

ARCH CAPITAL GROUP LTD
Form SC 13D/A
December 18, 2002

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13D/A

UNDER THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. 2)

ARCH CAPITAL GROUP LTD.

(Name of Issuer)

COMMON SHARES, PAR VALUE \$0.01 PER SHARE

(Title of Class of Securities)

011576290

(CUSIP Number)

RICHARD M. LEVINE, ESQ.
HELLMAN & FRIEDMAN LLC
ONE MARITIME PLAZA, SUITE 1200
SAN FRANCISCO, CALIFORNIA 94111
(415) 788-5111

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications)

WITH A COPY TO:

PATRICIA A. VLAHAKIS, ESQ.
WACHTELL, LIPTON, ROSEN & KATZ
51 WEST 52ND STREET
NEW YORK, NY 10019
(212) 403-1000

DECEMBER 16, 2002

(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of ss.ss. 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box:

Page 1 of 11 Pages

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CUSIP No. 011576290

SCHEDULE 13D/A

Page 2 of 11 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

HFCP IV (BERMUDA), L.P.
I.R.S. IDENTIFICATION NO. #94-3410224

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE ORGANIZATION
BERMUDA

7
SOLE VOTING POWER
10,261,918 (1)

NUMBER OF

8
SHARES SHARED VOTING POWER
-0-

BENEFICIALLY

9
OWNED BY SOLE DISPOSITIVE POWER
10,261,918 (1)

EACH

10
REPORTING SHARED DISPOSITIVE POWER
-0-

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NUMBER OF

 8
 SHARES SHARED VOTING POWER
 -0-

BENEFICIALLY

 9
 OWNED BY SOLE DISPOSITIVE POWER
 1,684,258 (3)

EACH

 10
 REPORTING SHARED DISPOSITIVE POWER
 -0-

PERSON WITH

 11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
 1,684,258 (3)

 12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN
 SHARES

 13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
 5.8% (4)

 14 TYPE OF REPORTING PERSON
 PN

(3) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares and the full exercise of all options to purchase Common Shares beneficially owned by such Reporting Person.

(4) Gives effect to the new issuance of Common Shares upon the full conversion of all Preference Shares, and the full exercise of all options, beneficially owned by such Reporting Person.

 CUSIP No. 011576290

SCHEDULE 13D/A

 Page 4 of 11 Pages

 1 NAME OF REPORTING PERSON
 I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

H&F INTERNATIONAL PARTNERS IV-B (BERMUDA), L.P.
 I.R.S. IDENTIFICATION NO. #94-3410228

 2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)
 (b)

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3	SEC USE ONLY	<input type="checkbox"/>
4	SOURCE OF FUNDS WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)	<input type="checkbox"/>
6	CITIZENSHIP OR PLACE ORGANIZATION BERMUDA	
	7 SOLE VOTING POWER 556,372 (5)	
NUMBER OF		
SHARES	8 SHARED VOTING POWER -0-	
BENEFICIALLY		
OWNED BY	9 SOLE DISPOSITIVE POWER 556,372 (5)	
EACH		
REPORTING	10 SHARED DISPOSITIVE POWER -0-	
PERSON WITH		
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 556,372 (5)	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES	<input type="checkbox"/>
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 2.0% (6)	
14	TYPE OF REPORTING PERSON PN	

(5) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares and the full exercise of all options to purchase Common Shares beneficially owned by such Reporting Person.

(6) Gives effect to the new issuance of Common Shares upon the full conversion of all Preference Shares, and the full exercise of all options, beneficially owned by such Reporting Person.

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CUSIP No. 011576290

SCHEDULE 13D/A

Page 5 of 11 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

H&F EXECUTIVE FUND IV (BERMUDA), L.P.
I.R.S. IDENTIFICATION NO. #94-3410229

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a)
(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE ORGANIZATION
BERMUDA

7
SOLE VOTING POWER
231,284 (7)

NUMBER OF

8
SHARED VOTING POWER
-0-

SHARES

BENEFICIALLY

9
OWNED BY SOLE DISPOSITIVE POWER
231,284 (7)

EACH

10
REPORTING SHARED DISPOSITIVE POWER
-0-

PERSON WITH

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
231,284 (7)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN

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SHARES

|_ |

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
0.8% (8)

14 TYPE OF REPORTING PERSON
PN

(7) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares and the full exercise of all options to purchase Common Shares beneficially owned by such Reporting Person.

(8) Gives effect to the new issuance of Common Shares upon the full conversion of all Preference Shares, and the full exercise of all options, beneficially owned by such Reporting Person.

