532,927	(2,475,386)	3,525,261
TOTAL EXPENSES	18,436,257	7,282,088	11,553,740	(6,186,123)	31,085,962
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(15,101,926)	(958,931)	18,039,669		1,978,812
EQUITY IN INCOME OF SUBSIDIARIES	17,080,738	18,088,189		(35,168,927)	
NET INCOME BEFORE INCOME TAXES	1,978,812	17,129,258	18,039,669	(35,168,927)	1,978,812
INCOME TAX EXPENSE	2,173,767				2,173,767
NET INCOME (LOSS)	(194,955)	17,129,258	18,039,669	(35,168,927)	(194,955)
Accretion of preferred stock to liquidation value	(806,624)				(806,624)
LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (1,001,579)	$ 17,129,258	$ 18,039,669	$ (35,168,927)	$ (1,001,579)

For the year ended December 31, 2012	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$	$ 2,539,437	$	$ (2,539,437)	$
Gain on life settlements, net			17,436,743		17,436,743

For the year ended December 31, 2012	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Interest and other income	42,668	223,311	42,747	(219,671)	89,055
TOTAL REVENUE	42,668	2,762,748	17,479,490	(2,759,108)	17,525,798
EXPENSES					
Origination and servicing fees			2,539,437	(2,539,437)	
Interest expense	4,311,719	4,833,058	1,953,521	(219,671)	10,878,627
Employee compensation and benefits		2,903,373			2,903,373
Legal and professional fees	899,588	162,323	14,783		1,076,694
Other expenses	937,562	1,496,752	52,499		2,486,813
TOTAL EXPENSES	6,148,869	9,395,506	4,560,240	(2,759,108)	17,345,507
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(6,106,201)	(6,632,758)	12,919,250		180,291
EQUITY IN INCOME OF SUBSIDIARIES	6,286,492	13,035,698		(19,322,190)	
NET INCOME BEFORE INCOME TAXES	180,291	6,402,940	12,919,250	(19,322,190)	180,291
INCOME TAX EXPENSE	1,193,190				1,193,190
NET INCOME (LOSS)	(1,012,899)	6,402,940	12,919,250	(19,322,190)	(1,012,899)
Accretion of preferred stock to liquidation value	(1,578,405)				(1,578,405)
LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (2,591,304)	$ 6,402,940	$ 12,919,250	$ (19,322,190)	$ (2,591,304)

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Consolidating Statements of Cash Flows

For the year ended December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (194,955)	$ 17,129,258	$ 18,039,669	$ (35,168,927)	$ (194,955)
Adjustments to reconcile net income (loss) to cash flows from operating activities:					
Equity of subsidiaries	(17,080,738)	(18,088,189)		35,168,927	

For the year ended December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Gain on life settlements			(39,337,542)		(39,337,542)
Amortization of deferred financing and issuance costs	1,908,248	823,004	(260,861)		2,470,391
Deferred income taxes	2,173,767				2,173,767
Preferred stock issued for dividends	623,899				623,899
Convertible, redeemable preferred stock dividends payable	255				255
Gain upon termination of agreement with Athena Securities Ltd.	(3,252,400)				(3,252,400)
(Increase) decrease in operating assets:					
Due from related parties		8,613			8,613
Death benefits receivable			2,850,000		2,850,000
Other assets	(51,522,808)	(45,077,218)		96,033,606	(566,420)
Increase (decrease) in operating liabilities:					
Accounts payable	160,130	1,680	208,000		369,810
Interest payable	2,399,975	809,540	208,918		3,418,433
Other accrued expenses	277,321	(224,990)	(1,690)		50,641
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(64,507,306)	(44,618,302)	(18,293,506)	96,033,606	(31,385,508)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements			(34,997,500)		(34,997,500)
Proceeds from settlement of life settlements			4,563,896		4,563,896
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(30,433,604)		(30,433,604)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility			8,000,000		8,000,000
Payments for redemption of Series I Secured notes payable		(8,671,624)			(8,671,624)
Proceeds from issuance of debentures	85,260,976				85,260,976
Payments for issuance of debentures	(4,320,542)				(4,320,542)
Payments for redemption of debentures	(8,143,363)				(8,143,363)
Proceeds (payments) from restricted cash		328,700	(4,068,578)		(3,739,878)
Issuance of member capital		51,237,918	44,795,688	(96,033,606)	
Payments for redemption of preferred stock	(613,708)				(613,708)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	72,183,363	42,894,994	48,727,110	(96,033,606)	67,771,861
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,676,057	(1,723,308)			5,952,749
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE YEAR	25,035,579	2,461,465			27,497,044

For the year ended December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
END OF THE YEAR	$ 32,711,636	$ 738,157	$	$	$ 33,449,793

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statements of Cash Flows (continued)

For the year ended December 31, 2012	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (1,012,899)	$ 6,402,940	$ 12,919,250	$ (19,322,190)	$ (1,012,899)
Adjustments to reconcile net income (loss) to cash flows from operating activities:					
Equity of subsidiaries	(6,286,492)	(13,035,698)		19,322,190	
Gain on life settlements			(27,856,374)		(27,856,374)
Amortization of deferred financing and issuance costs	506,279	1,169,755	232,896		1,908,930
Deferred income taxes	1,193,190				1,193,190
Preferred stock issued for dividends	567,478				567,478
Convertible, redeemable preferred stock dividends payable	338,695				338,695
(Increase) decrease in operating assets:					
Due from related parties		(6,348)			(6,348)
Death benefits receivable			(2,850,000)		(2,850,000)
Other assets	(33,137,100)	(22,587,090)	(772,090)	55,627,115	(869,165)
Increase (decrease) in operating liabilities:					
Accounts payable	(306,373)	48,665			(257,708)
Interest payable	918,374	806,058	20,167		1,744,599
Other accrued expenses	(55,890)	(16,352)	2,950		(69,292)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(37,274,738)	(27,218,070)	(18,303,201)	55,627,115	(27,168,894)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements			(15,067,495)		(15,067,495)
Proceeds from settlement of life settlements			1,067,210		1,067,210
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(14,000,285)		(14,000,285)

For the year ended December 31, 2012	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility			11,000,000		11,000,000
Payments for redemption of Series I Secured notes payable		(7,477,197)			(7,477,197)
Proceeds from issuance of debentures	58,553,280				58,553,280
Payments for issuance of debentures	(3,024,545)				(3,024,545)
Payments for redemption of debentures	(112,500)				(112,500)
Proceeds (payments) from restricted cash		(926,473)	3,627,683		2,701,210
Issuance of member capital		37,951,312	17,675,803	(55,627,115)	
Issuance of preferred stock	6,414,273				6,414,273
Payments for issuance of preferred stock	(1,266,647)				(1,266,647)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	60,563,861	29,547,642	32,303,486	(55,627,115)	66,787,874
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,289,123	2,329,572			25,618,695
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE YEAR	1,746,456	131,893			1,878,349
END OF THE YEAR	$ 25,035,579	$ 2,461,465	$	$	$ 27,497,044

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(17) Concentration

GWG purchases life insurance policies written by life insurance companies having investment grade ratings by independent rating agencies. As a result there may be certain concentrations of contracts with life insurance companies. The following summarizes the face value of insurance contracts with specific life insurance companies exceeding 10% of the total face value held by the Company.

	December 31, 2013	December 31, 2012
	%	%
Life insurance company		
Company A	16.58	16.96
Company B	11.34	13.80
Company C	*	11.36

* percentage does not exceed 10% of the total face value.

The following summarizes the number of insurance contracts held in specific states exceeding 10% of the total face value held by the Company:

	December 31, 2013	December 31, 2012
	%	%
State of residence		
California	28.14	28.44
Florida	15.59	13.27
New York	10.65	11.85

(18) Subsequent events

Stock split On June 24, 2014, the Company s Board of Directors and majority stockholders approved a joint resolution to effect an amendment to the Company s Certificate of Incorporation in the state of Delaware whereby the company shall enact a reverse split of the common stock such that for every two (2) shares of common stock issued and outstanding immediately prior to the effective date shall, automatically and without any action on the part of the respective holders thereof, be combined and converted into one (1) share of common stock. The effective date of the amendment and reverse stock split is June 24, 2014. In lieu of fractional shares, stockholders received cash payments in an amount equal to the fraction to which the stockholder would otherwise be entitled multiplied by the price of the common stock, as determined by the Board of Directors of the Corporation, but adjusted so as to give effect to the reverse stock split. The par value of the common stock remained at $0.001 per share.

All share and per-share information presented elsewhere in these financial statements and corresponding notes have been adjusted to reflect the stock split.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2014	December 31, 2013
	(unaudited)	
ASSETS		
Cash and cash equivalents	$ 23,059,955	$ 33,449,793
Restricted cash	2,810,432	5,832,970
Investment in life settlements, at fair value	267,895,692	234,672,794
Other assets	2,822,074	1,424,919
TOTAL ASSETS	$296,588,153	$275,380,476
LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)		
LIABILITIES		

	June 30, 2014	December 31, 2013
Revolving credit facility	$ 79,000,000	$ 79,000,000
Series I Secured notes payable	28,051,113	29,275,202
Renewable Secured Debentures	157,513,267	131,646,062
Interest payable	9,730,193	7,209,408
Accounts payable and accrued expenses	1,714,418	1,343,952
Deferred taxes, net	5,403,604	7,675,174
TOTAL LIABILITIES	281,412,595	256,149,798
CONVERTIBLE, REDEEMABLE PREFERRED STOCK (par value $0.001; shares authorized 40,000,000; shares issued and outstanding 3,419,767 and 3,368,109; liquidation preference of $25,648,000 and $25,261,000 on June 30, 2014 and December 31, 2013, respectively)	25,309,946	24,722,693
STOCKHOLDERS EQUITY		
Common stock (par value $0.001: shares authorized 210,000,000; shares issued and outstanding is 4,562,000 on both June 30, 2014 and December 31, 2013)	4,562	4,562
Additional paid-in capital	2,787,494	2,942,000
Accumulated deficit	(12,926,444)	(8,438,577)
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(10,134,388)	(5,492,015)
TOTAL LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)	$296,588,153	$275,380,476

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

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
REVENUE				
Gain on life settlements, net	$ 5,484,889	$ 7,733,245	$11,001,094	$16,073,601
Interest and other income	6,380	3,274,323	13,747	3,441,994
TOTAL REVENUE	5,491,269	11,007,568	11,014,841	19,515,595
EXPENSES				
Employee compensation and benefits	1,178,819	1,063,923	2,147,564	3,001,343
Legal and professional fees	419,337	351,910	826,339	789,200
Interest expense	6,608,043	4,941,942	12,934,591	9,409,157

	Three Months Ended		Six Months Ended	
Other expenses	1,188,479	1,091,132	1,865,784	2,124,277
TOTAL EXPENSES	9,394,678	7,448,907	17,774,278	15,323,977
INCOME (LOSS) BEFORE INCOME TAXES	(3,903,409)	3,558,661	(6,759,437)	4,191,618
INCOME TAX EXPENSE (BENEFIT)	(1,316,712)	1,801,971	(2,271,570)	2,367,794
NET INCOME (LOSS)	$ (2,586,697)	$ 1,756,690	$ (4,487,867)	$ 1,823,824
Accretion of preferred stock to liquidation value	(101,271)	(208,877)	(226,984)	(466,640)
LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (2,687,968)	$ 1,547,813	$ (4,714,851)	$ 1,357,184
NET INCOME (LOSS) PER SHARE				
Basic	$ (0.59)	$ 0.31	$ (1.03)	$ 0.28
Diluted	$ (0.59)	$ 0.21	$ (1.03)	$ 0.19
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	4,562,000	4,984,994	4,562,000	4,774,102
Diluted	4,562,000	7,511,099	4,562,000	7,290,253

