

GWG Holdings, Inc.

Form S-1

April 25, 2014

As filed with the Securities and Exchange Commission on April 25, 2014

Registration No. 333-_____

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

GWG HOLDINGS, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

26-2222607
(I.R.S. Employer
Identification Number)

220 South Sixth Street, Suite 1200

Minneapolis, Minnesota 55402
Tel: (612) 746-1944
Fax: (612) 746-0445

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Jon R. Sabes
Chief Executive Officer
220 South Sixth Street, Suite 1200
Minneapolis, Minnesota 55402
Tel: (612) 746-1944

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest

reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price (2)	Amount of registration fee
Common Stock, \$0.001 par value	shares	\$	\$ 15,000,000	\$ 1,932

(1) Includes shares purchasable by the underwriters to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) of the Securities Act of 1933.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated April 25, 2014

GWG Holdings, Inc.

Shares
Common Stock

This is a firm commitment underwritten public offering of _____ shares of common stock of GWG Holdings, Inc. We are selling all of the shares of common stock being offered by means of this prospectus. Prior to this offering, there has been no public market for our common stock.

We expect that the initial public offering price will be \$ _____ per share.

We have reserved the symbol "GWGH" for purposes of listing our common stock on The NASDAQ Capital Market and expect to apply to list our common stock on such exchange.

Investing in our common stock may be considered speculative and involves a high degree of risk, including the risk of losing your entire investment. See "Risk Factors" beginning on page 12 to read about the risks you should consider before buying shares of our common stock.

We are an "emerging growth company" under applicable law and will be subject to reduced public company reporting requirements. Please read the disclosures on page 6 of this prospectus for more information.

	Per Share	Total
Public offering price	\$ _____	\$ 15,000,000
Underwriting discounts and commissions (1)	\$ _____	\$ _____
Proceeds to us, before expenses	\$ _____	\$ _____

(1) See "Underwriting" beginning on page 86 for disclosure regarding compensation, including reimbursement of expenses, payable by us to the underwriters.

We have granted the underwriters a 45-day option to purchase up to an additional _____ shares of our common stock at the initial public offering price, less underwriting discounts and commissions, solely to cover over-allotments of shares, if any.

Delivery of the shares of our common stock will be made on or about _____, 2014.

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

The date of this prospectus is _____, 2014

[INSERT INSIDE COVER ARTWORK, IF ANY]

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ABOUT THIS PROSPECTUS

You should rely only on the information in this prospectus. Neither we, nor the underwriters have authorized anyone to provide you with different information. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

We are making offers to sell and seeking offers to buy shares of our common stock only in jurisdictions where offers and sales are permitted. You should not consider this prospectus to be an offer to sell, or a solicitation of an offer to buy, shares of our common stock if the person making the offer or solicitation is not qualified to do so or if it is unlawful for you to receive the offer or solicitation.

References in this prospectus to “we,” “us,” “our,” the “Company” and “GWG” refer to GWG Holdings, Inc. together with consolidated subsidiaries, unless the context requires otherwise. Our corporate structure, including our principal subsidiaries, is as follows:

We refer to these subsidiaries throughout this prospectus as “GWG Life,” “DLP Funding II” and “DLP Master Trust II,” respectively.

Our authorized capital stock consists of 210,000,000 shares of common stock, \$0.001 par value per share, and 40,000,000 shares of preferred stock, \$0.001 par value per share, of which 10,000,000 shares have been designated as Series A Convertible Preferred Stock and 30,000,000 shares are undesignated preferred stock. As of April 25, 2014, there were 9,124,000 shares of our common stock and 3,368,109 shares of our Series A Convertible Preferred Stock issued and outstanding. Pursuant to the rights, preferences and privileges of our Series A Convertible Preferred Stock as set forth in our Certificate of Incorporation, the issued and outstanding shares of our Series A Convertible Preferred Stock will be automatically converted into an aggregate of 5,052,163 shares of our common stock immediately prior to the closing of this offering. Unless we indicate otherwise, the information in this prospectus assumes that such conversion has taken place. After giving effect to (i) the sale of all _____ shares of common stock in this offering and the (ii) automatic conversion of our Series A Convertible Preferred Stock into common stock immediately prior to the closing of this offering, our authorized capital stock will consist of an aggregate of 210,000,000 shares of common stock, of which _____ shares will be issued and outstanding, and 40,000,000 shares of undesignated preferred stock, none of which will be issued and outstanding.

