

Hilltop Holdings Inc.
Form 10-Q
August 05, 2010

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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, 2010

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

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.

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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 August 4, 2010 was 56,494,046.

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FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2010**

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HILLTOP HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2010 AND DECEMBER 31, 2009
(in thousands, except share and per share data)
(unaudited)

	June 30, 2010	December 31, 2009
Assets		
Investments		
Fixed maturities		
Available for sale securities, at fair value (amortized cost of \$122,294 and \$107,738, respectively)	\$ 130,866	\$ 113,157
Held-to-maturity securities, at amortized cost (fair value of \$17,583 and \$17,244, respectively)	16,574	16,539
Equity securities		
Available for sale securities, at fair value (cost of \$233 and \$234, respectively)	290	272
 Total investments	 147,730	 129,968
Cash and cash equivalents	779,552	790,013
Accrued interest and dividends	1,592	1,494
Premiums receivable	23,440	20,955
Deferred acquisition costs	17,229	15,745
Reinsurance recoverable, net of uncollectible amounts	23,665	21,769
Prepaid reinsurance premiums	4,560	4,728
Income taxes receivable	1,985	2,187
Deferred income taxes	9,122	11,531
Goodwill	23,988	23,988
Intangible assets, definite life	8,415	9,241
Intangible assets, indefinite life	3,000	3,000
Property and equipment, net	1,911	1,845
Loan origination costs, net	2,970	3,068
Other assets	1,682	1,220
 Total assets	 \$ 1,050,841	 \$ 1,040,752

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

Table of Contents**HILLTOP HOLDINGS INC.****CONSOLIDATED BALANCE SHEETS****AS OF JUNE 30, 2010 AND DECEMBER 31, 2009 (Continued)****(in thousands, except share and per share data)****(unaudited)**

	June 30, 2010	December 31, 2009
Liabilities and Stockholders' Equity		
Liabilities		
Reserve for losses and loss adjustment expenses	\$ 36,746	\$ 33,780
Unearned premiums	73,781	68,145
Reinsurance payable	2,152	1,100
Accounts payable and accrued expenses	8,305	8,381
Notes payable	138,350	138,350
Dividends payable	1,719	1,719
Other liabilities	11,149	5,500
Total liabilities	272,202	256,975
Stockholders' Equity		
Preferred stock, \$0.01 par value, 5,750,000 shares authorized, 5,000,000 shares issued and outstanding at June 30, 2010 and December 31, 2009; 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, 56,491,573 and 56,485,405 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	565	565
Additional paid-in capital	917,990	917,896
Accumulated other comprehensive income	5,609	3,547
Accumulated deficit	(264,633)	(257,339)
Total stockholders' equity	778,639	783,777
Total liabilities and stockholders' equity	\$ 1,050,841	\$ 1,040,752

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

Table of Contents**HILLTOP HOLDINGS INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009****(in thousands, except per share data)****(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenue:				
Net premiums earned	\$ 29,301	\$ 28,680	\$ 57,432	\$ 57,066
Net investment income	1,855	1,695	3,490	3,456
Other income	1,765	1,807	3,545	3,271
Net realized (losses) gains on investments				
Other-than-temporary impairments on fixed maturity securities	(65)	(841)	(65)	(841)
Other realized investment gains (losses), net	14	(54)	123	39
Total realized investment (losses) gains, net	(51)	(895)	58	(802)
Total revenue	32,870	31,287	64,525	62,991
Expenses:				
Loss and loss adjustment expenses	20,534	28,185	35,834	41,961
Policy acquisition and other underwriting expenses	11,556	10,978	22,680	22,283
General and administrative expenses	2,063	1,974	3,893	3,543
Depreciation and amortization	450	495	913	1,003
Interest expense	2,254	2,478	4,436	4,958
Total expenses	36,857	44,110	67,756	73,748
Loss before income tax benefit	(3,987)	(12,823)	(3,231)	(10,757)
Income tax benefit	1,358	4,492	1,093	3,782
Net loss	(2,629)	(8,331)	(2,138)	(6,975)
Preferred stock dividend	(2,578)	(2,578)	(5,156)	(5,156)
Net loss attributable to common stockholders	\$ (5,207)	\$ (10,909)	\$ (7,294)	\$ (12,131)
Loss per share attributable to common stockholders				
Basic loss per share	\$ (0.09)	\$ (0.19)	\$ (0.13)	\$ (0.21)
Diluted loss per share	\$ (0.09)	\$ (0.19)	\$ (0.13)	\$ (0.21)
Weighted average share information				
Basic shares outstanding	56,491	56,469	56,490	56,464
Diluted shares outstanding	56,491	56,469	56,490	56,464

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

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HILLTOP HOLDINGS INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2010

(in thousands)

(unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income		Total Stockholders' Equity
	Shares	Amount	Shares	Amount		Accumulated Deficit		
Balance, January 1, 2010	5,000	\$ 119,108	56,485	\$ 565	\$ 917,896	\$ 3,547	\$ (257,339)	\$ 783,777
Net loss							(2,138)	(2,138)
Preferred stock dividends declared							(5,156)	(5,156)
Other comprehensive gain, net of tax						2,062		2,062
Total comprehensive loss								