

GWG Holdings, Inc.
Form 10-Q
August 08, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended June 30, 2014
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the transition period from _____ to _____

Commission File Number: None

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 No.)

220 South Sixth Street, Suite 1200
Minneapolis, MN 55402
(Address of principal executive offices, including zip code)

(612) 746-1944
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. T Yes F No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes F No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

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Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of August 8, 2014, GWG Holdings, Inc. had 4,562,000 shares of common stock outstanding.

GWG HOLDINGS, INC.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GWG HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2014 (unaudited)	December 31, 2013
A S S E T S		
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		
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.

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
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)				