This prospectus contains summaries of certain other documents, which summaries contain all material terms of the relevant documents and are believed to be accurate, but reference is hereby made to the full text of the actual documents for complete information concerning the rights and obligations of the parties thereto.

The industry and market data used throughout this prospectus have been obtained from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. We believe that each of these studies and publications is reliable.

PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. To understand this offering fully, you should carefully read the entire prospectus, including the section entitled “Risk Factors,” before making a decision to invest in our common stock. Unless otherwise noted or unless the context otherwise requires, the terms “we,” “us,” “our,” the “Company” and “GWG” refers to GWG Holdings, Inc. together with its wholly owned subsidiaries.

Our Company

We are engaged in the emerging secondary market for life insurance. We acquire life insurance policies in the secondary market from policy owners desiring to sell their policies at a discount to the face value of the insurance benefit. Once we purchase a policy, we continue paying the policy premiums in order to ultimately collect the face value of the insurance benefit. Our mission is to become a leading originator of life insurance policies purchased in the secondary market in the United States. Our strategy is to continue build large, actuarially diverse and profitable portfolios of policies and offer investors unique investment products to indirectly participate in the ownership of our portfolios.

We believe our strategy will help create a new and more diverse financial market for policy owners and financial investors in the secondary market for life insurance, where both participants can profit. For an insured person, typically a senior citizen, the profit opportunity is the ability to sell their policy or policies into the secondary market for a value that may be significantly higher than the lapse or surrender value associated with the policy or policies. For investors, the profit opportunity is the difference, or “spread,” between (i) the cost of purchasing and maintaining a life insurance policy over the insured’s lifetime, and (ii) the amount of the policy benefit that will be paid upon the insured’s mortality. In addition, the profit opportunity for an investor is unique, and we believe attractive, in that potential investment returns are not correlated to general economic or financial market conditions.

According to the American Council of Life Insurers Fact Book 2013 (ACLI), individuals owned over \$11.2 trillion in face value of life insurance policy benefits 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 secondary market for life insurance has developed around individuals aged 65 years or older owning either permanent insurance or term insurance convertible into permanent insurance. According to the ACLI, the lapse rate and surrender rate of individually owned life insurance policies reached 5.9% in 2012, representing approximately \$649 billion in face value of life insurance policy benefits. These figures do not include group-owned life insurance, such as employer-provided life insurance, the market for which totaled over \$8.0 trillion in face value of life insurance policy benefits in the United States in 2013. According to the ACLI, the lapse rate and surrender rate of group-owned life insurance policies reached 6.2% in 2012, representing approximately \$496 billion in face value of insurance benefits.

Owners of life insurance policies generally allow them to lapse or surrender the policies for a variety of reasons, including: (i) unrealistic original earnings assumptions made when the policy was purchased, combined with higher premium payments later in the term of the policy than initially forecasted; (ii) increasing premium payment obligations as the insured ages; (iii) changes in financial status or outlook which cause the insured to no longer require life insurance; (iv) other financial needs that make the insurance unaffordable; or (v) a desire to maximize the policy’s investment value. Rather than allowing a policy to lapse as worthless, or surrendering a life insurance policy at a fraction of its inherent value, the sale of a life insurance policy in the secondary market can bring significant value to the policy owner. For example, the life insurance secondary market often pays policy sellers amounts ranging from two to ten times the surrender value that would otherwise be offered by the insurance carrier.

The market opportunity for selling and purchasing life insurance policies in the secondary market is relatively new and continues to develop. According to Conning Research & Consulting (Conning), the secondary market for life insurance policies grew from \$2.0 billion in face value of life insurance policy benefits purchased in 2002 to over \$12.0 billion in face value of life insurance policy benefits purchased in 2008. During and after the 2009 credit crisis, the secondary market for life insurance contracted significantly, evidenced by Conning's report that investors purchased approximately \$2.0 billion in face value of life insurance policy benefits in 2012. Nevertheless, Conning reports that consumer demand for continued development for the secondary market remains strong, and there are indications of strengthening interest among investors.

To participate in the market opportunity, we have spent and intend to continue to spend significant resources: (i) developing a robust operational platform and systems for purchasing and servicing life insurance policies; (ii) obtaining requisite licensure to purchase life insurance in the secondary market; (iii) developing financing resources for purchasing and servicing life insurance policies; (iv) recruiting and developing a committed professional management team; (v) establishing origination relationships for purchasing life insurance policies in the secondary market; and (vi) developing a financing strategy to participate in this business sector.