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

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2014	**June 30, 2013**	**June 30, 2014**	**June 30, 2013**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$ (2,586,697)	$ 1,756,690	$ (4,487,867)	$ 1,823,824
Adjustments to reconcile net income (loss) to net cash flows from operating activities:				
Gain on life settlements	(10,852,425)	(7,449,180)	(22,211,338)	(18,943,905)
Amortization of deferred financing and issuance costs	1,354,007	837,133	1,707,664	1,930,880
Deferred income taxes	(1,316,712)	1,802,920	(2,271,570)	2,366,794
Convertible, redeemable preferred stock dividends payable	196,991	178,235	389,331	261,937
(Increase) decrease in operating assets:				
Other assets	(997,073)	(4,164,004)	(1,248,919)	(3,614,132)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	1,890,337	402,739	3,168,163	1,694,797

	Three Months Ended		Six Months Ended	
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(12,311,572)	(6,635,467)	(24,954,536)	(14,479,805)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in life settlements	(2,608,232)	(2,972,944)	(10,879,435)	(12,885,993)
Proceeds from settlement of life settlements	68,500	1,382,152	68,500	2,872,152
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,539,732)	(1,590,792)	(10,810,935)	(10,013,841)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from revolving credit facility				8,000,000
Payments for redemption of Series I Secured notes payable	(670,621)	(2,423,052)	(1,538,924)	(3,930,876)
Proceeds from issuance of renewable secured debentures	14,868,830	18,588,867	33,234,487	42,439,661
Payments for redemption and issuance of renewable secured debentures	(4,393,523)	(3,033,303)	(9,322,411)	(5,336,571)
Proceeds from restricted cash	43,330	2,160,333	3,022,537	(2,370,775)
Repurchase of common stock		(3,252,400)		(3,252,400)
Issuance (redemptions) of convertible, redeemable preferred stock	(20,056)	(125,135)	(20,056)	(311,804)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	9,827,960	11,915,310	25,375,633	35,237,235
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,023,344)	3,689,051	(10,389,838)	10,743,589
CASH AND CASH EQUIVALENTS				
BEGINNING OF PERIOD	28,083,299	34,551,582	33,449,793	27,497,044
END OF PERIOD	$ 23,059,955	$38,240,633	$ 23,059,955	$ 38,240,633

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

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2014	**June 30, 2013**	**June 30, 2014**	**June 30, 2013**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Interest paid	$3,531,000	$3,214,000	$7,781,000	$6,512,000

	Three Months Ended		Six Months Ended	
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Series I secured notes:				
Non-cash conversion of accrued interest and commissions payable to principal	$ 40,000	$ 86,000	$ 105,000	$ 150,000
Renewable secured debentures:				
Non-cash conversion of accrued interest and commission payable to principal	$ 162,000	$ 59,000	$ 282,000	$ 100,000
Convertible, redeemable preferred stock				
Non-cash conversion of dividends payable	$ 193,000	$ 178,000	$ 380,000	$ 262,000
Non-cash accretion of convertible, redeemable preferred stock to redemption value	$ 101,000	$ 209,000	$ 227,000	$ 467,000
Investment in life settlements included in accounts payable	$ 75,000	$ 262,000	$ 75,000	$ 262,000

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

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GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

	Common Shares	Common Stock (par)	Additional Paid-in Capital	Accumulated Deficit	Total Equity
Balance, December 31, 2012	**4,994,500**	**4,995**	**6,976,838**	**(8,243,622)**	**(1,261,789)**
Net loss				(194,955)	(194,955)
Repurchase of common stock	(432,500)	(433)	(3,251,967)		(3,252,400)
Issuance of stock options			23,753		23,753
Accretion of preferred stock to liquidation value			(806,624)		(806,624)
Balance, December 31, 2013	**4,562,000**	**$ 4,562**	**$ 2,942,000**	**$ (8,438,577)**	**$ (5,492,015)**
Net loss				(4,487,867)	(4,487,867)
Issuance of stock options			72,478		72,478
Accretion of preferred stock to liquidation value			(226,984)		(226,984)
Balance, June 30, 2014	**4,562,000**	**4,562**	**2,787,494**	**(12,926,444)**	**(10,134,388)**

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

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) Nature of business and summary of significant accounting policies

Nature of business GWG Holdings, Inc. and subsidiaries, located in Minneapolis, Minnesota, facilitates the purchase of life insurance policies for its own investment portfolio through its wholly owned subsidiary, GWG Life, LLC (GWG Life), and its subsidiaries, GWG Trust (Trust), GWG DLP Funding II, LLC (DLP II) and its wholly owned subsidiary, GWG DLP Master Trust II (the Trust II). Our wholly owned subsidiary, GWG Broker Services, LLC (Broker Services), was formed to earn fees for brokering policy transactions between market participants. Our wholly owned subsidiary United Lending, LLC (United Lending) and its wholly owned subsidiary United Lending SPV, LLC (United Lending SPV) were formed to finance life settlement premiums and policy loans. All of these entities are legally organized in Delaware. Unless the context otherwise requires or we specifically so indicate, all references in this prospectus supplement to we , us , our , our Company , GWG , or Company refer to these entities collectively. GWG Member, LLC, a wholly owned subsidiary formed November 2010 to facilitate the acquisition of policies, has not commenced operations as of June 30, 2014.

Basis of presentation The condensed consolidated balance sheet as of June 30, 2014, the condensed consolidated statements of operations for the three and six months ended June 30, 2014 and 2013, and the condensed consolidated statements of cash flows for the three and six months ended June 30, 2014 and 2013, and the related information presented in these notes, have been prepared by management in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X, without audit. To the extent that information and notes required by U.S. generally accepted accounting principles for complete financial statements are contained in or are consistent with the consolidated audited financial statements in the Company s Form 10-K for the year ended December 31, 2013, such information and notes have not been duplicated herein. In the opinion of management, all adjustments considered necessary for a fair presentation of results have been included. The condensed consolidated balance sheet at December 31, 2013 was derived from the audited consolidated financial statements as of that date. Operating results for the three and six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. For further information, refer to the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

Use of estimates The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. The most significant estimates with regard to these consolidated financial statements relates to (1) the determination of the assumptions used in estimating the fair value of the investment in life insurance policies, and (2) the value of deferred tax assets and liabilities.

Life settlements ASC 325-30, *Investments in Insurance Contracts*, allows a reporting entity the election to account for its investments in life settlements using either the investment method or the fair value method. The election shall be made on an instrument-by-instrument basis and is irrevocable. Under the investment method, an investor shall recognize the initial investment at the purchase price plus all initial direct costs. Continuing costs (policy premiums and direct external costs, if any) to keep the policy in force shall be capitalized. Under the fair value method, an investor shall recognize the initial investment at the

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

purchase price. In subsequent periods, the investor shall remeasure the investment at fair value in its entirety at each reporting period and shall recognize the change in fair value in current period income net of premiums paid. The Company uses the fair value method to account for all life settlements.

The Company recognizes realized gains (revenue) from life settlement contracts upon one of the two following events:

1) Receipt of death notice or verified obituary of insured

2) Sale of policy and filing of change of ownership forms and receipt of payment

The Company recognizes the difference between the death benefits and carrying values of the policy when an insured event has occurred and the Company determines 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. In an event of a sale of a policy the Company recognizes 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.

Deposits and initial direct costs advanced on unsettled policy acquisitions are recorded as other assets until policy ownership has been transferred to the Company. Such deposits and direct cost advances were $0 and $201,000 at June 30, 2014 and December 31, 2013, respectively.

Deferred financing and issuance costs Costs incurred to obtain financing under the revolving credit facility, as described in note 6, have been capitalized and are amortized using the straight-line method over the term of the revolving credit facility. Amortization of deferred financing costs was $89,000 for both the three-month periods ended June 30, 2014 and 2013, and $179,000 and $276,000 for the six-month periods ended June 30, 2014 and 2013, respectively. The future amortization is expected to be $179,000 for the six months ending December 31, 2014. The Series I Secured notes payable, as described in note 7, are reported net of issuance costs, sales commissions and other direct expenses, which are amortized using the interest method over the term of each respective borrowing. The Renewable Secured Debentures, as described in note 8, 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, is reported net of issuance costs, sales commissions, including the fair value of warrants issued, and other direct expenses, which are amortized using the interest method as interest expense over the three-year redemption period.

Earnings (loss) per share Basic per share earnings (loss) attributable to non-redeemable interests is calculated using the weighted-average number of shares outstanding during the period. Diluted earnings per share is calculated based on the potential dilutive impact, if any, of the Company s convertible, redeemable preferred stock, and outstanding warrants, and stock options.

Subsequent events Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the consolidated financial statements are available to be issued. The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the consolidated financial statements are filed for potential recognition or disclosure.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Recently adopted pronouncements Pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company.

(2) Restrictions on cash

The Company is required by its lenders to maintain collection and escrow accounts. These accounts are used to fund the acquisition, pay annual premiums of insurance policies, pay interest and other charges under the revolving credit facility, and collect policy benefits. DZ Bank AG, as agent for Autobahn Funding Company, LLC, the lender for the revolving credit facility as described in note 6, authorizes the disbursements from these accounts. At June 30, 2014 and December 31, 2013 there was a balance of $2,810,000, and $5,833,000, respectively, maintained in these restricted cash accounts.

(3) Investment in life insurance policies

The life insurance policies (Level 3 fair value measurements) are valued based on unobservable inputs that are significant to the overall fair value measurement. Changes in the fair value of these instruments are recorded in gain or loss on life insurance policies in the consolidated statements of operations (net of the cash premiums paid on the policies). The fair value is determined on a discounted cash flow basis that incorporates life expectancy assumptions. Life expectancy reports have been obtained from widely accepted life expectancy providers. The discount rate incorporates current information about market interest rates, the credit exposure to the insurance company that issued the life insurance policy and our estimate of the risk premium an investor in the policy would require. As a result of management s analysis, discount rates of 11.56% and 11.69% were applied to the portfolio as of June 30, 2014 and December 31, 2013.

A summary of the Company s life insurance policies accounted for under the fair value method and their estimated maturity dates, based on remaining life expectancy, is as follows:

	As of June 30, 2014			As of December 31, 2013		
Years Ending December 31,	**Number of Contracts**	**Estimated Fair Value**	**Face Value**	**Number of Contracts**	**Estimated Fair Value**	**Face Value**
2014		$	$		$	$
2015	3	4,781,000	6,000,000	4	5,065,000	6,750,000
2016	11	11,035,000	16,450,000	8	8,174,000	13,750,000
2017	26	33,191,000	59,716,000	25	33,345,000	63,916,000
2018	29	35,358,000	70,017,000	33	37,243,000	80,318,000
2019	44	44,279,000	109,795,000	34	32,844,000	89,295,000
2020	38	35,833,000	91,224,000	34	27,741,000	75,644,000
Thereafter	138	103,419,000	431,450,000	125	90,261,000	410,975,000
Totals	289	267,896,000	784,652,000	263	$234,673,000	$740,648,000

The Company recognized policy benefits of $300,000 and $6,600,000 during the three-month periods ended June 30, 2014 and 2013, respectively, related to policies with a carrying value of $68,000 and $1,382,000, respectively. During the six-month periods ended June 30, 2014 and 2013, the Company recorded realized gains of $232,000 and $5,218,000 on such policies. The Company recognized policy benefits of $300,000 and $10,600,000, respectively, related to policies with carrying value of $68,000 and $2,872,000, respectively. The Company recorded realized gains of $232,000 and $7,728,000 on such policies.

