

Hilltop Holdings Inc.
Form 10-Q/A
March 16, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q/A

(Amendment No 1)

(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, 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)

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

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The number of shares of the Registrant's common stock outstanding at November 10, 2008 was 56,455,515.

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**HILLTOP HOLDINGS INC.
FORM 10-Q/A (Amendment No. 1)
FOR THE QUARTER ENDED SEPTEMBER 30, 2008**

Explanatory Note

On March 12, 2009, the Audit Committee of the Board of Directors of Hilltop Holdings Inc. (the "Company") determined that the Company should restate its unaudited consolidated financial statements as of and for the quarter ended September 30, 2008, to correct errors that resulted in an understatement of loss and loss adjustment expense. As part of the Company's year end control procedures it determined that receipts from reinsurers and its ultimate retention per catastrophic event had not been accounted for correctly at September 30, 2008. The above corrections do not have an adverse impact on any covenants associated with the Company's debt. As a result of the restatement, the previously issued financial statements for the corresponding periods should no longer be relied upon.

The Company has implemented revised procedures designed to prevent a recurrence of the accounting error. For more information on these matters, please refer to Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 of the Notes to the Condensed Consolidated Financial Statements. We have also updated our evaluation of disclosure controls and procedures, as reflected in Item 4, "Controls and Procedures".

This Form 10-Q/A has not been updated except as required to reflect the effects of the restatement. This amendment and restatement includes changes to Part I, Items 1, 2 and 4. Except as identified in the prior sentence, no other items included in the original Form 10-Q have been amended, and such items remain in effect as of the filing date of the original Form 10-Q. Additionally, this Form 10-Q/A does not purport to provide an update or a discussion of any other developments at the Company subsequent to the original filing.

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

(unaudited)

	September 30, 2008	December 31, 2007
	(as restated)	
Assets		
Investments		
Fixed maturities		
Available for sale securities, at fair value (amortized cost of \$125,078 and \$130,253, respectively)	\$ 121,434	\$ 131,904
Held-to-maturity securities, at amortized cost (fair value of \$14,495 and \$6,819, respectively)	14,103	6,784
Equity securities		
Available for sale securities, at fair value (cost of \$9,107 and \$55,607, respectively)	8,141	52,336
Total investments	143,678	191,024
Cash and cash equivalents	750,573	783,008
Restricted cash	18,500	
Accrued interest and dividends	1,402	1,497
Premiums receivable	22,396	21,287
Deferred acquisition costs	16,887	14,521
Reinsurance receivable, net of uncollectible amounts	105,567	2,692
Prepaid reinsurance premiums	4,851	3,300
Income taxes receivable	28,095	
Deferred income taxes	16,278	22,219
Goodwill	23,988	23,613
Intangible assets, definite life	11,469	12,880
Intangible assets, indefinite life	3,000	3,000
Property and equipment, net	374	533
Loan origination costs, net	3,314	3,462
Other assets	1,937	2,455
Total Assets	\$ 1,152,309	\$ 1,085,491

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

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

	September 30, 2008	December 31, 2007
	(as restated)	
Liabilities and Stockholders' Equity		
Liabilities		
Reserve for losses and loss adjustment expenses	\$ 130,310	\$ 18,091
Unearned premiums	72,494	68,410
Reinsurance payable	11,433	190
Accounts payable and accrued expenses	7,088	13,017
Income taxes payable		12,238
Notes payable	138,368	142,368
Dividends payable	1,719	1,719
Other liabilities	5,329	5,273
Total liabilities	366,741	261,306
Stockholders' Equity		
Series A Preferred stock, \$.01 par value, 5,750,000 shares authorized, 5,000,000 shares issued and outstanding at September 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, 56,451,884 and 56,461,465 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	564	564
Additional paid-in capital	917,617	917,582
Accumulated other comprehensive loss	(2,997)	(1,053)
Accumulated deficit	(248,724)	(212,016)
Total stockholders' equity	785,568	824,185
Total liabilities and stockholders' equity	\$ 1,152,309	\$ 1,085,491

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

HILLTOP HOLDINGS INC.**CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007****(in thousands, except share and per share data)****(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(as		(as	
	restated)		restated)	
Revenue:				
Net premiums earned	\$ 22,745	\$ 26,265	\$ 83,017	\$ 69,462
Net investment income	6,716	10,003	21,887	13,273
Net realized (losses) gains on investments	(1,213)	(43)	(42,907)	141
Other income	1,503	1,785	4,674	4,844
Total revenue	29,751	38,010	66,671	87,720
Expenses:				
Loss and loss adjustment expenses	29,946	13,772	69,228	41,289
Policy acquisition and other underwriting expenses	10,736	8,949	32,350	23,472
General and administrative expenses	1,750	2,166	7,207	7,448
Depreciation and amortization	532	608	1,628	1,600
Interest expense	2,617	2,855	7,925	8,244
Total expenses	45,581	28,350	118,338	82,053
(Loss) Income from continuing operations before income tax benefit and allocation to minority interest	(15,830)	9,660	(51,667)	5,667
Income tax benefit (expense) from continuing operations	10,168	(3,389)	22,694	(2,003)
(Loss) Income from continuing operations before allocation to minority interest	(5,662)	6,271	(28,973)	3,664
Minority interest		(11)		112
(Loss) Income from continuing operations	(5,662)	6,260	(28,973)	3,776
Loss from discontinued operations		(2,212)		(11,125)
Gain on sale of discontinued operations		364,330		363,907
Income tax expense from discontinued operations		(74,234)		(76,563)
Minority interest in discontinued operations		86		494
Net (loss) income	(5,662)	294,230	(28,973)	280,489
Preferred stock dividend	(2,579)	(2,577)	(7,735)	(7,734)
Net (loss) income attributable to common stockholders	\$ (8,241)	\$ 291,653	\$ (36,708)	\$ 272,755

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(Loss) Income per share from continuing operations

less preferred dividends

Basic (loss) income per share	\$ (0.15)	\$ 0.07	\$ (0.65)	\$ (0.07)
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Diluted (loss) income per share	\$ (0.15)	\$ 0.06	\$ (0.65)	\$ (0.07)
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Income per share from discontinued operations

Basic income per share	\$	\$ 5.10	\$	\$ 5.02
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Diluted income per share	\$	\$ 5.06	\$	\$ 4.92
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(Loss) Income per share attributable to common stockholders

Basic (loss) income per share	\$ (0.15)	\$ 5.17	\$ (0.65)	\$ 4.95
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Diluted (loss) income per share	\$ (0.15)	\$ 5.12	\$ (0.65)	\$ 4.85
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Weighted average share information

Basic shares outstanding	56,452	56,446	56,452	55,071
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Diluted shares outstanding	56,452	56,961	56,452	56,271
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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, 2008 (as restated)

(in thousands)

(unaudited)

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