

Hilltop Holdings Inc.
Form 10-Q
August 07, 2008

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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 June 30, 2008

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 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)

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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 August 7, 2008 was 56,451,884.

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HILLTOP HOLDINGS INC.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2008

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HILLTOP HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2008 AND DECEMBER 31, 2007
(in thousands, except share and per share data)
(unaudited)

	June 30, 2008	December 31, 2007
Assets		
Investments		
Fixed maturities		
Available for sale securities, at fair value (amortized cost of \$121,643 and \$130,253, respectively)	\$ 121,496	\$ 131,904
Held-to-maturity securities, at amortized cost (fair value of \$15,363 and \$6,819, respectively)	15,058	6,784
Equity securities		
Available for sale securities, at fair value (cost of \$13,947 and \$55,607, respectively)	13,006	52,336
Total investments	149,560	191,024
Cash and cash equivalents	772,816	783,008
Accrued interest and dividends	1,525	1,497
Premiums receivable	22,165	21,287
Deferred acquisition costs	17,094	14,521
Reinsurance receivable, net of uncollectible amounts	2,308	2,692
Prepaid reinsurance premiums	4,877	3,300
Deferred income taxes	35,317	22,219
Goodwill	23,988	23,613
Intangible assets, definite life	11,936	12,880
Intangible assets, indefinite life	3,000	3,000
Property and equipment, net	416	533
Loan origination costs, net	3,364	3,462
Other assets	2,351	2,455
 Total Assets	 \$ 1,050,717	 \$ 1,085,491

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

HILLTOP HOLDINGS INC.**CONSOLIDATED BALANCE SHEETS****AS OF JUNE 30, 2008 AND DECEMBER 31, 2007****(in thousands, except share and per share data)****(unaudited)**

	June 30, 2008	December 31, 2007
Liabilities and Stockholders' Equity		
Liabilities		
Reserve for losses and loss adjustment expenses	\$ 23,826	\$ 18,091
Unearned premiums	73,287	68,410
Reinsurance payable	153	190
Accounts payable and accrued expenses	9,586	13,017
Income taxes payable	2,571	12,238
Notes payable	138,368	142,368
Dividends payable	1,719	1,719
Other liabilities	4,972	5,273
Total liabilities	254,482	261,306
Commitments and Contingencies (see Note 12)		
Stockholders' Equity		
Preferred stock, no par value, 5,750,000 shares authorized, 5,000,000 shares issued and outstanding at June 30, 2008 and December 31, 2007; liquidation preference of \$25 per share plus accrued but unpaid dividends	119,108	119,108
Common stock, \$.01 par value, 100,000,000 shares authorized, 56,448,098 and 56,461,465 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	564	564
Additional paid-in capital	917,752	917,582
Accumulated other comprehensive loss	(706)	(1,053)
Accumulated deficit	(240,483)	(212,016)
Total stockholders' equity	796,235	824,185
Total liabilities and stockholders' equity	\$ 1,050,717	\$ 1,085,491

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 SIX MONTHS ENDED JUNE 30, 2008 AND 2007****(in thousands, except share and per share data)****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue:				
Net premiums earned	\$ 30,816	\$26,478	\$ 60,272	\$ 43,197
Net investment income	6,801	1,940	15,171	3,270
Net realized (losses) gains on investments	(21,465)	117	(41,694)	184
Other income	1,539	1,784	3,171	3,101
 Total revenue	 17,691	 30,319	 36,920	 49,752
Expenses:				
Loss and loss adjustment expenses	24,829	18,638	39,282	27,515
Policy acquisition and other underwriting expenses	11,566	7,933	21,614	14,536
General and administrative expenses	3,382	2,805	5,457	5,285
Depreciation and amortization	541	543	1,096	898
Interest expense	2,526	3,059	5,308	5,369
 Total expenses	 42,844	 32,978	 72,757	 53,603
 Loss from continuing operations before income tax benefit and allocation to minority interest	 (25,153)	 (2,659)	 (35,837)	 (3,851)
Income tax benefit from continuing operations	8,723	2,031	12,526	1,386
 Loss from continuing operations before allocation to minority interest	 (16,430)	 (628)	 (23,311)	 (2,465)
Minority interest		98		214
 Loss from continuing operations	 (16,430)	 (530)	 (23,311)	 (2,251)
Loss from discontinued operations		(4,695)		(9,478)
Income tax expense from discontinuing operations		(2,287)		(2,329)
Minority interest in discontinued operations		157		316
 Net loss	 (16,430)	 (7,355)	 (23,311)	 (13,742)
Preferred stock dividend	(2,578)	(2,578)	(5,156)	(5,156)
 Net loss attributable to common stockholders	 \$(19,008)	 \$(9,933)	 \$(28,467)	 \$(18,898)
Loss per share from continuing operations less preferred dividends				
Basic loss per share	\$ (0.34)	\$ (0.06)	\$ (0.50)	\$ (0.14)
 Diluted loss per share	 \$ (0.34)	 \$ (0.06)	 \$ (0.50)	 \$ (0.14)
Loss per share from discontinued operations				
Basic loss per share	\$	\$ (0.12)	\$	\$ (0.21)

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Diluted loss per share	\$	\$ (0.12)	\$	\$ (0.21)
Loss per share attributable to common stockholders				
Basic loss per share	\$	(0.34)	\$ (0.18)	\$ (0.50) \$ (0.35)
Diluted loss per share	\$	(0.34)	\$ (0.18)	\$ (0.50) \$ (0.35)
Weighted average share information				
Basic shares outstanding	56,448	56,394	56,765	54,372
Diluted shares outstanding	56,448	56,394	56,765	54,372

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 SIX MONTHS ENDED JUNE 30, 2008

(in thousands)

(unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, January 1, 2008	5,000	\$ 119,108	56,461	\$ 564	\$ 917,582	\$ (1,053)	\$ (212,016)	\$ 824,185
Net loss							(23,311)	(23,311)
Preferred stock dividends declared							(5,156)	(5,156)
Accumulated other comprehensive income, net of tax								