Hill-Rom Holdings, Inc.
Form 8-K
April 28, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): April 27, 2011
HILL-ROM HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Indiana	**1-6651**	**35-1160484**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
1069 State Route 46 East Batesville, Indiana		**47006-8835**
(Address of principal executive offices)		(Zip Code)

Registrant s telephone number, including area code: **(812) 934-7777**
Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On April 27, 2011, Hill-Rom Holdings, Inc. (the Corporation) announced its earnings for the second quarter ended March 31, 2011. This announcement is more fully described in the press release filed as Exhibit 99.1 to this Current Report on Form 8-K. The contents of such Exhibit are incorporated herein by reference.

Item 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

99.1	Press release dated April 27, 2011 issued by the Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HILL-ROM HOLDINGS, INC.
(Registrant)

DATE: April 27, 2011

By: /s/ Mark J. Guinan
Name: Mark J. Guinan
Title: Senior Vice President and
Chief Financial Officer
(duly authorized officer and
principal financial officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	Press release dated April 27, 2011 issued by the Corporation.

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Consolidated net income

34,521 15,261 4,537 527 54,846

Less: net income attributable to noncontrolling interest

1,509 141 1,650

Net income attributable to PlainsCapital Corporation

$34,521 $13,752 $4,396 $527 $53,196

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PlainsCapital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

24. Segment and Related Information (Continued)

Balance Sheet Data

	December 31, 2011				
	Banking	Mortgage Origination	Financial Advisory	All Other and Eliminations	PlainsCapital Consolidated
Cash and due from banks	$ 341,821	$ 48,715	$ 4,424	$ (50,313)	$ 344,647
Loans held for sale	1,061	775,311			776,372
Securities	783,586		56,167		839,753
Loans, net	3,685,013	1,848	316,992	(720,181)	3,283,672
Broker-dealer and clearing organization receivables			111,690		111,690
Investment in subsidiaries	230,389			(230,389)	
Goodwill and other intangible assets, net	7,862	23,706	15,697		47,265
Other assets	186,737	25,850	51,873	32,161	296,621
Total assets	$ 5,236,469	$ 875,430	$ 556,843	$ (968,722)	$ 5,700,020
Deposits	$ 4,238,662	$	$ 68,778	$ (61,234)	$ 4,246,206
Broker-dealer and clearing organization payables			186,483		186,483
Short-term borrowings	347,559		128,880		476,439
Notes payable		705,715	19,432	(670,181)	54,966
Junior subordinated debentures				67,012	67,012
Other liabilities	68,357	57,481	64,088	(40,296)	149,630
PlainsCapital Corporation shareholders' equity	581,891	110,311	89,182	(264,353)	517,031
Noncontrolling interest		1,923		330	2,253
Total liabilities and shareholders' equity	$ 5,236,469	$ 875,430	$ 556,843	$ (968,722)	$ 5,700,020

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PlainsCapital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

24. Segment and Related Information (Continued)

Income Statement Data

	Year Ended December 31, 2010				
	Banking	Mortgage Origination	Financial Advisory	Intercompany Eliminations	PlainsCapital Consolidated
Interest income	$ 211,751	$ 24,063	$ 12,096	$ (29,485)	$ 218,425
Interest expense	36,245	45,854	3,233	(46,607)	38,725
Net interest income (expense)	175,506	(21,791)	8,863	17,122	179,700
Provision for loan losses	82,592	634			83,226
Noninterest income	37,464	309,298	103,075	(17,654)	432,183
Noninterest expense	114,574	262,801	103,275	(604)	480,046
Income before taxes	15,804	24,072	8,663	72	48,611
Income tax provision	5,018	7,643	2,751		15,412
Consolidated net income	10,786	16,429	5,912	72	33,199
Less: net income attributable to noncontrolling interest		507	283		790
Net income attributable to PlainsCapital Corporation	$ 10,786	$ 15,922	$ 5,629	$ 72	$ 32,409

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PlainsCapital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

