

Hilltop Holdings Inc.  
Form 10-Q  
November 06, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2009**

**OR**

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

**Commission File Number: 1-31987**

**Hilltop Holdings Inc.**

(Exact name of registrant as specified in its charter)

**MARYLAND**

(State or other jurisdiction of incorporation or  
organization)

**84-1477939**

(I.R.S. Employer Identification No.)

**200 Crescent Court, Suite 1330**

**Dallas, Texas**

(Address of principal executive offices)

**75201**

(Zip Code)

**(214) 855-2177**

(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. Yes  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). Yes  No

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

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

(Do not check if a  
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

The number of shares of the Registrant's common stock outstanding at November 6, 2009 was 56,485,405.

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FORM 10-Q  
FOR THE QUARTER ENDED SEPTEMBER 30, 2009**

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**HILLTOP HOLDINGS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF SEPTEMBER 30, 2009 AND DECEMBER 31, 2008**  
**(in thousands, except share and per share data)**  
**(unaudited)**

	September 30, 2009	December 31, 2008
<b>Assets</b>		
Investments		
Fixed maturities		
Available for sale securities, at fair value (amortized cost of \$360,268 and \$116,207 , respectively)	\$ 366,210	\$ 115,336
Held-to-maturity securities, at amortized cost (fair value of \$17,693 and \$17,738, respectively)	16,817	16,406
Equity securities		
Available for sale securities, at fair value (cost of \$7,643 and \$7,470, respectively)	8,763	6,826
 Total investments	 391,790	 138,568
Cash and cash equivalents	527,760	749,376
Restricted cash		18,500
Accrued interest and dividends	1,329	1,551
Premiums receivable	22,469	20,462
Deferred acquisition costs	16,556	15,935
Reinsurance recoverable, net of uncollectible amounts	19,162	16,944
Prepaid reinsurance premiums	4,920	4,782
Income taxes receivable	2,571	24,598
Deferred income taxes	12,045	14,966
Goodwill	23,988	23,988
Intangible assets, definite life	9,679	11,002
Intangible assets, indefinite life	3,000	3,000
Property and equipment, net	1,552	350
Loan origination costs, net	3,117	3,265
Other assets	1,480	1,483
 Total Assets	 \$ 1,041,419	 \$ 1,048,770

Table of Contents**HILLTOP HOLDINGS INC.****CONSOLIDATED BALANCE SHEETS****AS OF SEPTEMBER 30, 2009 AND DECEMBER 31, 2008 (Continued)****(in thousands, except share and per share data)****(unaudited)**

	September 30, 2009	December 31, 2008
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Reserve for losses and loss adjustment expenses	\$ 32,469	\$ 34,023
Unearned premiums	71,167	68,451
Reinsurance payable	367	781
Accounts payable and accrued expenses	7,169	9,306
Notes payable	138,368	138,368
Dividends payable	1,719	1,719
Other liabilities	5,988	4,667
Total liabilities	257,247	257,315
<b>Stockholders' Equity</b>		
Series A preferred stock, \$0.01 par value, 5,750,000 shares authorized, 5,000,000 shares issued and outstanding at September 30, 2009 and December 31, 2008; liquidation preference of \$25 per share plus accrued but unpaid dividends	119,108	119,108
Common stock, \$0.01 par value, 100,000,000 shares authorized, 56,482,952 and 56,455,515 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	564	564
Additional paid-in capital	917,851	917,682
Accumulated other comprehensive income (loss)	4,590	(985)
Accumulated deficit	(257,941)	(244,914)
Total stockholders' equity	784,172	791,455
Total liabilities and stockholders' equity	\$ 1,041,419	\$ 1,048,770

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**HILLTOP HOLDINGS INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008****(in thousands, except share and per share data)****(unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenue:</b>				
Net premiums earned	\$ 29,150	\$ 22,745	\$ 86,216	\$ 83,017
Net investment income	1,491	6,716	4,947	21,887
Other income	1,879	1,503	5,150	4,674
<b>Net realized gains (losses) on investments</b>				
Other-than-temporary impairments on fixed maturity securities		(79)	(841)	(41,957)
Other realized investment gains (losses), net	161	(1,134)	200	(950)
Total realized investment gains (losses), net	161	(1,213)	(641)	(42,907)
<b>Total revenue</b>	<b>32,681</b>	<b>29,751</b>	<b>95,672</b>	<b>66,671</b>
<b>Expenses:</b>				
Loss and loss adjustment expenses	15,051	29,946	57,012	69,228
Policy acquisition and other underwriting expenses	10,333	10,736	32,616	32,350
General and administrative expenses	1,713	1,750	5,256	7,207
Depreciation and amortization	492	532	1,495	1,628
Interest expense	2,473	2,617	7,431	7,925
Total expenses	30,062	45,581	103,810	118,338
Income (Loss) before income tax (expense) benefit	2,619	(15,830)	(8,138)	(51,667)
Income tax (expense) benefit	(936)	10,168	2,846	22,694
Net income (loss)	1,683	(5,662)	(5,292)	(28,973)
Preferred stock dividend	(2,579)	(2,579)	(7,735)	(7,735)
Net loss attributable to common stockholders	\$ (896)	\$ (8,241)	\$ (13,027)	\$ (36,708)
<b>Loss per share attributable to common stockholders</b>				
Basic loss per share	\$ (0.02)	\$ (0.15)	\$ (0.23)	\$ (0.65)
Diluted loss per share	\$ (0.02)	\$ (0.15)	\$ (0.23)	\$ (0.65)
<b>Weighted average share information</b>				
Basic shares outstanding	56,483	56,452	56,470	56,452
Diluted shares outstanding	56,483	56,452	56,470	56,452

The accompanying notes are an integral part of these consolidated financial statements.



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**HILLTOP HOLDINGS INC.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

(in thousands)

(unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, January 1, 2009	5,000	\$ 119,108	56,456	\$ 564	\$ 917,682	\$ (985)	\$ (244,914)	\$ 791,455
Net loss							(5,292)	(5,292)
Preferred stock dividends declared							(7,735)	(7,735)
Accumulated other comprehensive income, net of tax						5,575		5,575
Total comprehensive loss								