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Reconciliation of gain on life settlements:

	Three Months Ended June 30,	Six Months Ended June 30,

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Change in fair value	$ 10,852,000	$ 7,449,000	$ 22,211,000	$ 18,944,000
Premiums and other annual fees	(5,599,000)	(4,934,000)	(11,442,000)	(10,598,000)
Policy maturities	232,000	5,218,000	232,000	7,728,000
Gain on life settlements, net	$ 5,485,000	$ 7,733,000	$ 11,001,000	$ 16,074,000

The estimated expected premium payments to maintain the above life insurance policies in force through 2018, assuming no mortalities, are as follows:

Years Ending December 31,	
Six months ending December 31 ,2014	$ 12,213,000
2015	26,693,000
2016	29,402,000
2017	32,847,000
2018	35,767,000
	$ 136,922,000

Management anticipates funding the estimated premium payments as noted above with proceeds from the DZ Bank revolving credit facility and through additional debt and equity financing as well as from cash proceeds from maturities of life insurance policies. The proceeds of these capital sources are also intended to be used for the purchase, financing, and maintenance of additional life insurance policies.

(4) Fair value definition and hierarchy

ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment and the state of the marketplace including the existence and transparency of transactions between market participants. Assets and liabilities with readily available active quoted prices or for which fair value can be measured from actively quoted prices in an orderly market generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. ASC 820 establishes a three-level valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company s assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

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Level 2 Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary by types of assets and liabilities and is affected by a wide variety of factors, including, for example, whether instrument is established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for assets and liabilities categorized in Level 3.

Level 3 Valuation Process

The estimated fair value of the Company s life settlements are determined on a quarterly basis by the Company s portfolio management committee, taking into consideration changes in discount rate assumptions, estimated premium payments and life expectancy assumptions, as well as any changes in economic and other relevant conditions. These inputs are then used to estimate the discounted cash flows using the MAPS probabilistic portfolio pricing model, which estimates the cash flows using various different probabilities and scenarios. The valuation process includes a review by senior management as of each valuation date. Management also engages a third party expert to independently test the accuracy of the valuations using the inputs provided by management.

Life insurance policies represent financial instruments recorded at fair value on a recurring basis. The following table reconciles the beginning and ending fair value of the Company s Level 3 investments in life insurance policies for the three and six-month periods ending June 30, 2014 and 2013, as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
Beginning balance	$254,504,000	$185,020,000	$234,673,000	$164,317,000
Purchases	2,608,000	2,805,000	11,080,000	13,503,000
Maturities (cash in excess of carrying value)	(68,000)	(1,382,000)	(68,000)	(2,872,000)
Net change in fair value	10,852,000	7,449,000	22,211,000	18,944,000
Ending balance (June 30)	$267,896,000	$193,892,000	$267,896,000	$193,892,000

The fair value of a portfolio of life insurance policies is based on information available to the Company at the reporting date. Fair value is based upon a discounted cash flow model that incorporates life expectancy estimate assumptions. Life expectancy estimates are obtained from independent, third-party, widely accepted life expectancy estimate providers at policy acquisition. The life expectancy values of each insured, as determined at policy acquisition, are rolled down monthly for the passage of time by the MAPS actuarial software the Company uses for ongoing valuation of its portfolio of life insurance policies. The discount rate incorporates current information about discount rates applied by other reporting companies owning portfolios of life insurance policies, discount rates observed in the life insurance secondary market, market interest rates, the credit exposure to the insurance company that issued the life insurance policy and management s estimate of the risk premium a purchaser would require to receive the future cash flows derived from our portfolio of life insurance policies.

On January 22, 2013, one of the independent medical actuarial underwriting firms we utilize, 21st Services, announced advancements in its underwriting methodology, resulting in revised estimated life expectancy mortality tables for life settlement transactions. We were advised by 21st Services that the changes

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are very granular and relate to both specific medical conditions and lifestyles of insureds. These changes were the result of the application of additional medical information gathered by 21st Services over a period of time, and which were applied to the inputs and methodologies used to develop the actuarial life expectancies. While we do not believe these revised methodologies indicate the previous estimated life expectancies were inaccurate, we believe the revised methodologies provide additional information that should be considered in updating our estimate of the life expectancies of the insureds within our portfolio. Based upon our evaluation and analysis of data made available by 21st Services, as well as information regarding the insureds within our portfolio, we have estimated the impact of the changes in 21st Services methodologies for determining life expectancies on a policy-by-policy basis within our portfolio as of December 31, 2012 and applied such changes to the life expectancy inputs used to estimate fair value. We have adjusted the original life expectancies provided by 21st Services based on four factors, the impact of each analyzed individually for each insured in the GWG portfolio. The four factors are gender, anti-selection, age, and primary impairment. GWG applied this set of adjustments to all 21st Services life expectancy reports used in valuation of the portfolio as of December 31, 2012. At that time, the portfolio contained 211 policies on 194 insured lives. Of those 211 policies, 199 were valued using a 21st Services life expectancy report as part of the pricing life expectancy estimate calculation. While the analysis and adjustments were applied on an individual policy basis, the result was an average overall increase in the original life expectancy estimates of 8.67%. We have a standard practice of obtaining two third-party life expectancy estimates for each policy in our portfolio. As a result, the effective change in life expectancy on the portfolio as of December 31, 2012 was an average of approximately 4.33%, which resulted in an aggregate decrease in the fair value of our life settlements portfolio of $12.4 million as of December 31, 2012. Life expectancy reports by their very nature are estimates.

During 2013, we sought to update our life expectancy estimates from all four of the major independent third-party medical-actuarial underwriting firms (including 21st Services) with updated medical records on all of the 211 policies we originally used a life expectancy report from 21st Services. As of December 31, 2013, we had successfully procured new life expectancy reports on 176 of the 211 policies owned as of December 31, 2012. We experienced ten mortalities in 2013 for which no updated life expectancy reports were necessary. We also had two small face policies in our portfolio for which we did not update life expectancy reports. Accordingly, as of June 30, 2014 we had updated our life expectancy estimates based on updated life expectancy reports on all but 12 policies (covering 10 people) in our portfolio that we are still seeking to update.

In order to assess the reasonableness of our adjustments, made effective December 31, 2012, we compared the life expectancy estimates including any adjustments used on December 31, 2012 to the updated life expectancy estimates used on December 31, 2013. Because an additional year has elapsed since the December 31, 2012 date, the older set of adjusted life expectancy estimates were rolled down to shorter numbers based on an actuarial calculation to make them comparable to the updated life expectancy estimates used on December 31, 2013. The average amount of roll down to account for the 12-month passage of time was eight and one-half months.

We concluded that the adjustments we made a year ago were reasonable when we the compared the rolled down life expectancy estimates from December 31, 2012 to the updated life expectancy estimates on December 31, 2013. The average rolled down life expectancy estimate from December 31, 2012 is 80.9 months. The average updated life expectancy estimate obtained from updated life expectancy reports as of December 31, 2013 is 79.4 months, shorter by one and one-half months. We see no need to make any further adjustments to our life expectancy estimates at this time.

The fair value of life insurance policies is estimated using present value calculations of estimated cash flows based on the data specific to each individual life insurance policy. Estimated future policy premium payments are calculated based on the terms of the policy and the premium payment history. The following

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summarizes the unobservable inputs utilized in estimating the fair value of the portfolio of life insurance policies:

	As of June 30, 2014	As of December 31, 2013
Weighted average age of insured	82.5	82.1
Weighted average life expectancy, months*	82.2	87.0
Average face amount per policy	$2,715,000	$2,816,000
Discount rate	11.56%	11.69%

* Standard life expectancy as adjusted for insured s specific circumstances.

These assumptions are, by their nature, inherently uncertain and the effect of changes in estimates may be significant. The techniques used in estimating the present value of estimated cash flows are derived from valuation techniques generally used in the industry that include inputs for the asset that are not based on observable market data. The extent to which the fair value could reasonably vary in the near term has been quantified by evaluating the effect of changes in significant underlying assumptions used to estimate the fair value. If the life expectancy estimates were increased or decreased by four and eight months on each outstanding policy and the discount factors were increased or decreased by 1% and 2%, while all other variables are held constant, the fair value of the investment in life insurance policies would increase or (decrease) by the amounts summarized below:

	Changes in fair value of life insurance policies			
Change in life expectancy estimates	**plus 8 months**	**minus 8 months**	**plus 4 months**	**minus 4 months**
June 30, 2014	$(38,249,000)	$40,171,000	$(19,368,000)	$19,856,000
December 31, 2013	$(34,382,000)	$36,152,000	$(17,417,000)	$17,865,000

Change in discount rate	**plus 2%**	**minus 2%**	**plus 1%**	**minus 1%**
June 30, 2014	$(24,381,000)	$28,624,000	$(12,666,000)	$13,723,000
December 31, 2013	$(22,944,000)	$27,063,000	$(11,933,000)	$12,959,000

Other Fair Value Considerations

Carrying value of receivables, prepaid expenses, accounts payable and accrued expenses approximate fair value due to their short-term maturities and low credit risk. The estimated fair value of the Company s Series I Secured notes payable and Renewable Secured Debentures is approximately $192,177,000 based on a weighted-average market interest rate of 7.12% based on an income approach, the combined face value of these notes is $189,603,000 as of June 30, 2014. The carrying value of the revolving credit facility reflects interest charged at the commercial paper rate plus an applicable margin. The margin represents our credit risk, and the strength of the portfolio of life insurance policies collateralizing the debt. The overall rate reflects market, and the carrying value of the revolver approximates fair value. All of the financial instruments are level 3 fair value measurements.

The Company has issued warrants to purchase common stock in connection with the issuance of its convertible, redeemable preferred stock. Warrants were determined by the Company as permanent equity. The fair value measurements associated with the warrants, measured at issuance represent level 3 instruments.

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As of June 30, 2014:

Month issued	Warrants issued	Fair value per share	Risk free rate	Volatility	Term
December 2011	68,937	$0.22	0.42%	25.25%	3 years
March 2012	38,130	$0.52	0.38%	36.20%	3 years
June 2012	161,841	$1.16	0.41%	47.36%	3 years
July 2012	144,547	$1.16	0.41%	47.36%	3 years
September 2012	2,500	$0.72	0.31%	40.49%	3 years
	415,955				

Volatility is based upon the weekly percentage change in the stock price of selected comparable insurance companies. In June 2012, we evaluated the comparable companies used, and made certain changes to those used. The percentage change is calculated on the average price of those selected stocks at the weekly close of business for the year preceding the balance sheet date. We compare annual volatility based on this weekly information.

(5) Notes receivable from related parties

As of June 30, 2014 and December 31, 2013, the Company had receivables totaling $5,000,000 due from an affiliate, Opportunity Finance, LLC, which were fully reserved. Opportunity Finance ceased operations in 2008.

(6) Credit facilities

Revolving credit facility Autobahn Funding Company LLC

On July 15, 2008, DLP II and United Lending entered into a revolving credit facility pursuant to a Credit and Security Agreement (Agreement) with Autobahn Funding Company LLC (Autobahn), providing the Company with a maximum borrowing amount of $100,000,000. Autobahn is a commercial paper conduit that issues commercial paper to investors in order to provide funding to DLP II and United Lending. DZ Bank AG Deutsche Zentral-Genossenschaftsbank (DZ Bank) acts as the agent for Autobahn. The original Agreement was to expire on July 15, 2013. On January 29, 2013, Holdings, together with GWG Life and DLP II, entered into an Amended and Restated Credit and Security Agreement with Autobahn, extending the facility expiration date to December 31, 2014, and removing United Lending as a party to the amended and restated agreement. On May 29, 2014, Holdings, together with GWG Life and DLP II, entered into an Amendment No. 1 to Amended and Restated Credit and Security Agreement with Autobahn and DZ Bank (as committed lender and Agent). The amendment was entered into for the purpose of extending the maturity date for borrowings under the agreement to December 31, 2016. The amount outstanding under this facility as of both June 30, 2014 and December 31, 2013 was $79,000,000.

The Agreement requires DLP II to pay, on a monthly basis, interest at the commercial paper rate plus an applicable margin, as defined in the Agreement. The effective rate was 6.19% at both at June 30, 2014 and December 31, 2013, respectively. The weighted average effective interest rate was 6.20% and 6.26% (excluding the unused line fee) for the three months ended June 30, 2014 and 2013, respectively. The Agreement also requires payment of an unused line fee on the unfunded amount under the revolving credit facility. The note is secured by substantially all of DLP II assets which consist primarily of life insurance policies.

