

Hilltop Holdings Inc.
Form 424B3
May 09, 2008

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PROSPECTUS SUPPLEMENT
(to Prospectus dated March 31, 2008)

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-129254

HILLTOP HOLDINGS INC.

6,718,356 Shares

Common Stock

This prospectus supplement amends and supplements the prospectus, dated March 31, 2008, relating to the 6,718,356 shares of our common stock that may be issued upon the exchange of the 7½% Senior Exchangeable Notes due 2025, or the Senior Notes, of Affordable Residential Communities LP, or ARC LP, held by the selling stockholders. Subject to the conditions described in the prospectus, holders of the Senior Notes may exchange, at any time on or prior to maturity or redemption, any outstanding Senior Notes, or portions thereof, into shares of our common stock, currently at an exchange rate of 73.94998 shares of our common stock per \$1,000 principal amount of the Senior Notes (equivalent to an exchange price of \$13.52 per share of our common stock).

Unless the context otherwise requires, the words *we*, *our*, *ours*, *us* and the *Company* refer to Hilltop Holdings Inc., or Hilltop, Affordable Residential Communities LP, or ARC LP, and their respective subsidiaries, collectively, but not to the selling stockholders. *Selling stockholders* refers to the stockholders identified under the caption *Selling Stockholders* was done contained in the prospectus.

The distribution of the shares of common stock by the selling stockholders is not subject to any underwriting agreement. We will receive none of the proceeds from the sale of the shares offered by the prospectus. All expenses of registration incurred in connection with the offering are being borne by us, but all selling and other expenses incurred by the selling stockholders will be borne by the selling stockholder.

The shares of common stock may be sold by the selling stockholders, from time to time, on The New York Stock Exchange, or NYSE, or any other national securities exchange or automated inter-dealer quotation system on which shares of our common stock are then listed, through negotiated transactions or otherwise at market prices prevailing at the time of sale or at negotiated prices.

Our common stock is listed on the NYSE under the symbol *HTH*. The last reported price of our common stock on May 7, 2008, on the NYSE was \$10.25 per share. To preserve our net operating loss carryforwards, or NOLs, our charter limits the amount of common stock that may be owned by any single person or affiliated group to 4.9% of the outstanding shares and restricts the transferability of the shares under certain circumstances.

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The prospectus, together with this prospectus supplement, constitutes the prospectus required to be delivered by Section 5(b) of the Securities Act of 1933 with respect to offers and sales of the shares of common stock. All references in the prospectus to this prospectus are hereby amended to read this prospectus (as supplemented and amended).

YOU SHOULD READ THE PROSPECTUS AND THIS PROSPECTUS SUPPLEMENT CAREFULLY BEFORE YOU INVEST, INCLUDING THE RISK FACTORS THAT COMMENCE ON PAGE 2 OF THE PROSPECTUS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus Supplement is May 9, 2008.

The prospectus is hereby supplemented to add the following section titled Recent Developments.

Recent Developments

The information that follows is contained in Hilltop's Quarterly Report on Form 10-Q for the period ended March 31, 2008, which was filed with the Securities and Exchange Commission on May 9, 2008.

**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 March 31, 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 of 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

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(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 a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 Act). Yes No

The number of shares of the Registrant's common stock outstanding at May 9, 2008 was 56,448,098.

HILLTOP HOLDINGS INC.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2008

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HILLTOP HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2008 AND DECEMBER 31, 2007

(in thousands, except share and per share data)

(unaudited)

	March 31, 2008	December 31, 2007
	<u> </u>	<u> </u>
Assets		
Investments		
Fixed maturities		
Available for sale securities, at fair value (amortized cost of \$111,599 and \$130,253, respectively)	\$ 113,384	\$ 131,904
Held-to-maturity securities, at amortized cost (fair value of \$15,190 and \$6,819, respectively)	14,554	6,784
Equity securities		
Available for sale securities, at fair value (amortized cost of \$35,376 and \$55,607, respectively)	34,313	52,336
	<u> </u>	<u> </u>
Total investments	162,251	191,024
Cash and cash equivalents	783,610	783,008
Accrued interest and dividends	1,202	1,497
Premiums receivable	21,971	21,287
Deferred acquisition costs	16,551	14,521
Reinsurance receivable, net of uncollectible amounts	2,610	2,692
Prepaid reinsurance premiums	4,332	3,300
Deferred income taxes	26,024	22,219
Goodwill	23,988	23,613
Intangible assets, definite life	12,403	12,880
Intangible assets, indefinite life	3,000	3,000
Property and equipment, net	472	533
Loan origination costs, net	3,413	3,462
Other assets	3,533	2,455
	<u> </u>	<u> </u>
Total Assets	\$ 1,065,360	\$ 1,085,491

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

HILLTOP HOLDINGS INC.

CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2008 AND DECEMBER 31, 2007

(in thousands, except share and per share data)

(unaudited)

	March 31, 2008	December 31, 2007
	<u> </u>	<u> </u>
Liabilities and Stockholders' Equity		
Liabilities		
Reserve for losses and loss adjustment expenses	\$ 20,839	\$ 18,091
Unearned premiums	71,005	68,410
Reinsurance payable	154	190
Accounts payable and accrued expenses	7,331	13,017
Income taxes payable	3,329	12,238
Notes payable	138,368	142,368
Dividends payable	1,719	1,719
Other liabilities	6,286	5,273
	<u> </u>	<u> </u>
Total liabilities	249,031	261,306
	<u> </u>	<u> </u>
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 March 31, 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, 56,444,059 and 56,461,465 shares issued and outstanding at March 31, 2008 and December 31, 2007, respectively	564	564
Additional paid-in capital	917,663	917,582
Accumulated other comprehensive income(loss)	470	(1,053)
Retained deficit	(221,476)	(212,016)
	<u> </u>	<u> </u>
Total stockholders' equity	816,329	824,185
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 1,065,360	\$ 1,085,491
	<u> </u>	<u> </u>

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

HILLTOP HOLDINGS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(in thousands, except share and per share data)

(unaudited)

	For the Three Months Ended March 31,	
	2008	2007
Revenue:		
Net premiums earned	\$ 29,456	\$ 16,719
Net investment income	8,370	1,825
Net realized (losses) gains on investments	(20,229)	66
Other income	1,632	1,317
	<u>19,229</u>	<u>19,927</u>
Expenses:		
Loss and loss adjustment expenses	14,453	8,877
Policy acquisition and other underwriting expenses	10,048	6,603
General and administrative expenses	2,075	2,477
Depreciation and amortization	555	355
Interest expense	2,783	2,361
	<u>29,914</u>	<u>20,673</u>
Loss from continuing operations before income tax benefit (expense) and allocation to minority interest	(10,685)	(746)
Income tax benefit (expense) from continuing operations	3,803	(687)
	<u>(6,882)</u>	<u>(1,433)</u>
Loss from continuing operations before allocation to minority interest	(6,882)	(1,433)
Minority interest		116
	<u>(6,882)</u>	<u>(1,317)</u>
Loss from discontinued operations		(5,229)
Minority interest in discontinued operations		159
	<u>(6,882)</u>	<u>(5,070)</u>
Net loss	(6,882)	(6,387)
Preferred stock dividend	(2,578)	(2,578)
	<u>(9,460)</u>	<u>(8,965)</u>
Loss per share from continuing operations less preferred dividends		
Basic loss per share	\$ (0.17)	\$ (0.07)
	<u>(0.17)</u>	<u>(0.07)</u>
Diluted loss per share	\$ (0.17)	\$ (0.07)
	<u>(0.17)</u>	<u>(0.07)</u>

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For the Three Months Ended March 31,

Loss per share from discontinued operations		
Basic loss per share	\$	\$ (0.10)
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Diluted loss per share	\$	\$ (0.10)
<hr/>		
Loss per share attributable to common stockholders		
Basic loss per share	\$ (0.17)	\$ (0.17)
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Diluted loss per share	\$ (0.17)	\$ (0.17)
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Weighted average share information		
Basic shares outstanding	56,464	52,328
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Diluted shares outstanding	56,464	52,328
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The accompanying notes are an integral part of these consolidated financial statements.

HILLTOP HOLDINGS INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2008

(in thousands)

(unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2007	5,000	\$ 119,108	56,461	\$ 564	\$ 917,582	\$ (1,053)	\$ (212,016)	824,185
Net loss							6,882	6,882
Preferred stock dividends declared							(2,578)	(2,578)
Accumulated other comprehensive income, net of tax						1,523		1,523
Total comprehensive income								(7,937)
Common stock issued to board members			4		42			42
Share redeemed			(21)					
Stock compensation expense					39			39
Balance, March 31, 2008	5,000	\$ 119,108	56,444	\$ 564	\$ 917,663	\$ 470	\$ (221,476)	816,329

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

HILLTOP HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(in thousands)

(unaudited)

For the Three Months Ended March 31,

2008	2007
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Cash flow from
operating activities