24. Segment and Related Information (Continued)

Balance Sheet Data

	December 31, 2010				
	Banking	Mortgage Origination	Financial Advisory	All Other and Eliminations	PlainsCapital Consolidated
Cash and due from banks	$ 329,300	$ 79,428	$ 4,420	$ (80,940)	$ 332,208
Loans held for sale	1,269	476,442			477,711
Securities	846,149		18,931		865,080
Loans, net	3,275,433	2,305	286,661	(491,398)	3,073,001
Broker-dealer and clearing organization receivables			45,768		45,768
Investment in subsidiaries	240,664			(240,664)	
Goodwill and other intangible assets, net	7,862	23,706	17,753		49,321
Other assets	280,277	19,020	129,087	41,932	470,316
Total assets	$ 4,980,954	$ 600,901	$ 502,620	$ (771,070)	$ 5,313,405
Deposits	$ 3,954,711	$	$ 79,770	$ (116,022)	$ 3,918,459
Broker-dealer and clearing organization payables			72,830		72,830
Short-term borrowings	404,541		177,593		582,134
Notes payable	39,220	453,449	18,492	(447,385)	63,776
Junior subordinated debentures				67,012	67,012
Other liabilities	41,998	58,309	70,718	(9,107)	161,918
PlainsCapital Corporation shareholders' equity	540,484	88,796	83,217	(266,006)	446,491
Noncontrolling interest		347		438	785
Total liabilities and shareholders' equity	$ 4,980,954	$ 600,901	$ 502,620	$ (771,070)	$ 5,313,405

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PlainsCapital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

24. Segment and Related Information (Continued)

Income Statement Data

	Year Ended December 31, 2009				
	Banking	Mortgage Origination	Financial Advisory	Intercompany Eliminations	PlainsCapital Consolidated
Interest income	$ 197,446	$ 16,142	$ 8,563	$ (19,328)	$ 202,823
Interest expense	40,266	23,190	3,567	(24,559)	42,464
Net interest income (expense)	157,180	(7,048)	4,996	5,231	160,359
Provision for loan losses	66,673				66,673
Noninterest income	22,685	219,107	98,944	(5,828)	334,908
Noninterest expense	101,949	184,580	96,327	(665)	382,191
Income before taxes	11,243	27,479	7,613	68	46,403
Income tax provision	3,605	8,809	2,441		14,855
Consolidated net income	7,638	18,670	5,172	68	31,548
Less: net income attributable to noncontrolling interest			220		220
Net income attributable to PlainsCapital Corporation	$ 7,638	$ 18,670	$ 4,952	$ 68	$ 31,328

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PlainsCapital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

24. Segment and Related Information (Continued)

Balance Sheet Data

	December 31, 2009				
	Banking	Mortgage Origination	Financial Advisory	All Other and Eliminations	PlainsCapital Consolidated
Cash and due from banks	$ 139,579	$ 42,593	$ 11,017	$ (44,866)	$ 148,323
Loans held for sale	1,442	430,760			432,202
Securities	521,554		24,183		545,737
Loans, net	3,296,336		154,123	(430,782)	3,019,677
Broker-dealer and clearing organization receivables			82,714		82,714
Investment in subsidiaries	226,297			(226,297)	
Goodwill and other intangible assets, net	7,871	23,706	19,919		51,496
Other assets	198,927	14,626	45,254	31,813	290,620
Total assets	$ 4,392,006	$ 511,685	$ 337,210	$ (670,132)	$ 4,570,769
Deposits	$ 3,274,900	$	$ 64,911	$ (61,772)	$ 3,278,039
Broker-dealer and clearing organization payables			108,272		108,272
Short-term borrowings	488,078				488,078
Notes payable	68,511	407,430	22,329	(429,720)	68,550
Junior subordinated debentures				67,012	67,012
Other liabilities	42,297	38,529	66,276	(10,443)	136,659
PlainsCapital Corporation shareholders' equity	518,220	65,677	75,422	(236,819)	422,500
Noncontrolling interest		49		1,610	1,659
Total liabilities and shareholders' equity	$ 4,392,006	$ 511,685	$ 337,210	$ (670,132)	$ 4,570,769

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PlainsCapital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

25. Earnings per Common Share

The following table presents the computation of basic and diluted earnings per common share for the years ended December 31, 2011, 2010 and 2009 (in thousands, except per share data):