CUSIP No. 011576290

SCHEDULE 13D/A

Page 6 of 11 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

H&F INVESTORS IV (BERMUDA), L.P.
I.R.S. IDENTIFICATION NO. #94-3410230

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) |_ |
(b) |X |

3 SEC USE ONLY

|_ |

4 SOURCE OF FUNDS
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEMS 2(d) OR 2(e)

| - |

6 CITIZENSHIP OR PLACE ORGANIZATION
BERMUDA

7
SOLE VOTING POWER
12,733,832 (9)

NUMBER OF

SHARES SHARED VOTING POWER

-0-

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BENEFICIALLY

9
 OWNED BY SOLE DISPOSITIVE POWER
 12,733,832 (9)

EACH

10
 REPORTING SHARED DISPOSITIVE POWER
 -0-

PERSON WITH

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
 12,733,832 (9)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN
 SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
 32.5% (10)

14 TYPE OF REPORTING PERSON
 PN

(9) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares and the full exercise of all options to purchase Common Shares beneficially owned by such Reporting Person.

(10) Gives effect to the new issuance of Common Shares upon the full conversion of all Preference Shares, and the full exercise of all options, beneficially owned by such Reporting Person.

CUSIP No. 011576290

SCHEDULE 13D/A

Page 7 of 11 Pages

1 NAME OF REPORTING PERSON
 I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS

H&F CORPORATE INVESTORS IV (BERMUDA) LTD.
 I.R.S. IDENTIFICATION NO. #94-3410238

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
 (a)
 (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS
 WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED

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PURSUANT TO ITEMS 2(d) OR 2(e)

|_ |

6	CITIZENSHIP OR PLACE ORGANIZATION BERMUDA
7	SOLE VOTING POWER 12,733,832 (11)
8	SHARED VOTING POWER -0-
9	SOLE DISPOSITIVE POWER 12,733,832 (11)
10	SHARED DISPOSITIVE POWER -0-
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 12,733,832 (11)
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES _
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 32.5% (12)
14	TYPE OF REPORTING PERSON CO

(11) Assumes full conversion of all Preference Shares beneficially owned by such Reporting Person into Common Shares and the full exercise of all options to purchase Common Shares beneficially owned by such Reporting Person.

(12) Gives effect to the new issuance of Common Shares upon the full conversion of all Preference Shares, and the full exercise of all options, beneficially owned by such Reporting Person.

CUSIP No. 011576290

SCHEDULE 13D/A

Page 8 of 11 Pages

Reference is made to the Statement on Schedule 13D filed on November 30, 2001, as amended by Amendment No. 1 thereto filed September 23, 2003 (as so amended, the "Schedule 13D"), on behalf of HFCP IV (Bermuda), L.P., a limited

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partnership organized under the laws of Bermuda ("HFIP IV Bermuda"), H&F International Partners IV-A (Bermuda), L.P., a limited partnership organized under the laws of Bermuda ("HFIP IV-A Bermuda"), H&F International Partners IV-B (Bermuda), L.P., a limited partnership organized under the laws of Bermuda ("HFIP IV-B Bermuda"), H&F Executive Fund IV (Bermuda), L.P., a limited partnership organized under the laws of Bermuda ("HFEF IV Bermuda", and together with HFIP IV Bermuda, HFIP IV-A Bermuda and HFIP IV-B Bermuda, the "Investors"), H&F Investors IV (Bermuda), L.P., a limited partnership organized under the laws of Bermuda ("HFI IV Bermuda") and H&F Corporate Investors IV (Bermuda) Ltd., a company organized under the laws of Bermuda ("HFCI IV Bermuda"). The Investors, together with HFI IV Bermuda and HFCI IV Bermuda are referred to herein as the "Reporting Persons". All capitalized terms used without definition in this Amendment No. 2 to Schedule 13D shall have the meanings set forth in the Schedule 13D.

This Amendment No. 2 to Schedule 13D amends the Schedule 13D as follows.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.

Item 5 of the Schedule 13D is hereby amended and supplemented by adding the following:

- (a) The Reporting Persons beneficially own Common Shares of the Company by virtue of their ownership of an aggregate of 1,116,977 Common Shares (which include an aggregate of 3,688 Common Shares issued to John L. Bunce, Jr. and David Tunnell, each of whom is an affiliate of the Reporting Persons, in consideration of their service as directors of the Company, which Common Shares are held for the benefit of the Reporting Persons), of an aggregate of 11,614,755 Preference Shares, which are convertible into Common Shares as described under Item 4, and of options to purchase an aggregate of 2,100 Common Shares, which options were issued to Messrs. Bunce and Tunnell, in consideration of their service as directors of the Company, which options are held for the benefit of the Reporting Persons. As of December 18, 2002, the Investors collectively beneficially owned an aggregate of 12,733,832 Common Shares, assuming the full conversion of the Preference Shares into Common Shares and the full exercise of the options to purchase Common Shares. By reason of their relationships with the Investors, under Rule 13d-3 under the Exchange Act, each of HFCI IV Bermuda and HFI IV Bermuda may be deemed to own beneficially all of the Common Shares that are beneficially owned by the Investors.