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The Agreement has certain financial and nonfinancial covenants. The Company was in compliance with these covenants at June 30, 2014 and December 31, 2013. The Agreement generally prohibits the Company from:

- changing its corporate name, offices, and jurisdiction of incorporation
- changing any deposit accounts or payment instructions to insurers;
- changing any operating policies and practices such that it would be reasonably likely to adversely affect the collectability of any asset in any material respect;
- merging or consolidating with, or selling all or substantially all of its assets to, any third party;
- selling any collateral or creating or permitting to exist any adverse claim upon any collateral;
- engaging in any other business or activity than that contemplated by the Agreement;
- incurring or guaranteeing any debt for borrowed money;
- amending the Company s certificate of incorporation or bylaws, making any loans or advances to, investments in, or paying any dividends to, any person unless both before and after any such loan, advance, investment or dividend there exists no actual event of default, potential event of default or termination event;
- removing an independent director on the board of directors except for cause or with the consent of the lender; or
- making payment on or issuing any subsidiary secured notes or debentures, or amending any agreements respecting such notes or debentures, if an event of default, potential event of default or termination event exists or would arise from any such action.

In addition, the Company has agreed to maintain (i) a positive consolidated net income on a Non-GAAP basis (as defined and calculated under the Agreement) for each complete fiscal year and (ii) a tangible net worth on a Non-GAAP basis (again, as defined and calculated under the Agreement) of not less than $15 million, and (iii) maintain a borrowing base surplus or cash cushion sufficient to pay 12 months of premiums and facility fees.

Consolidated net income and tangible net worth as of and for the four quarters ended June 30, 2014, as calculated under the agreement, was $19,543,000 and $63,825,000 respectively.

Advances under the Agreement are subject to a borrowing base formula, which limits the availability of advances on the borrowing base calculation based on attributes of policies pledged to the facility. Over-concentration of policies by insurance carrier, over-concentration of policies by insurance carriers with ratings below a AA- rating, and the premiums and facility fees reserve are the three primary factors with the potential of limiting availability of funds on the facility. Total funds available for additional borrowings under the borrowing base formula criteria at June 30, 2014 and December 31, 2013, were $5,824,000 and $3,937,000 respectively.

On July 15, 2008, Holdings delivered a performance guaranty in favor of Autobahn pursuant to which it guaranteed the obligations of GWG Life, in its capacity as the seller and master servicer, under the Credit and Security Agreement and related documents. On January 29, 2013 and in connection with the Amended and Restated Credit and Security Agreement, Holdings delivered a reaffirmation of its performance guaranty. The obligations of Holdings under the performance guaranty and subsequent reaffirmation do not extend to the principal and interest owed by DLP II as the borrower under the credit facility.

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(7) Series I Secured notes payable

Series I Secured notes payable have been issued in conjunction with the GWG Series I Secured notes private placement memorandum dated August 25, 2009 (last revised November 15, 2010). On June 14, 2011, the Company closed the offering to additional investors, however, existing investors may elect to continue advancing amounts outstanding upon maturity subject to the Company s option. Series I Secured notes have maturity dates ranging from six months to seven years with fixed interest rates varying from 5.65% to 9.55% depending on the term of the note. Interest is payable monthly, quarterly, annually or at maturity depending on the terms of the note. At June 30, 2014 and December 31, 2013, the weighted-average interest rate of Series I Secured notes was 8.36% and 8.35%, respectively. The notes are secured by assets of GWG Life. The principal amount outstanding under these Series I Secured notes was $28,642,000 and $29,744,000 at June 30, 2014 and December 31, 2013, respectively. The difference between the amount outstanding on the Series I Secured notes and the carrying amount on the consolidated balance sheet is due to netting of unamortized deferred issuance costs. Overall, interest expense includes amortization of deferred financing and issuance costs of $134,000 and $301,000 for the three and six months ended June 30, 2014, respectively, and $161,000 and $217,000 for the three and six months ended June 30, 2013, respectively. Future expected amortization of deferred financing costs is $591,000 over the next six years.

On November 15, 2010, Jon Sabes and Steve Sabes pledged their ownership interests in the Company to the Series I Trust as security for advances under the Series I Trust arrangement.

The use of proceeds from the issuances of Series I Secured notes was limited to the following: (1) payment of commissions of Series I Secured note sales, (2) purchase life insurance policies, (3) pay premiums of life insurance policies, (4) pay principal and interest to Senior Liquidity Provider (DZ Bank), (5) pay portfolio or note operating fees or costs, (6) pay trustee (Wells Fargo Bank, N.A.), (7) pay servicer and collateral fees, (8) pay principal and interest on Series I Secured notes, (9) make distributions to equity holders for tax liability related to portfolio, (10) purchase interest rate caps, swaps, or hedging instruments, (11) pay GWG Series I Trustee fees, and (12) pay offering expenses.

On November 1, 2011, GWG entered into a Third Amended and Restated Note Issuance and Security Agreement with Lord Securities Corporation after receiving majority approval from the holders of Series I Secured notes. Among other things, the amended and restated agreement modified the use of proceeds and certain provisions relating to the distribution of collections and subordination of cash flow. Under the amended and restated agreement, GWG is no longer restricted as to its use of proceeds or subject to restrictions on certain distributions of collections and subordination of cash flows. Under the amended and restated agreement, GWG may extend the maturity of Series I Secured notes of a six-month term for up to two additional six-month terms, and Series I Secured notes of a one year term for up to six months.

Future contractual maturities of Series I Secured notes payable at June 30, 2014 are as follows:

Years Ending December 31,	
Six months ending December 31 ,2014	$ 4,586,000
2015	10,718,000
2016	8,092,000
2017	4,428,000
2018	754,000
Thereafter	64,000
	$28,642,000

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(8) Renewable Secured Debentures

The Company has registered with the Securities and Exchange Commission, effective January 2012, the offer and sale of $250,000,000 of secured debentures. Renewable Secured Debentures have maturity dates ranging from six months to seven years with fixed interest rates varying from 4.75% to 9.50% depending on the term of the note. Interest is payable monthly, annually or at maturity depending on the terms of the debenture. At June 30, 2014 and December 31, 2013, the weighted-average interest rate of Renewable Secured Debentures was 7.51% and 7.53%, respectively. The debentures are secured by assets of GWG Life and GWG Holdings. The amount outstanding under these Renewable Secured Debentures was $160,961,000 and $134,891,000 at June 30, 2014 and December 31, 2013, respectively. The difference between the amount outstanding on the Renewable Secured Debentures and the carrying amount on the consolidated balance sheets is due to netting of unamortized deferred issuance costs and cash receipts for new issuances in process. Amortization of deferred issuance costs was $908,000 and $1,755,000 for the three and six months ended June 30, 2014, respectively, and $344,000 and $622,000 for the three and six months ended June 30, 2013, respectively. Future expected amortization of deferred financing costs as of June 30, 2014 is $5,421,000. Subsequent to June 30, 2014, the Company has issued approximately an additional $5,379,000 in principal amount of these Renewable Secured Debentures.

The use of proceeds from the issuances of Renewable Secured Debentures is limited to the following: (1) payment of commissions on sales of Renewable Secured Debentures, (2) payment of offering expenses, (3) purchase of life insurance policies, (4) Payment of premiums on life insurance policies, (5) payment of principal and interest on Renewable Secured Debentures, (6) payment of portfolio operations expenses, and (7) for general working capital.

Future contractual maturities of Renewable Secured Debentures at June 30, 2014 are as follows:

Years Ending December 31,	
Six months ending December 31, 2014	$ 27,838,000
2015	47,254,000
2016	37,660,000
2017	16,949,000
2018	8,314,000
Thereafter	22,946,000
	$ 160,961,000

The Company entered into an indenture effective October 19, 2011 with Holdings as obligor, GWG Life as guarantor, and Bank of Utah as trustee for the benefit of the debenture holders. The Indenture has certain financial and nonfinancial covenants. The Company was in compliance with these covenants at June 30, 2014 and December 31, 2013.

(9) Convertible, redeemable preferred stock

The Company began offering 3,333,333 shares of convertible redeemable preferred stock (Series A preferred stock) for sale to accredited investors in a private placement on July 31, 2011. The offering of Series A preferred stock concluded on September 2, 2012 and resulted in 3,278,000 shares being issued for gross consideration of $24,582,000. As of June 30, 2014, 220,000 shares have been issued as a result of conversion of $1,543,000 in dividends into shares of Series A preferred stock. The Series A preferred stock was sold at an offering price of $7.50 per share. Series A preferred stock has a preferred yield of 10% per annum, and each share has the right to convert into 0.75 shares of the Company s common stock. The Company may elect to automatically convert the Series A preferred stock to common stock as described below. Series A preferred shareholders also received three-year warrants to purchase, at an exercise price per

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share of $12.50, one share of common stock for every 40 shares of Series A preferred stock purchased. The warrants are exercisable immediately. In the Certificate of Designations for the Series A preferred stock dated July 31, 2011, the Company has agreed to permit preferred shareholders to sell their shares back to the Company for the stated value of $7.50 per share, plus accrued dividends, according to the following schedule:

Up to 33% of the holder s unredeemed shares one year after issuance:

Up to 66% of the holder s unredeemed shares two years after issuance; and

Up to 100% of the holder s unredeemed shares three years after issuance.

The Company s obligation to redeem Series A preferred shares will terminate upon the Company completing a registration of its common stock with the SEC. The Company may redeem the Series A preferred shares at a price equal to 110% of their liquidation preference ($7.50 per share) at any time after December 15, 2012. As of June 30, 2014, the Company had redeemed an aggregate of 86,000 shares of Series A preferred stock.

At the election of the Company, the Series A preferred shares may be automatically converted into the common stock of the Company in the event of either (1) a registered offering of the Company s common stock with the SEC aggregating gross proceeds of at least $5.0 million at a price equal to or greater than $11.00 per share of common stock, or (2) the consent of shareholders holding at least a majority of the then-outstanding shares of Series A preferred stock. As of June 30, 2014, the Company had issued 3,420,000 preferred shares resulting in gross consideration of $25,536,000 (including cash proceeds, conversion of Series I Secured notes and accrued interest on Series I notes, and conversion of preferred dividends payable). The Company incurred Series A preferred stock issuance costs of $2,838,000, of which $2,612,000 was amortized to additional paid in capital through June 30, 2014, resulting in a carrying amount of $25,310,000.

The Company determined that the grant date fair value of the outstanding warrants attached to the Series A preferred stock was $395,000 for warrants outstanding as of June 30, 2014. The Company may redeem outstanding warrants prior to their expiration, at a price of $0.01 per share upon 30 days written notice to the investors at any time after (i) the Company has completed a registration of its common stock with the SEC and (ii) the volume of weighted-average sale price per share of common stock equals or exceeds $14.00 per share for ten consecutive trading days ending on the third business day prior to proper notice of such redemption. Total warrants outstanding as of June 30, 2014, were 415,955 with a weighted-average remaining life of 0.85 years. Total warrants outstanding at December 31, 2013, were 415,955 with a weighted-average remaining life of 1.34 years. As of June 30, 2014, none of these warrants have been exercised.

Dividends on the Series A preferred stock may be paid in either cash or additional shares of Series A preferred stock at the election of the holder and approval of the Company. The dividends are reported as an expense and included in the caption interest expense in the consolidated statements of operations. The Company declared and accrued dividends of $638,000 and $628,000 during the three months ended June 30, 2014 and 2013, respectively, and $1,276,000 and $1,263,000 during the six months ended June 30, 2014 and 2013, respectively, pursuant to a board resolution declaring the dividend. 28,000 and 25,000 shares of Series A preferred stock were issued in lieu of cash dividends in the three month periods ended June 30, 2014 and 2013, and 54,000 and 37,000 shares of Series A preferred stock were issued in lieu of cash dividends in the six month periods ended June 30, 2014 and 2013, respectively. The shares issued in lieu of cash dividends were issued at $7.00 per share. As of June 30, 2014, Holdings has $638,000 of accrued preferred dividends which were paid or converted to shares of Series A preferred stock on July 15, 2014.