	2011	2010	2009
Income applicable to PlainsCapital Corporation common shareholders	$ 45,708	$ 26,840	$ 25,624
Less: income applicable to participating securities	1,670	976	953
Income applicable to PlainsCapital Corporation common shareholders for basic earnings per common share	$ 44,038	$ 25,864	$ 24,671
Weighted-average shares outstanding	32,850,836	32,664,310	32,467,038
Less: participating securities included in weighted-average shares outstanding	1,201,270	1,187,635	1,207,043
Weighted-average shares outstanding for basic earnings per common share	31,649,566	31,476,675	31,259,995
Basic earnings per common share	$ 1.39	$ 0.82	$ 0.79
Income applicable to PlainsCapital Corporation common shareholders	$ 45,708	$ 26,840	$ 25,624
Weighted-average shares outstanding	31,649,566	31,476,675	31,259,995
Dilutive effect of contingently issuable shares due to First Southwest acquisition	1,562,651	1,722,152	1,698,840
Dilutive effect of stock options and non-vested stock awards	280,500	349,069	394,023
Weighted-average shares outstanding for diluted earnings per common share	33,492,717	33,547,896	33,352,858
Diluted earnings per common share	$ 1.36	$ 0.80	$ 0.77

PlainsCapital uses the two-class method prescribed by the Earnings per Share Topic of the ASC to compute earnings per common share. Participating securities include non-vested restricted stock and shares of PlainsCapital stock held in escrow pending the resolution of contingencies with respect to the First Southwest acquisition.

The weighted-average shares outstanding used to compute diluted earnings per common share do not include outstanding options of 152,679, 160,959 and 180,489 for the years ended 2011, 2010 and 2009, respectively. The exercise price of the excluded options exceeded the estimated average market price of PlainsCapital stock in the years shown. Accordingly, the assumed exercise of the excluded options would have been antidilutive.

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PlainsCapital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

26. Condensed Financial Statements of PlainsCapital

Condensed financial statements of PlainsCapital (parent only) follow (in thousands). Investments in subsidiaries are determined using the equity method of accounting.

Condensed Statements of Income

	Years Ended December 31,		
	2011	2010	2009
Income			
Dividend income			
From banks	$ 43,500	$ 30,000	$ 30,500
From nonbanks	72	73	85
Interest and other income	152	175	166
Total income	43,724	30,248	30,751
Expense			
Interest expense	4,398	4,522	4,722
Salaries and employee benefits	14,170	10,517	8,050
Other	10,318	9,319	9,853
Total expense	28,886	24,358	22,625
Income before income taxes and equity in undistributed earnings of subsidiaries	14,838	5,890	8,126
Income tax (benefit)	(9,342)	(7,015)	(8,641)
Equity in undistributed earnings of subsidiaries	29,016	19,504	14,561
Net income	$ 53,196	$ 32,409	$ 31,328

Condensed Balance Sheets

	December 31,	
	2011	2010
Assets		
Cash and due from banks	$ 9,643	$ 5,660
Investment in subsidiaries	593,726	540,937
Premises and equipment, net	6,619	7,013
Other assets	28,804	18,813
Total assets	$ 638,792	$ 572,423
Balances due to subsidiaries	$ 67,957	$ 73,199
Notes payable	41,880	47,937
Other liabilities	11,924	4,796
Shareholders' equity	517,031	446,491
Total liabilities and shareholders' equity	$ 638,792	$ 572,423

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PlainsCapital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

26. Condensed Financial Statements of PlainsCapital (Continued)

Condensed Statements of Cash Flows

	Years Ended December 31,		
	2011	**2010**	**2009**
Operating activities			
Net income	$ 53,196	$ 32,409	$ 31,328
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in undistributed earnings of subsidiaries	(29,016)	(19,504)	(14,561)
Other, net	(4,376)	3,669	(942)
Net cash provided by operating activities	19,804	16,574	15,825
Investing activities			
Payments for investments in and advances to subsidiaries	(19,587)	(1,065)	(200)
Repayment of investments in and advances to subsidiaries	574	120	498
Other, net	(669)	(913)	(5,734)
Net cash used in investing activities	(19,682)	(1,858)	(5,436)
Financing activities			
Proceeds from notes payable	4,000	3,700	6,350
Payments on notes payable	(10,058)	(4,413)	(7,850)
Proceeds from sale of preferred stock	114,068		
Payments to redeem preferred stock	(92,013)		
Proceeds from sale of common stock	363	463	227
Dividends paid	(12,397)	(11,573)	(11,089)
Other, net	(102)	353	395
Net cash provided by (used in) financing activities	3,861	(11,470)	(11,967)
Net change in cash and cash equivalents	3,983	3,246	(1,578)
Cash and cash equivalents at beginning of year	5,660	2,414	3,992
Cash and cash equivalents at end of year	$ 9,643	$ 5,660	$ 2,414

27. Recently Issued Accounting Standards

Improving Disclosures about Fair Value Measurements

In January 2010, the FASB amended the Fair Value Measurements and Disclosures Topic of the ASC to expand required disclosures related to fair value measurements ("Improved Fair Value Disclosure Amendment"). The Improved Fair Value Disclosure Amendment requires disclosures regarding significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for the transfers, reasons for transfers in or out of Level 3 of the fair value hierarchy, as well as separate disclosure of significant transfers, and policies for determining when transfers between levels of the fair value hierarchy are recognized. In addition, the Improved Fair Value Disclosure Amendment

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PlainsCapital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

27. Recently Issued Accounting Standards (Continued)

requires gross presentation of purchases, sales, issuances and settlements of financial instruments that are measured on a recurring basis using Level 3 inputs.