Assuming the full conversion of the Preference Shares into Common Shares and the full exercise of the options to purchase Common Shares, as of December 18, 2002, the 12,733,832 Common Shares collectively beneficially owned by the Reporting Persons would represent approximately 32.5% of the outstanding Common Shares, after giving effect to the new issuance of Common Shares upon the full conversion of the Preference Shares into Common Shares, the full exercise of all options to purchase Common Shares

CUSIP No. 011576290

SCHEDULE 13D/A

Page 9 of 11 Pages

and based on the 27,586,184 Common Shares outstanding as of September 30, 2002 as set forth in the Company's Form 10-Q for the quarter then ended.

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- (b) The Investors collectively have beneficial ownership of 12,733,832 Common Shares, assuming the full conversion of the Preference Shares into Common Shares and the full exercise of the options to purchase Common Shares. Of these Common Shares, 11,614,755 Common Shares are represented by 11,614,755 Preference Shares, which even if not converted into Common Shares would in the aggregate be entitled to the voting power equivalent to 11,614,755 Common Shares. Each Investor exercises voting power and dispositive power over its holdings of such shares through its respective general partner, which, in turn, acts through its respective general partner.
- (c) On December 16, 2002, the Company issued to the Investors an aggregate of 834,717 Preference Shares as a post-closing purchase price adjustment under the Subscription Agreement. Pursuant to the terms of the Subscription Agreement, the Company was required to issue to each Purchaser a number of Preference Shares so as to reduce such Purchaser's per Preference Share purchase price by \$1.50 in the event that Company's existing Series B Warrants were to become exercisable as a result of the closing price of the Common Shares being at least \$30.00 per share for 20 out of 30 consecutive trading days. Except as otherwise described herein, during the last sixty days there were no transactions effected by the Reporting Persons or by any of the persons set forth on Schedule I hereto.
- (d) Except as set forth in this Item 5, no person other than each respective record owner referred to herein of the Common Shares and the Preference Shares is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such Common Shares or Preference Shares.
- (e) Not applicable.

CUSIP No. 011576290

SCHEDULE 13D/A

Page 10 of 11 Pages

SIGNATURES

After reasonable inquiry and to the best of our knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

Dated: December 18, 2002

HFCP IV (BERMUDA), L.P.

By: H&F Investors IV (Bermuda), L.P.,
its General Partner

By: H&F Corporate Investors IV (Bermuda) Ltd.,
its General Partner

By: /s/ Georgia Lee

Name: Georgia Lee
Title: Vice President and Treasurer

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H&F INTERNATIONAL PARTNERS IV-A (BERMUDA), L.P.

By: H&F Investors IV (Bermuda), L.P.,
its General Partner

By: H&F Corporate Investors IV (Bermuda) Ltd.,
its General Partner

By: /s/ Georgia Lee

Name: Georgia Lee
Title: Vice President and Treasurer

H&F INTERNATIONAL PARTNERS IV-B (BERMUDA), L.P.

By: H&F Investors IV (Bermuda), L.P.,
its General Partner

By: H&F Corporate Investors IV (Bermuda) Ltd.,
its General Partner

By: /s/ Georgia Lee

Name: Georgia Lee
Title: Vice President and Treasurer

CUSIP No. 011576290

SCHEDULE 13D/A

Page 11 of 11 Pages

H&F EXECUTIVE FUND IV(BERMUDA), L.P.

By: H&F Investors IV (Bermuda), L.P.,
its General Partner

By: H&F Corporate Investors IV (Bermuda) Ltd.,
its General Partner

By: /s/ Georgia Lee

Name: Georgia Lee
Title: Vice President and Treasurer

H&F INVESTORS IV (BERMUDA), L.P.

By: H&F Corporate Investors IV (Bermuda) Ltd.,
its General Partner

By: /s/ Georgia Lee

Name: Georgia Lee
Title: Vice President and Treasurer

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H&F CORPORATE INVESTORS IV (BERMUDA) LTD.

By: /s/ Georgia Lee

Name: Georgia Lee

Title: Vice President and Treasurer