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(10) Income taxes

For the three and six months ended June 30, 2014, the Company recorded income tax benefit of $1,317,000 and $2,272,000, or 33.7% and 33.6%, respectively, of income before taxes, compared to the recognition of an income tax expense of $1,802,000 and $2,368,000, or 50.6% and

56.5%, respectively, of income before taxes, for the three and six months ended June 30, 2013, respectively. The primary differences between the Company s June 30, 2014 effective tax rate and the statutory federal rate are the accrual of non-deductible preferred stock dividend expense of $1,276,000, state taxes, and other non-deductible expenses.

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

(11) Common Stock

On July 11, 2011, we entered into a Purchase and Sale Agreement with Athena Securities Group, Ltd. and Athena Structured Funds PLC. Under this agreement, we issued to Athena Securities Group, Ltd. (Athena) 494,500 shares of common stock, which was equal to 9.9% of our outstanding shares, in exchange for shares equal to 9.9% of the outstanding shares in Athena Structured Funds, PLC and cash of $5,000. This 2011 agreement had contemplated cooperative efforts by the parties aimed at developing a security and related offering in Europe or Ireland, the proceeds of which would be used to finance the acquisition of life-insurance related assets in the United States. In 2013, we sought to terminate the 2011 agreement due to a changing regulatory environment in Europe that negatively affected the likelihood of consummating the contemplated offering of securities, and our dissatisfaction with Athena s performance under the 2011 agreement. As a result, in June 2013 we entered into a second Purchase and Sale Agreement with Athena Securities Ltd. and Athena. This agreement effected the termination of the 2011 agreement. The June 2013 agreement contained mutual general releases of claims and substantially unwound certain capital stock transactions that had been effected under the 2011 agreement. In particular, Athena returned to us for redemption 432,500 shares of our common stock, and retained 62,000 common shares in recognition of their earlier efforts under the 2011 agreement. For our part, we sold back to Athena all of our ownership in Athena Structured Funds, PLC that we had originally acquired under the 2011 agreement. Presently, we have no ongoing business relationship with Athena.

Stock split On June 24, 2014, the Company s Board of Directors and majority stockholders approved a joint resolution to effect an amendment to the Company s Certificate of Incorporation to effect a reverse split of the issued and outstanding common stock on a 2-for-1 basis. The effective date of the amendment and reverse stock split was June 24, 2014. In lieu of fractional shares, stockholders received cash payments in an amount equal to the fraction to which the stockholder would otherwise be entitled multiplied by the price of the common stock, as determined by the Board of Directors of the Corporation, but adjusted so as to give effect to the reverse stock split. The par value of the common stock remained at $0.001 per share.

(12) Stock Incentive Plan

The Company adopted the GWG Holdings, Inc. 2013 Stock Incentive Plan on March 27, 2013. The plan is administered by Compensation Committee of the Board of Directors of the Company. The Company s Chief Executive Officer may, on a discretionary basis and without committee review or approval, grant incentives to new employees of the Company who are not Officers of the Company. Incentives under the plan may be granted in one or a combination of the following forms: (a) incentive stock options and non-statutory stock options; (b) stock appreciation rights; (c) stock awards; (d) restricted stock; (e) restricted stock units; and (f) performance shares. Eligible participants include officers and employees of the company, members of the Board of Directors, and consultants or other independent contractors. 1,000,000 shares are issuable under the

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plan. No person shall receive grants of stock options and SARs under the plan that exceed, in the aggregate 200,000 shares of common stock in any one year. The term of each stock option shall be determined by the committee but shall not exceed ten years. Vested stock options may be exercised in whole or part by the holder giving notice to the Company. The holder of the option may provide payment for the exercise price or surrender shares equal to the exercise price.

The Company issued stock options for 551,185 shares of common stock to employees, officers, and directors of the Company through June 30, 2014. Options for 221,185 shares vested immediately, and the remaining options vested over three years. The shares were issued with an exercise price between $8.20 and $8.28 for those owning more than 10% of the Company s stock and between $7.46 $7.52 for others, which is

equal to the estimated market price of the shares on the date of grant valued using Black-Scholes Binomial option pricing model. The expected volatility used in the Black-Scholes model valuation of options issued during the year was 19.73% annualized. The annual volatility rate is based on the standard deviation of the average continuously compounded rate of return of five selected comparable companies over the previous 52 weeks. Forfeiture rate of 15% is based on historical company information and expected future trend. As of June 30, 2014, stock options for 60,750 shares were forfeited.

Stock options granted through June 30, 2014:

Grant Date	Exercise Price	Shares	Vesting	Binomial Value	Forfeiture Factor	Compensation Expense
9/5/2013	$7.52	143,750	Immediate	0.360	0.8700	45,023
9/5/2013	$8.28	25,000	Immediate	0.360	0.8700	7,830
9/5/2013	$7.52	45,839	1 year	0.360	0.8500	14,027
9/5/2013	$8.28	2,834	1 year	0.360	0.8500	867
9/5/2013	$7.52	45,833	2 years	0.600	0.7225	19,869
9/5/2013	$8.28	2,833	2 years	0.600	0.7225	1,228
9/5/2013	$7.52	45,828	3 years	0.820	0.6141	23,078
9/5/2013	$8.28	2,833	3 years	0.820	0.6141	1,427
9/30/2013	$7.52	4,000	Immediate	0.660	0.8700	2,297
10/28/2013	$7.52	6,000	Immediate	0.660	0.8700	3,445
10/28/2013	$7.52	24,000	1 year	0.660	0.8500	13,464
10/28/2013	$7.52	24,000	2 years	0.920	0.7225	15,953
10/28/2013	$7.52	18,000	3 years	1.140	0.6141	12,602
11/11/2013	$7.52	4,167	1 year	0.660	0.8500	2,338
11/11/2013	$7.52	4,167	2 years	0.920	0.7225	2,770
11/11/2013	$7.52	4,166	3 years	1.140	0.6141	2,917
12/12/2013	$7.52	30,000	Immediate	0.660	0.8700	17,226
4/1/2014	$7.46	1,935	Immediate	0.468	0.8700	788
4/1/2014	$7.46	11,008	1 year	1.028	0.8500	9,619
4/1/2014	$7.46	10,999	2 years	1.240	0.7225	9,854
4/1/2014	$7.46	10,993	3 years	1.292	0.6141	8,722
4/7/2014	$7.46	3,334	1 year	1.028	0.8500	2,913
4/7/2014	$8.20	3,334	1 year	1.028	0.8500	2,913
4/7/2014	$7.46	3,333	2 years	1.240	0.7225	2,986
4/7/2014	$8.20	3,333	2 years	1.240	0.7225	2,986
4/7/2014	$7.46	3,333	3 years	1.292	0.6141	2,645
4/7/2014	$8.20	3,333	3 years	1.292	0.6141	2,645
4/28/2014	$7.46	5,000	Immediate	0.468	0.8700	2,036

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Grant Date	Exercise Price	Shares	Vesting	Binomial Value	Forfeiture Factor	Compensation Expense
4/28/2014	$7.46	2,500	1 year	1.028	0.8500	2,185

Grant Date	Exercise Price	Shares	Vesting	Binomial Value	Forfeiture Factor	Compensation Expense
4/28/2014	$7.46	2,500	2 years	1.240	0.7225	2,240
4/28/2014	$7.46	2,500	3 years	1.292	0.6141	1,984
5/27/2014	$7.46	2,500	Immediate	0.468	0.8700	1,018
5/27/2014	$7.46	10,000	1 year	1.028	0.8500	8,738
5/27/2014	$7.46	10,000	2 years	1.240	0.7225	8,959
5/27/2014	$7.46	10,000	3 years	1.292	0.6141	7,934
6/20/2014	$7.46	3,000	Immediate	0.468	0.8700	1,221
6/20/2014	$7.46	6,000	1 year	1.028	0.8500	5,243
6/20/2014	$7.46	6,000	2 years	1.240	0.7225	5,375
6/20/2014	$7.46	3,000	3 years	1.292	0.6141	2,380
		551,185				

Outstanding stock options:

	Vested	Un-vested	Total
Balance as of December 31, 2013	195,000	210,250	405,250
Granted during the year	12,435	105,500	117,935
Exercised during the year			
Forfeited during the year	(10,000)	(22,750)	(32,750)
Expired during the year			
Balance as of June 30, 2014	197,435	293,000	490,435

Compensation expense related to un-vested options not yet recognized is $186,000. We expect to recognize this compensation expense over the next 3.50 years. Stock-based compensation cost for the three and six months ended June 30, 2014 was $17,000 and $72,000, respectively.

(13) Net loss per common share

The Company began issuing Series A preferred stock September, 1, 2011, as described in note 9. The Series A preferred stock is anti-dilutive to the net loss per common share calculation at June 30, 2014 and dilutive at June 30, 2013. The Company has also issued warrants to purchase common stock in conjunction with the sale of convertible preferred stock, as discussed in note 9. The warrants are anti-dilutive at June 30, 2014 and 2013, and have not been included in the fully diluted net loss per common share calculation.

(14) Commitments

The Company entered into an office lease with U.S. Bank National Association as the landlord. The lease was effective April 22, 2012 with a term through August 31, 2015. The lease is for 11,695 square feet of office space located at 220 South Sixth Street, Minneapolis, Minnesota. The Company is obligated to pay base rent plus common area maintenance and a share of the building operating costs. Rent expenses under this agreement were $101,000 and $98,000 during the six-month periods ended June 30, 2014 and 2013, respectively, and $49,000 and $50,000 during the three-month periods ended June 30, 2014 and 2013, respectively. Minimum lease payments under the lease agreement effective April 22, 2012 are as follows:

Six months ending December 31, 2014	52,000
2015	70,000
Total	$122,000

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(15) Contingencies

Litigation In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Company s financial position, results of operations or cash flows.

Opportunity Finance, LLC, owned by Jon Sabes and Steven Sabes, is subject to litigation clawback claims by the bankruptcy trustee for third-party matters for payments that may have been deemed preference payments. In addition, Jon Sabes and Steven Sabes are subject to litigation clawback claims by the bankruptcy trustee for third-party matters for payments received from Opportunity Finance that may have been deemed preference payments. If the parties are unsuccessful in defending against these claims, their equity ownership in the Company may be sold or transferred to other parties to satisfy such claims. In addition, the Company loaned $1,000,000 to Opportunity Finance, LLC, and was repaid in full plus interest of $177,000. This investment amount may also be subject to clawback claims by the bankruptcy court.

(16) Guarantees of secured debentures

Holdings has registered with the SEC the offer and sale $250,000,000 of secured debentures as described in note 8. The secured debentures are secured by the assets of Holdings as described in note 8 and a pledge of all the common stock by the largest shareholders. Obligations under the debentures are guaranteed by GWG Life. This guarantee involves the grant of a security interest in all the assets of GWG Life. The payment of principal and interest on the secured debentures is fully and unconditionally guaranteed by GWG Life. Substantially all of the Company s life insurance policies are held by DLP II and the Trust. The policies held by DLP II are not collateral for the debenture obligations as such policies are collateral for the credit facility.