The Improved Fair Value Disclosure Amendment also clarifies that fair value measurement disclosures should be provided for each class of assets and liabilities, rather than major category, and that valuation techniques and inputs used to measure fair value on a recurring or nonrecurring basis should be provided for each class of assets and liabilities included in Levels 2 and 3 of the fair value hierarchy. The Improved Fair Value Disclosure Amendment became effective for PlainsCapital on January 1, 2010, except for the provisions relating to gross presentation of purchases, sales, issuances and settlements of assets and liabilities included in Level 3 of the fair value hierarchy, which become effective January 1, 2011. The adoption of the Improved Fair Value Disclosure Amendment did not have a significant effect on PlainsCapital's financial position, results of operations or cash flows. PlainsCapital has included the disclosures required by the Improved Fair Value Disclosure Amendment in Note 21.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

In July 2010, the FASB amended the Receivables Topic of the ASC to require entities to provide disclosures designed to facilitate financial statement users' evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. Certain of the disclosures require disaggregation by class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a rollforward of the allowance for credit losses as well as information about modified, impaired, non-accrual and past due loans and credit quality indicators. These amendments to the Receivables Topic became effective for PlainsCapital as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period became effective January 1, 2011, except for the disclosures regarding TDRs. PlainsCapital has included the required disclosures regarding credit quality of financing receivables and the allowance for credit losses in Note 3.

A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring

In April 2011, the FASB amended the Receivables Topic of the ASC to clarify when creditors should classify loan modifications as TDRs ("TDR Amendment"). The TDR Amendment requires creditors to separately conclude that a creditor has granted a concession to a debtor and that the debtor is experiencing financial difficulties in order to classify a loan modification as a troubled debt restructuring. The TDR Amendment became effective for PlainsCapital on July 1, 2011, and has been applied retrospectively to January 1, 2011. The adoption of the TDR Amendment did not have a significant effect on PlainsCapital's financial position, results of operations or cash flows.

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PlainsCapital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2011

27. Recently Issued Accounting Standards (Continued)

Comprehensive Income

In June 2011, the FASB amended the Comprehensive Income Topic of the ASC to revise the manner in which entities present comprehensive income in their financial statements. Beginning January 1, 2012, PlainsCapital will present the components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements, rather than in the statement of shareholders' equity, as it does currently. PlainsCapital does not expect the adoption of the amendment to have a significant effect on its financial position, results of operations or cash flows.

Testing Goodwill for Impairment

In September 2011, the FASB amended the Intangibles Topic of the ASC to simplify how entities test goodwill for impairment. Entities have the option to qualitatively test whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount in determining whether step one of the annual goodwill impairment test is necessary. PlainsCapital early adopted the amendments in the fourth quarter of 2011 and the adoption of the amendment did not have a significant effect on its financial position, results of operations or cash flows.

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Consolidated financial statements unaudited

PlainsCapital Corporation and subsidiaries

Three Months Ended March 31, 2012 and 2011

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PlainsCapital Corporation and Subsidiaries