We were formed in 2006. Since then, we have acquired over \$1.6 billion in face value of life insurance policy benefits and have become an active purchaser and financier of life insurance policies in the secondary market. In 2008, after selling approximately \$1.0 billion in face value of life insurance policy benefits, we adopted our current buy-and-hold strategy of investing in a portfolio life insurance policies and offering investors the opportunity to finance our ownership of the portfolio. As of December 31, 2013, we owned approximately \$741 million in face value of life insurance policy benefits with an aggregate cost basis of approximately \$226 million. Aggregate cost basis includes our acquisition costs and ongoing premiums and financing costs. To date, we have financed the acquisition of this portfolio through (i) the private placement of secured notes by our direct wholly owned subsidiary GWG Life Settlements, LLC, (ii) the use of a senior revolving credit facility, our “revolving credit facility,” benefitting our indirect wholly owned subsidiary GWG DLP Funding II, LLC, which subsidiary owns substantially all of our life insurance policy assets, and (iii) the ongoing offering of the debentures. For more information on our corporate structure, please refer to the “—Corporate Organization” caption below.

A summary of our portfolio of life insurance policies as of December 31, 2013 is set forth in the table below:

Life Insurance Portfolio Summary

Total portfolio face value of policy benefits	\$	740,648,000
Average face value per policy	\$	2,816,000
Weighted average face value per insured life	\$	3,099,000
Weighted average age of insured (yrs.)		82.1
Average life expectancy estimate (yrs.)		7.25
Total number of policies		263
Total number of lives		239
Demographics		64% Males; 36% Females
Number of smokers		3 insureds are smokers
Largest policy as % of total portfolio		1.35%
Average policy as % of total portfolio		0.38%
Average annual premium as % of face value		3.07%

We generally purchase life insurance policies through secondary market transactions directly from 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 significantly increase our visibility among insurance agents, financial professionals, and consumers directly in order to educate a wider audience about the opportunities for participation in the secondary market of life insurance with us.

Before we purchase a life insurance policy, we conduct an underwriting review. Our present underwriting review process generally includes obtaining at least two life expectancy estimates on each insured from third-party medical-actuarial firms. We then generally base our life expectancy estimates on the average of two estimates. 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. In the case of small face policies, which we currently define as life insurance policies with less than \$250,000 in face value of policy benefits, we may choose not to obtain life expectancies from third-party medical-actuarial firms, but rather use standard mortality tables to develop our own life expectancy of an insured. The policies we have purchased to date are universal life insurance policies issued by rated life insurance companies. 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 value of the policy. Universal life insurance is different from “term” life insurance in that “term” life insurance does not have a cash value associated with it. Presently, we seek to purchase life insurance policies issued by rated life insurance companies 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, 2012 and December 31, 2013, over 89.8% and 93.5%, respectively, of life insurance policies in our portfolio were issued by companies rated “A” or better under the Standard & Poor’s rating system. Many of our present underwriting review processes, including our policy of obtaining two life expectancy estimates from medical-actuarial firms as described above, are undertaken in satisfaction of obligations under our revolving credit facility. As a result, we may in the future modify our underwriting review processes if permitted under our borrowing arrangements.

The price we are willing to pay for the policy in the secondary market is primarily a function of: (i) the policy’s face value; (ii) the life expectancy of the individual insured by the policy; (iii) the premiums expected to be paid over the life of the insured; (iv) market competition from other purchasers; and (v) the particular underwriting characteristics of the policy, relative to the characteristics of our existing portfolio of life insurance policies.

We seek to earn profits by purchasing policies at discounts to the face value of the insurance benefit. We purchase policies at discounts that are expected to exceed the costs necessary to pay premiums and financing and servicing costs through the date of the insured’s mortality. We rely on the actuarial life expectancy assumptions to estimate the expected mortality of the insureds within our portfolio. Presently, we seek to finance our life insurance policy purchases and payment of premiums and financing costs, until we receive policy benefits, through the sale of our Renewable Secured Debentures and the use of our revolving line of credit. In the past, we have also relied on the sale of our Series A preferred stock and Series I subsidiary secured notes (issued by our subsidiary GWG Life Settlements, LLC) (the “Series I Secured notes”).

We believe the socio-economic and demographic trends strongly support the long-term development of our market opportunity and that our business model provides significant advantages to both owners of life insurance policies and investors. For owners of life insurance, selling in the secondary market often provides significant value over that offered by the insurance carrier. For investors, our earnings from life insurance policies are not correlated to traditional markets such as real estate, equity markets, fixed income markets, currency or commodities. We believe that by acquiring a large portfolio of well-diversified life insurance policies, we will offer value to both o