The consolidating financial statements are presented in lieu of separate financial statements and other related disclosures of the subsidiary guarantors and issuer because management does not believe that separate financial statements and related disclosures would be material to investors. There are currently no significant restrictions on the ability of Holdings or GWG Life, the guarantor subsidiary, to obtain funds from its subsidiaries by dividend or loan, except as follows. DLP II is a borrower under a credit agreement with Autobahn, with DZ Bank AG as agent, as described in note 6. The significant majority of insurance policies owned by the Company are subject to a collateral arrangement with DZ Bank AG described in note 6. Under this arrangement, collection and escrow accounts are used to fund premiums of the insurance policies and to pay interest and other charges under the revolving credit facility. DZ Bank AG and Autobahn must authorize all disbursements from these accounts, including any distributions to GWG Life. Distributions are limited to an amount that would result in the borrowers (DLP II, GWG Life and Holdings) realizing an annualized rate of return on the equity funded amount for such assets of not more than 18%, as determined by DZ Bank AG. After such amount is reached, the credit agreement requires that excess funds be used for repayments of borrowings before any additional distributions may be made.

The following represents consolidating financial information as of June 30, 2014 and December 31, 2013, with respect to the financial position, and for the three months ended June 30, 2014 and 2013 with respect to results of operations and cash flows of Holdings and its subsidiaries. The parent column presents the financial information of Holdings, the primary obligor of the secured debentures. The guarantor subsidiary column presents the financial information of GWG Life, the guarantor subsidiary of the secured debentures, presenting its investment in DLP II and Trust under the equity method. The non-guarantor subsidiaries column presents the financial information of all non-guarantor subsidiaries including DLP II and Trust.

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Condensed Consolidating Balance Sheets

June 30, 2014	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 22,305,910	$ 754,045	$	$	$ 23,059,955
Restricted cash		565,000	2,245,432		2,810,432
Investment in life settlements, at fair value			267,895,692		267,895,692
Other assets	457,677	1,385,447	978,950		
Investment in subsidiaries	161,418,051	190,380,058		(351,798,109)	2,822,074
TOTAL ASSETS	$ 184,181,638	$ 193,084,550	$ 271,120,074	$ (351,798,109)	$ 296,588,153
LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$	$	$ 79,000,000	$	$ 79,000,000
Series I Secured notes payable		28,051,113			28,051,113
Renewable Secured Debentures	157,513,267				157,513,267
Interest payable	5,305,764	3,272,079	1,152,350		9,730,193
Accounts payable and other accrued expenses	783,445	343,308	587,665		1,714,418
Deferred taxes	5,403,604				5,403,604
TOTAL LIABILITIES	169,006,080	31,666,500	80,740,015		281,412,595
CONVERTIBLE, REDEEMABLE PREFERRED STOCK	25,309,946				25,309,946
STOCKHOLDERS EQUITY (DEFICIT)					
Member capital		161,418,050	190,380,059	(351,798,109)	
Common stock	9,124				9,124
Additional paid-in capital	2,782,932				2,782,932
Accumulated deficit	(12,926,444)				(12,926,444)
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(10,134,388)	161,418,050	190,380,059	(351,798,109)	(10,134,388)
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 184,181,638	$ 193,084,550	$ 271,120,074	$ (351,798,109)	$ 296,588,153

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Condensed Consolidating Balance Sheets (continued)

December 31, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 32,711,636	$ 738,157	$	$	$ 33,449,793
Restricted cash		1,420,000	4,412,970		5,832,970
Investment in life settlements, at fair value			234,672,794		234,672,794
Other assets	381,883	484,510	558,526		1,424,919
Investment in subsidiaries	129,839,241	159,798,490		(289,637,731)	
TOTAL ASSETS	$ 162,932,760	$ 162,441,157	$ 239,644,290	$ (289,637,731)	$ 275,380,476
LIABILITIES & STOCKHOLDERS EQUITY (DEFICIT)					
LIABILITIES					
Revolving credit facility	$	$	$ 79,000,000	$	$ 79,000,000
Series I Secured notes payable		29,275,202			29,275,202
Renewable Secured Debentures	131,646,062				131,646,062
Interest payable	3,806,820	3,065,465	337,123		7,209,408
Accounts payable and other accrued expenses	574,026	261,249	508,667		1,343,952
Deferred taxes	7,675,174				7,675,174
TOTAL LIABILITIES	143,702,082	32,601,916	79,845,800		256,149,798
CONVERTIBLE, REDEEMABLE PREFERRED STOCK	24,722,693				24,722,693
STOCKHOLDERS EQUITY (DEFICIT)					
Member capital		129,839,241	159,798,490	(289,637,731)	
Common stock	9,124				9,124
Additional paid-in capital	2,937,438				2,937,438
Accumulated deficit	(8,438,577)				(8,438,577)
TOTAL STOCKHOLDERS EQUITY (DEFICIT)	(5,492,015)	129,839,241	159,798,490	(289,637,731)	(5,492,015)
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 162,932,760	$ 162,441,157	$ 239,644,290	$ (289,637,731)	$ 275,380,476

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Condensed Consolidating Statements of Operations

For the six months ended June 30, 2014	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$	$ 1,308,906	$	$ (1,308,906)	$
Gain on life settlements, net			11,001,094		11,001,094
Interest and other income	12,929	169,976	63	(169,221)	13,747
TOTAL REVENUE	12,929	1,478,882	11,001,157	(1,478,127)	11,014,841
EXPENSES					
Origination and servicing fees			1,308,906	(1,308,906)	
Employee compensation and benefits	1,255,079	892,485			2,147,564
Legal and professional fees	723,106	103,233			826,339
Interest expense	8,691,989	1,572,269	2,670,333		12,934,591
Other expenses	1,106,635	734,138	194,232	(169,221)	1,865,784
TOTAL EXPENSES	11,776,809	3,302,125	4,173,471	(1,478,127)	17,774,278
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(11,763,880)	(1,823,243)	6,827,686		(6,759,437)
EQUITY IN INCOME OF SUBSIDIARY	5,004,443	6,827,686		(11,832,129)	
NET INCOME BEFORE INCOME TAXES	(6,759,437)	5,004,443	6,827,686	(11,832,129)	(6,759,437)
INCOME TAX BENEFIT	(2,271,570)				(2,271,570)
NET LOSS	$ (4,487,867)	$ 5,004,443	$ 6,827,686	$ (11,832,129)	$ (4,487,867)

For the six months ended June 30, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$	$ 1,814,202	$	$ (1,814,202)	$
Gain on life settlements, net			16,073,601		16,073,601
Interest and other income	3,267,454	977,855	37,620	(840,935)	3,441,994
TOTAL REVENUE	3,267,454	2,792,057	16,111,221	(2,655,137)	19,515,595
EXPENSES					
Origination and servicing fees			1,814,202	(1,814,202)	
Employee compensation and benefits	2,213,056	788,287			3,001,343
Legal and professional fees	672,317	116,883			789,200

For the six months ended June 30, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Interest expense	4,976,599	1,849,861	2,582,697		9,409,157
Other expenses	1,283,269	816,009	865,934	(840,935)	2,124,277
TOTAL EXPENSES	9,145,241	3,571,040	5,262,833	(2,655,137)	15,323,977
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(5,877,787)	(778,983)	10,848,388		4,191,618
EQUITY IN INCOME OF SUBSIDIARY	10,069,405	10,896,907	10,848,388	(20,966,312)	
NET INCOME BEFORE INCOME TAXES	4,191,618	10,117,924	10,848,388	(20,966,312)	4,191,618
INCOME TAX EXPENSE	2,367,794				2,367,794
NET LOSS	$ 1,823,824	$ 10,117,924	$ 10,848,388	$ (20,966,312)	$ 1,823,824

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Condensed Consolidating Statements of Operations (continued)

For the three months ended June 30, 2014	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$	$ 342,850	$	$ (342,850)	$
Gain on life settlements, net			5,484,889		5,484,889
Interest and other income	6,000	362	18		6,380
TOTAL REVENUE	6,000	343,212	5,484,907	(342,850)	5,491,269
EXPENSES					
Origination and servicing fees			342,850	(342,850)	
Employee compensation and benefits	664,495	514,324			1,178,819
Legal and professional fees	375,243	44,094			419,337
Interest expense	4,475,461	793,702	1,338,880		6,608,043
Other expenses	767,096	408,883	12,500		1,188,479
TOTAL EXPENSES	6,282,295	1,761,003	1,694,230	(342,850)	9,394,678
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(6,276,295)	(1,417,791)	3,790,667		(3,903,409)
EQUITY IN INCOME OF SUBSIDIARY	2,372,886	3,790,667		(6,163,563)	
NET INCOME BEFORE INCOME TAXES	(3,903,409)	2,372,886	3,790,667	(6,163,563)	(3,903,409)
INCOME TAX BENEFIT	(1,316,712)				(1,316,712)
NET LOSS	$ (2,586,697)	$ 2,372,886	$ 3,790,667	$ (6,163,563)	$ (2,586,697)

For the three months ended June 30, 2013	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
REVENUE					
Contract servicing fees	$	$ 536,100	$	$ (536,100)	$
Gain on life settlements, net			7,733,245		7,733,245
Interest and other income	3,259,362	841,286	14,610	(840,935)	3,274,323
TOTAL REVENUE	3,259,362	1,377,386	7,747,855	(1,377,035)	11,007,568
EXPENSES					
Origination and servicing fees			536,100	(536,100)	
Employee compensation and benefits	666,354	397,569			1,063,923
Legal and professional fees	272,794	79,116			351,910
Interest expense	2,655,430	942,686	1,343,826		4,941,942
Other expenses	649,112	429,520	853,435	(840,935)	1,091,132
TOTAL EXPENSES	4,243,690	1,848,891	2,733,361	(1,377,035)	7,448,907
INCOME (LOSS) BEFORE EQUITY IN INCOME OF SUBSIDIARIES	(984,328)	(471,505)	5,014,494		3,558,661
EQUITY IN INCOME OF SUBSIDIARY	4,543,289	5,014,494		(9,557,783)	
NET INCOME BEFORE INCOME TAXES	3,558,961	4,542,989	5,014,494	(9,557,783)	3,558,661
INCOME TAX EXPENSE (BENEFIT)	1,802,271	(300)			1,801,971
NET LOSS	$ 1,756,690	$ 4,543,289	$ 5,014,494	$ (9,557,783)	$ 1,756,690

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Condensed Consolidating Statements of Cash Flows

For the six months ended June 30, 2014	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (4,487,867)	$ 5,004,443	$ 6,827,686	$ (11,832,129)	$ (4,487,867)
Adjustments to reconcile net loss to cash:					
(Equity) loss of subsidiaries	(5,004,443)	(6,827,686)		11,832,129	
Life settlements change in fair value			(22,211,338)		(22,211,338)
Amortization of deferred financing and issuance costs	1,727,610	301,104	(321,050)		1,707,664

For the six months ended June 30, 2014	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
Deferred income taxes	(2,271,570)				(2,271,570)
Preferred stock issued for dividends	389,331				
(Increase) in operating assets:					
Other assets	(26,622,350)	(24,654,818)	(300,000)	50,328,249	(1,248,919)
Increase in operating liabilities:					
Accounts payable and other accrued expenses	1,971,543	302,402	894,218		3,168,163
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(34,297,746)	(25,874,555)	(15,110,484)	50,328,249	(24,954,536)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements			(10,879,435)		(10,879,435)
Proceeds from settlement of life settlements			68,500		68,500
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(10,810,935)		(10,810,935)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments for redemption of Series I Secured notes payable		(1,538,924)			(1,538,924)
Proceeds from issuance of debentures	33,234,487				33,234,487
Payments for issuance costs and redemption of Renewable Secured Debentures	(9,322,411)				(9,322,411)
Proceeds from restricted cash		855,000	2,167,537		3,022,537
Payments for redemption of preferred stock	(20,056)				(20,056)
Issuance of member capital		26,574,367	23,753,882	(50,328,249)	
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	23,892,020	25,890,443	25,921,419	(50,328,249)	25,375,633
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,405,723)	15,888			(10,389,838)
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE PERIOD	32,711,636	738,157			33,449,793
END OF THE PERIOD	$ 22,305,910	$ 754,045	$	$	$ 23,059,955

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Consolidating Statements of Cash Flows (continued)