Consolidated Balance Sheets

	March 31, 2012 (Unaudited)	December 31, 2011
	(In thousands)	
Assets		
Cash and due from banks	$ 244,864	$ 344,647
Federal funds sold and securities purchased under agreements to resell	19,858	3,347
Loans held for sale	853,801	776,372
Securities		
Trading, at fair market value	66,804	58,957
Available for sale, amortized cost $610,257 and $594,287, respectively	616,609	601,086
Held to maturity, fair market value $184,433 and $188,736, respectively	175,647	179,710
	859,060	839,753
Loans, net of unearned income	3,330,664	3,351,167
Allowance for loan losses	(61,409)	(67,495)
Loans, net	3,269,255	3,283,672
Broker-dealer and clearing organization receivables	196,990	111,690
Fee award receivable	17,706	18,002
Investment in unconsolidated subsidiaries	2,012	2,012
Premises and equipment, net	92,335	92,906
Accrued interest receivable	15,313	16,175
Other real estate owned	23,590	30,254
Goodwill, net	35,880	35,880
Other intangible assets, net	10,997	11,385
Other assets	145,896	133,925
Total assets	$ 5,787,557	$ 5,700,020
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing	$ 265,036	$ 328,858
Interest-bearing	3,903,740	3,917,348
Total deposits	4,168,776	4,246,206
Broker-dealer and clearing organization payables	220,012	186,483
Short-term borrowings	606,774	476,439
Capital lease obligations	12,008	12,121
Notes payable	51,828	54,966
Junior subordinated debentures	67,012	67,012
Other liabilities	120,185	137,509
Total liabilities	5,246,595	5,180,736
Commitments and contingencies		
Shareholders' equity		
PlainsCapital Corporation shareholders' equity		
Preferred stock, $1.00 par value per share, authorized 50,000,000 shares; Series C, 114,068 shares issued	114,068	114,068
Original Common Stock, $0.001 par value per share, authorized 100,000,000 shares; 32,255,311 and 31,920,732 shares issued, respectively	32	32
Common Stock, $0.001 par value per share, authorized 150,000,000 shares; 0 shares issued		
Surplus	159,835	156,123
Retained earnings	262,411	244,291
Accumulated other comprehensive income (loss)	4,857	4,587

		541,203		519,101
Unearned ESOP shares (190,254 shares)		(2,070)		(2,070)
Total PlainsCapital Corporation shareholders' equity		539,133		517,031
Noncontrolling interest		1,829		2,253
Total shareholders' equity		540,962		519,284
Total liabilities and shareholders' equity	$	5,787,557	$	5,700,020

See accompanying notes.

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PlainsCapital Corporation and Subsidiaries

Consolidated Statements of Income Unaudited

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2012	2011
Interest income:		
Loans, including fees	$ 48,600	$ 42,204
Securities		
Taxable	3,412	4,606
Tax-exempt	2,475	2,387
Federal funds sold and securities purchased under agreements to resell	86	1,092
Interest-bearing deposits with banks	173	314
Other	1,810	1,400
Total interest income	56,556	52,003
Interest expense		
Deposits	5,265	7,528
Short-term borrowings	428	398
Capital lease obligations	143	136
Notes payable	723	810
Junior subordinated debentures	648	621
Other	140	85
Total interest expense	7,347	9,578
Net interest income	49,209	42,425
Provision for loan losses	2,221	6,500
Net interest income after provision for loan losses	46,988	35,925
Noninterest income		
Service charges on depositor accounts	2,096	1,842
Net gains from sale of loans	99,718	44,334
Mortgage loan origination fees	18,325	17,292
Trust fees	1,031	1,006
Investment advisory fees and commissions	17,453	12,011
Securities brokerage fees and commissions	7,142	6,186
Other	4,341	2,669
Total noninterest income	150,106	85,340
Noninterest expense		
Employees' compensation and benefits	105,774	66,346
Occupancy and equipment, net	17,082	15,398
Professional services	8,175	6,046
Deposit insurance premiums	996	1,856
Repossession and foreclosure, net of recoveries	5,918	1,880
Other	26,157	17,515
Total noninterest expense	164,102	109,041
Income before income taxes	32,992	12,224
Income tax provision	11,254	4,508

Net income		21,738		7,716
Less: Net income attributable to noncontrolling interest		481		122
Net income attributable to PlainsCapital Corporation		21,257		7,594
Dividends on preferred stock and other		1,094		1,400
Income applicable to PlainsCapital Corporation common shareholders	$	20,163	$	6,194
Earnings per share				
Basic	$	0.61	$	0.19
Diluted	$	0.59	$	0.18

See accompanying notes.

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PlainsCapital Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income Unaudited

(In thousands)

	Three Months Ended March 31,	
	2012	**2011**
Net income	$ 21,738	$ 7,716
Other comprehensive income (loss)		
Unrealized losses on securities available for sale, net of tax of $98 and $2,138	(182)	(3,982)
Unrealized gains on securities held in trust for the Supplemental Executive Pension Plan, net of tax of $244 and $104	452	193
Unrealized loss on customer-related cash flow hedges, net of tax of $0 and $18		(34)
Comprehensive income	22,008	3,893
Less: comprehensive income attributable to noncontrolling interest	481	122
Comprehensive income applicable to PlainsCapital Corporation common shareholders	$ 21,527	$ 3,771

See accompanying notes.