For the six months ended June 30, 2013	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	$ 1,823,824	$ 10,117,924	$ 10,848,388	$ (20,966,312)	$ 1,823,824
Adjustments to reconcile net income to cash:					
Equity income of subsidiaries	(982,826)	(867,920)		1,850,746	
(Gain) loss on life settlements			(18,943,905)		(18,943,905)
Amortization of deferred financing and issuance costs	737,959	434,431	758,490		1,930,880
Deferred income taxes	2,366,794				2,366,794
Preferred stock issued for dividends	261,937				261,937
(Increase) decrease in operating assets:					
Other assets	(27,278,091)	(24,355,215)	(3,330,802)	51,349,976	(3,614,132)
Increase (decrease) in operating liabilities:					
Accounts payable and other accrued expenses	1,485,107	119,503	90,187		1,694,797
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(21,585,296)	(14,551,277)	(10,577,642)	32,234,410	(14,479,805)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements			(12,885,993)		(12,885,993)
Proceeds from settlement of life settlements			2,872,152		2,872,152
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(10,013,841)		(10,013,841)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from revolving credit facility			8,000,000		8,000,000
Payments for redemption of Series I Secured notes payable		(3,930,876)			(3,930,876)
Proceeds from issuance of debentures	42,439,661				42,439,661
Payments from issuance of debentures	(2,140,704)				(2,140,704)
Payments from redemption of debentures	(3,195,867)				(3,195,867)
Proceeds (payments) from restricted cash		(752,800)	(1,617,975)		(2,370,775)
Issuance of member capital		18,024,952	14,209,458	(32,234,410)	
Repurchase of common stock	(3,252,400)				(3,252,400)
Payments for redemption of preferred stock	(311,804)				(311,804)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	33,538,886	13,341,276	20,591,483	(32,234,410)	35,237,235
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,953,590	(1,210,001)			10,743,589
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE PERIOD	25,035,579	2,461,465			27,497,044
END OF THE PERIOD	$ 36,989,169	$ 1,251,464	$	$	$ 38,240,633

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Consolidating Statements of Cash Flows (continued)

For the three months ended June 30, 2014	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ (2,586,697)	$ 2,372,886	$ 3,790,677	$ (6,163,563)	$ (2,586,697)
Adjustments to reconcile net loss to cash:					
(Equity) loss of subsidiaries	(2,372,886)	(3,790,677)		6,163,563	
Life settlements change in fair value			(10,852,425)		(10,852,425)
Amortization of deferred financing and issuance costs	880,374	134,158	339,475		1,354,007
Deferred income taxes	(1,316,712)				(1,316,712)
Preferred stock issued for dividends	196,991				196,991
(Increase) in operating assets:					
Other assets	(10,674,637)	(9,406,461)	(300,000)	19,384,025	(997,073)
Increase in operating liabilities:					
Accounts payable and other accrued expenses	1,257,758	72,959	559,620		1,890,337
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(14,615,809)	(10,617,135)	(6,462,653)	19,384,025	(12,311,572)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements			(2,608,232)		(2,608,232)
Proceeds from settlement of life settlements			68,500		68,500
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(2,539,732)		(2,539,732)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments for redemption of Series I Secured notes payable		(670,621)			(670,621)
Proceeds from issuance of debentures	14,868,830				14,868,830
Payments for issuance costs and redemption of Renewable Secured Debentures	(4,393,523)				(4,393,523)
Proceeds from restricted cash		(215,000)	258,330		43,330
Issuance of member capital		10,639,970	8,744,055	(19,384,025)	
	(20,056)				(20,056)

For the three months ended June 30, 2014	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
Payments for redemption of preferred stock					
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	10,455,251	9,754,349	9,002,385	(19,384,025)	9,827,960
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,160,558)	(862,786)			(5,023,344)
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE PERIOD	26,466,468	1,616,831			28,083,299
END OF THE PERIOD	$ 22,305,910	$ 754,045	$	$	$ 23,059,955

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Consolidating Statements of Cash Flows (continued)

For the three months ended June 30, 2013	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	$ 1,756,690	$ 4,543,289	$ 5,014,494	$ (9,557,783)	$ 1,756,690
Adjustments to reconcile net income to cash:					
Equity income of subsidiaries	4,543,289	5,014,494		(9,557,783)	
(Gain) loss on life settlements			(7,449,180)		(7,449,180)
Amortization of deferred financing and issuance costs	344,482	161,926	330,725		837,133
Deferred income taxes	1,802,920				1,802,920
Preferred stock issued for dividends	178,235				178,235
(Increase) decrease in operating assets:					
Other assets	(13,002,552)	(13,654,889)	(4,000,000)	26,493,437	4,164,004
Increase (decrease) in operating liabilities:					
Accounts payable and other accrued expenses	639,763	(12,024)	(225,000)		402,739
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(3,737,173)	(3,947,204)	(6,328,961)	7,377,871	(6,635,467)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in life settlements			(2,972,944)		(2,972,944)
			1,382,152		1,382,152

For the three months ended June 30, 2013	Parent	Guarantor Sub	Non-Guarantor Sub	Eliminations	Consolidated
Proceeds from settlement of life settlements					
NET CASH FLOWS USED IN INVESTING ACTIVITIES			(1,590,792)		(1,590,792)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments for redemption of Series I Secured notes payable		(2,423,052)			(2,423,052)
Proceeds from issuance of debentures	18,588,867				18,588,867
Payments from issuance of debentures	(768,249)				(768,249)
Payments from redemption of debentures	(2,265,054)				(2,265,054)
Proceeds (payments) from restricted cash		(2,222,476)	4,382,809		2,160,333
Issuance of member capital		3,840,927	3,536,944	(7,377,871)	
Repurchase of common stock	(3,252,400)				(3,252,400)
Payments for redemption of preferred stock	(125,135)				(125,135)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	12,178,029	(804,601)	7,919,753	(7,377,871)	11,915,310
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,440,856	(4,751,805)			3,689,051
CASH AND CASH EQUIVALENTS					
BEGINNING OF THE PERIOD	28,548,313	6,003,269			34,551,582
END OF THE PERIOD	$ 36,989,169	$ 1,251,464	$	$	$ 38,240,633

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GWG HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(17) Concentrations

GWG purchases life insurance policies written by life insurance companies having investment grade ratings by independent rating agencies. As a result there may be certain concentrations of contracts with life insurance companies. The following summarizes the face value of insurance contracts with specific life insurance companies exceeding 10% of the total face value held by the Company.

	June 30, 2014	December 31, 2013
	%	%
Life insurance company		
Company A	15.72	16.58
Company B	10.95	11.34

The following summarizes the number of insurance contracts held in specific states exceeding 10% of the total face value held by the Company:

	June 30, 2014	December 31, 2013
	%	%
State of residence		
California	28.72	28.14
Florida	17.30	15.59
New York	10.03	10.65

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Set forth below are expenses (other than the selling agent s commissions, dealer-manager fees, allowance expenses and reimbursements) we expect to incur in connection with the issuance and distribution of the securities registered hereby. None of these expenses are reimbursements to or payments on behalf of our selling group, other than the FINRA filing fee. With the exception of the Securities and Exchange Commission registration fee and the FINRA filing fee, the amounts set forth below are estimates and actual expenses may vary considerably from these estimates depending upon how long the notes are offered and other factors:

Securities and Exchange Commission registration fee	$ 128,800
FINRA filing fee	$ 150,500
Accounting fees and expenses	$ 200,000
Legal fees and expenses	$ 551,200
Blue sky fees and expenses	$ 20,000
Printing expenses	$ 200,000
Trustee fees and expenses	$ 150,000
Miscellaneous	$ 100,000
Total	$ 1,500,500

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law provides for, under certain circumstances, the indemnification of our officers, directors, employees and agents against liabilities that they may incur in such capacities. A summary of the circumstances in which such indemnification provided for is contained herein, but that description is qualified in its entirety by reference to the relevant Section of the Delaware General Corporation Law.

In general, the statute provides that any director, officer, employee or agent of a corporation may be indemnified against expenses (including attorneys fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred in a proceeding (including any civil, criminal, administrative or investigative proceeding) to which the individual was a party by reason of such status. Such indemnity may be provided if the indemnified person s actions resulting in the liabilities: (i) were taken in good faith; (ii) were reasonably believed to have been in or not opposed to our best interest; and (iii) with respect to any criminal action, such person had no reasonable cause to believe the actions were unlawful. Unless ordered by a court, indemnification generally may be awarded only after a determination of independent members of the Board of Directors or a committee thereof, by independent legal counsel or by vote of the stockholders that the applicable standard of conduct was met by the individual to be indemnified.

The statutory provisions further provide that to the extent a director, officer, employee or agent is wholly successful on the merits or otherwise in defense of any proceeding to which he was a party, he is entitled to receive indemnification against expenses, including attorneys fees, actually and reasonably incurred in connection with the proceeding.

Indemnification in connection with a proceeding by or in the right of GWG Holdings, Inc. (the Company) in which the director, officer, employee or agent is successful is permitted only with respect to expenses, including attorneys fees actually and reasonably incurred in connection with the defense. In such actions, the person to be indemnified must have acted in good faith, in a manner believed to have been in our best interest and must not have been adjudged liable to us unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expense which the Court of Chancery or such other court shall deem proper.

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Indemnification is otherwise prohibited in connection with a proceeding brought on behalf of the Company in which a director is adjudged liable to us, or in connection with any proceeding charging improper personal benefit to the director in which the director is adjudged liable for receipt of an improper personal benefit.

Delaware law authorizes us to reimburse or pay reasonable expenses incurred by a director, officer, employee or agent in connection with a proceeding in advance of a final disposition of the matter. Such advances of expenses are permitted if the person furnishes to us a written agreement to repay such advances if it is determined that he is not entitled to be indemnified by us.

The statutory section cited above further specifies that any provisions for indemnification of or advances for expenses does not exclude other rights under our certificate of incorporation, corporate bylaws, resolutions of our stockholders or disinterested directors, or otherwise. These indemnification provisions continue for a person who has ceased to be a director, officer, employee or agent of the corporation and inure to the benefit of the heirs, executors and administrators of such persons.

The statutory provision cited above also grants the power to the Company to purchase and maintain insurance policies that protect any director, officer, employee or agent against any liability asserted against or incurred by him in such capacity arising out of his status as such. Such policies may provide for indemnification whether or not the corporation would otherwise have the power to provide for it.

Article 6 of our corporate bylaws provides that we shall indemnify our directors, officers, employees and agents to the fullest extent permitted by the Delaware General Corporation Law. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, we understand that in the opinion of the SEC such indemnification is against public policy as expressed in that Act and is therefore unenforceable.

We have purchased directors and officers liability insurance in order to limit the exposure to liability for indemnification of directors and officers, including liabilities under the Securities Act of 1933.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

In 2011, the Company s wholly owned subsidiary, GWG Life, LLC (GWG Life), sold $13,537,876 in principal amount of Series I Secured notes for cash. In addition, $61,782 in principal amount of such notes were sold in consideration of reinvested interest payable on account of issued notes. The Company is a guarantor of GWG Life s obligations under the Series I Secured notes. The notes were offered and sold solely to accredited investors in a private placement under Section 4(a)(2) of the Securities Act of 1933, and Regulation D/Rule 506 thereunder. Arque Capital Ltd. was the managing broker-dealer for the offering of the notes and received customary sales commissions aggregating $387,048.

In 2011, the Company sold a total of 1,858,891 shares of Series A Preferred Stock for aggregate cash consideration of $13,941,683. In addition, 2,387 preferred shares were issued as in-kind dividends payable on account of the preferred stock. In connection with the sales of preferred stock, the Company issued three-year warrants for the purchase of up to 137,874 shares of common stock at the per-share price of $6.25. The preferred stock and warrants were offered and sold solely to accredited investors in a private placement under Section 4(a)(2) of the Securities Act of 1933, and Regulation D/Rule 506 thereunder. Arque Capital Ltd. was the managing broker-dealer for the offering of the preferred stock and received customary sales commissions aggregating $1,447,127.

In 2012, the Company s wholly owned subsidiary, GWG Life, sold $50,000 in principal amount of Series I Secured notes for cash. In addition, $141,052 in principal amount of such notes were sold in consideration of reinvested interest payable on account of earlier issued notes. The Company is a guarantor of GWG Life s obligations under the Series I Secured notes. The notes were offered and sold solely to accredited investors in a private placement under Section 4(a)(2) of the Securities Act of 1933, and Regulation D/Rule 506 thereunder.

In 2012, the Company sold a total of 855,240 shares of Series A Preferred Stock for aggregate cash consideration of $6,414,300. In addition, 563,467 preferred shares were sold in consideration of converted

principal and interest owing under Series I Secured notes, and 82,323 preferred shares were issued as in-kind dividends payable on account of the preferred stock. In connection with the sales of preferred stock, the Company issued three-year warrants for the purchase of up to 694,034 shares of common stock at the per-share price of $6.25. The preferred stock and warrants were offered and sold solely to accredited investors in a private placement under Section 4(a)(2) of the Securities Act of 1933, and Regulation D/Rule 506 thereunder. Arque Capital Ltd. was the managing broker-dealer for the offering of the preferred stock and received customary sales commissions aggregating $1,051,000.

In 2013, the Company s wholly owned subsidiary, GWG Life, sold $196,484 in principal amount of Series I Secured notes in consideration of reinvested interest payable on account of earlier issued notes. The Company is a guarantor of GWG Life s obligations under the Series I Secured notes. The notes were offered and sold solely to accredited investors in a private placement under Section 4(a)(2) of the Securities Act of 1933, and Regulation D/Rule 506 thereunder. Arque Capital Ltd. was the managing broker-dealer for the offering of the notes.

In 2013, the Company issued 82,606 shares of Series A Preferred Stock as in-kind dividends payable on account of the preferred stock. The preferred stock was issued sold solely to accredited investors in a private placement under Section 4(a)(2) of the Securities Act of 1933, and Regulation D/Rule 506 thereunder.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits. The exhibits listed below are filed as a part of this registration statement.

Exhibit Number	Description
3.1	Certificate of Incorporation (1)
3.2	Certificate of Amendment of Certificate of Incorporation (2)
3.3	Certificate of Designations for Series A Convertible Preferred Stock (2)
3.4	Bylaws (1)
3.5	Certificate of Amendment of Certificate of Incorporation, dated June 24, 2014 (14)
4.1	Indenture with Bank of Utah, dated October 19, 2011 (3)
4.2	Form of Debenture (2)
4.3	Form of Subscription Agreement (revised September 2014) (15)
4.4	Pledge and Security Agreement by and among GWG Holdings, Inc., GWG Life Settlements, LLC, Jon R. Sabes, Steven F. Sabes, and Bank of Utah, dated October 19, 2011 (3)
4.5	Intercreditor Agreement by and between Bank of Utah and Lord Securities Corporation, dated October 19, 2011 (3)
4.6	Amendment No. 1 to Indenture with Bank of Utah, dated December 15, 2011 (6)
4.7	Amendment No. 1 to Pledge and Security Agreement, dated December 15, 2011 (6)
4.8	Form of Amendment No. 2 to Indenture with Bank of Utah for L Bonds (filed herewith)
4.9	Form of L Bond (filed herewith)
4.10	Form of Subscription Agreement for L Bonds (filed herewith)
4.11	Form of Amendment No. 2 to Pledge and Security Agreement by and among GWG Holdings, Inc., GWG Life, LLC, Jon R. Sabes, Steven F. Sabes, and Bank of Utah (filed herewith)

Exhibit Number	Description
4.12	Form of Amendment No. 1 to Intercreditor Agreement by and between Bank of Utah and Lord Securities Corporation (filed herewith)
5.1	Opinion of Maslon Edelman Borman & Brand, LLP (filed herewith)
10.1	Amended and Restated Credit and Security Agreement with DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender), dated effective January 25, 2013 (7)*

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Exhibit Number	Description
10.2	Performance Guaranty of GWG Holdings, LLC dated July 15, 2008, delivered in favor of DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender) (2)
10.3	General Reaffirmation and Modification Agreement dated effective January 29, 2013 delivered in favor of DZ Bank AG Deutsche Zentral-Genossenschaftsbank (as agent), and Autobahn Funding Company LLC (as lender) (7)**
10.4	Third Amended and Restated Note Issuance and Security Agreement dated November 1, 2011, with Lord Securities Corporation (as trustee), GWG LifeNotes Trust (as secured party), and noteholders (12)
10.5	Pledge Agreement dated November 15, 2010, among Jon R. Sabes, Steven F. Sabes, Opportunity Finance, LLC, SFS Trust 1976, SFS Trust 1992 Esther, SFS Trust 1982, Mokeson, LLC (collectively as pledgors), and Lord Securities Corporation (as trustee and pledgee) (2)
10.6	Fourth Amended and Restated Managing Broker-Dealer Agreement with Arque Capital dated effective April 5, 2013 (12)***
10.7	Amended and Restated Investment Agreement with Insurance Strategies Fund, LLC, dated as of September 3, 2009 (2)
10.8	Addendum No. 1 to Sub-Sublease Agreement effective as of July 14, 2008 by Opportunity Finance, LLC and GWG Life, LLC (5)
10.9	Employment Agreement with Jon R. Sabes, dated June 14, 2011 (4)
10.10	Employment Agreement with Steven F. Sabes, dated June 14, 2011 (4)
10.11	Employment Agreement with Paul A. Siegert, dated June 14, 2011 (4)
10.12	Purchase and Sale Agreement with Athena Securities Group Ltd. and Athena Structured Funds PLC, dated July 11, 2011 (2)
10.13	Shareholders Agreement with respect to Athena Structured Funds PLC, dated July 11, 2011 (2) (10)
10.14	Amendment to Third Amended and Restated Note Issuance and Security Agreement, dated as of November 18, 2013, with Lord Securities Corporation (as trustee for the GWG LifeNotes Trust) (12)
10.15	Purchase and Sale Agreement among GWG Holdings, Inc., Athena Securities Group Limited and GWG Securities International Public Limited Company, dated June 28, 2013 (9)
10.16	2013 Stock Incentive Plan dated March 27, 2013 (8)
10.17	Form of Stock Option Agreement used under 2013 Stock Incentive Plan (revised June 2014) (13)****
10.18	Addendum to Third Amended and Restated Managing Broker-Dealer Agreement with Arque Capital dated effective February 28, 2013 (11)
10.19	Employment Agreement with William Acheson, dated May 30, 2014 (13)
10.20	Amendment No. 1 to Amended and Restated Credit and Security Agreement with DZ Bank AG Deutsche Zentral-Genossenschaftsbank and Autobahn Funding Company LLC, dated May 29, 2014 (13)
10.21	Form of Managing Broker-Dealer Agreement with Emerson Equity LLC (filed herewith)
21	List of Subsidiaries (8)
23.1	Consent of Mayer Hoffman McCann P.C. (filed herewith)
23.2	Consent of Baker Tilly Virchow Krause, LLP (filed herewith)
23.3	Consent of Maslon Edelman Borman & Brand, LLP (contained within Exhibit 5.1 above)
25	Statement of Eligibility of Trustee (to be filed by amendment)

(1) Incorporated by reference to Form S-1 Registration Statement filed on June 14, 2011 (File No. 333-174887).
(2) Incorporated by reference to Form S-1/A Registration Statement filed on August 23, 2011 (File No. 333-174887).
(3) Incorporated by reference to Form S-1/A Registration Statement filed on October 20, 2011 (File No. 333-174887).

(4) Incorporated by reference to Form S-1/A Registration Statement filed on September 20, 2011 (File No. 333-174887).
(5) Incorporated by reference to Form S-1/A Registration Statement filed on July 26, 2011 (File No. 333-174887).
(6) Incorporated by reference to Post-Effective Amendment No. 1 to Form S-1/A filed on April 30, 2012 (File No. 333-174887).
(7) Incorporated by reference to Current Report on Form 8-K filed on February 1, 2013.
(8) Incorporated by reference to Annual Report on Form 10-K for the period ended December 31, 2013, filed on March 20, 2014.
(9) Incorporated by reference to Current Report on Form 8-K filed on July 8, 2013.
(10) Agreement was terminated effective June 28, 2013.
(11) Incorporated by reference to Post-Effective Amendment No. 6 to Form S-1/A filed on April 4, 2013 (File No. 333-174887).
(12) Incorporated by reference to Post-Effective Amendment No. 8 to Form S-1/A filed on November 12, 2013 (File No. 333-174887).
(13) Incorporated by reference to Form S-1/A Registration Statement filed on June 6, 2014 (File No. 333-195505).
(14) Incorporated by reference to Quarterly Report on Form 10-Q for the period ended June 30, 2014, filed on August 8, 2014.
(15) Incorporated by reference to Post-Effective Amendment No. 11 to Form S-1/A filed on September 29, 2014 (File No. 333-174887).
* The registrant has earlier filed the original Credit and Security Agreement dated July 15, 2008, Consent and Amendment No. 1 to the Credit and Security Agreement dated December 14, 2010, and Consent and Amendment No. 2 to the Credit and Security Agreement dated June 10, 2011. These documents were filed as Exhibits 10.1, 10.2 and 10.3, respectively, to the Form S-1/A Registration Statement filed on August 23, 2011.
** The registrant has earlier filed a Reaffirmation of Guaranty dated as of June 10, 2011, which was filed as Exhibit 10.7 to the Form S-1/A Registration Statement filed on August 23, 2011.
*** The registrant has earlier filed a Managing Broker-Dealer Agreement dated August 14, 2011, an amended Managing Broker-Dealer Agreement dated October 19, 2011, an Amended and Restated Managing Broker-Dealer Agreement dated November 16, 2011, and a Second Amended and Restated Managing Broker-Dealer Agreement dated effective as of November 16, 2011. These documents were filed as Exhibits 10.8 to the Form S-1/A Registration Statements filed on August 23, October 20, November 28 and December 15, 2011, respectively.
**** The registrant has earlier filed a Form of Stock Option Agreement for use under the 2013 Stock Incentive Plan, which was filed as Exhibit 10.17 to the registrant s Annual Report on Form 10-K filed on March 20, 2014.

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the Securities Act) may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, an increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) [intentionally omitted]

(5) For the purpose of determining any liability under the Securities Act to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

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(iii)

The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 3 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Minneapolis, State of Minnesota, on October 29, 2014.

GWG HOLDINGS, INC.

By: /s/ Jon R. Sabes
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 3 to Registration Statement has been signed, as of October 29, 2014, by the following persons in the capacities indicated below.

Name	Title
/s/ Jon R. Sabes Jon R. Sabes	Director, Chief Executive Officer (Principal Executive Officer)
/s/ Paul A. Siegert* Paul A. Siegert	Director, Executive Chairman
/s/ William Acheson William Acheson	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Steven F. Sabes* Steven F. Sabes	Director, President and Secretary
/s/ David H. Abramson* David H. Abramson	Director
/s/ Shawn R. Gensch* Shawn R. Gensch	Director
/s/ Charles H. Maguire III* Charles H. Maguire III	Director
/s/ Jeffrey L. McGregor*	Director

Name	Title
Jeffrey L. McGregor	

* Signed pursuant to power of attorney held by Jon R. Sabes.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 3 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Minneapolis, State of Minnesota, on October 29, 2014.

GWG LIFE, LLC

By: /s/ Jon R. Sabes
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 3 to Registration Statement has been signed, as of October 29, 2014, by the following persons in the capacities indicated below.

Name	Title
/s/ Jon R. Sabes Jon R. Sabes	Chief Executive Officer (Principal Executive Officer)
/s/ William Acheson William Acheson	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Jon R. Sabes Jon R. Sabes	Manager of GWG Life, LLC