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PlainsCapital Corporation and Subsidiaries

Consolidated Statements of Shareholders' Equity Unaudited

	PlainsCapital Corporation Shareholders									
	Preferred Stock		Common Stock				Accumulated Other Comprehensive	Unearned		
	Shares	Amount	Shares	Amount	Surplus	Retained Earnings	Income (Loss)	ESOP Shares	Noncontrolling Interest	Total
	(In thousands, except share and per share amounts)									
Balance, January 1, 2011	**92,013**	**$ 89,193**	**31,780,828**	**$ 32**	**$ 153,289**	**$ 206,786**	**$ (281)**	**$ (2,528)**	**$ 785**	**$ 447,276**
Stock option plans' activity, including compensation expense			2,246		34					34
Vesting of stock-based compensation			83,713							
Stock-based compensation expense					451					451
ESOP activity										
Dividends on common stock ($0.05 per share)						(1,702)				(1,702)
Dividends on preferred stock						(1,194)				(1,194)
Preferred stock discount and accretion		206				(206)				
Cash received from noncontrolling interest									49	49
Cash distributions to noncontrolling interest									(153)	(153)
Net income						7,594			122	7,716
Other comprehensive income							(3,823)			(3,823)
Balance, March 31, 2011	**92,013**	**$ 89,399**	**31,866,787**	**$ 32**	**$ 153,774**	**$ 211,278**	**$ (4,104)**	**$ (2,528)**	**$ 803**	**$ 448,654**
Balance, January 1, 2012	**114,068**	**$ 114,068**	**31,920,732**	**$ 32**	**$ 156,123**	**$ 244,291**	**$ 4,587**	**$ (2,070)**	**$ 2,253**	**$ 519,284**
Stock option plans' activity, including compensation expense			80,579		539					539
Vesting of stock-based compensation			75,429							
Stock-based compensation expense					673					673
ESOP activity			178,571		2,500	12				2,512
Dividends on common stock ($0.06 per share)						(2,055)				(2,055)
Dividends on preferred stock						(1,094)				(1,094)
Cash received from noncontrolling interest									110	110
Cash distributions to noncontrolling interest									(1,015)	(1,015)
Net income						21,257			481	21,738
Other comprehensive income							270			270
Balance, March 31, 2012	**114,068**	**$ 114,068**	**32,255,311**	**$ 32**	**$ 159,835**	**$ 262,411**	**$ 4,857**	**$ (2,070)**	**$ 1,829**	**$ 540,962**

See accompanying notes.

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PlainsCapital Corporation and Subsidiaries

Consolidated Statements of Cash Flows Unaudited

(In thousands)

	Three Months Ended March 31,	
	2012	**2011**
Operating Activities		
Net income	$ 21,738	$ 7,716
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Provision for loan losses	2,221	6,500
Net losses on other real estate owned	5,474	1,460
Depreciation and amortization	6,339	8,584
Stock-based compensation expense	673	470
Loss on sale of premises and equipment	44	5
Stock dividends received on securities	(4)	(7)
Deferred income taxes	73	5,176
Net change in prepaid FDIC assessments	915	1,566
Net change in assets segregated for regulatory purposes		(13,000)
Net change in trading securities	(7,847)	(25,705)
Net change in broker-dealer and clearing organization receivables	(85,300)	(32,557)
Net change in fee award receivable	296	312
Net change in broker-dealer and clearing organization payables	33,529	42,355
Net change in other assets	(5,875)	(5,313)
Net change in other liabilities	(15,954)	(59,141)
Net gains from sale of loans	(99,718)	(44,334)
Loans originated for sale	(2,733,126)	(1,471,560)
Proceeds from loans sold	2,750,386	1,536,012
Net cash provided by (used in) operating activities	(126,136)	(41,461)
Investing Activities		
Net change in securities purchased under resale agreements	(4,028)	75,402
Proceeds from maturities and principal reductions of securities held to maturity	4,172	9,083
Proceeds from sales, maturities and principal reductions of securities available for sale	98,876	98,256
Purchases of securities held to maturity		(1,031)
Purchases of securities available for sale	(116,384)	(265,372)
Net change in loans	11,498	144,451
Purchases of premises and equipment and other assets	(5,102)	(17,471)
Proceeds from sales of premises and equipment and other real estate owned	2,237	6,258
Net cash received (paid) for Federal Home Loan Bank and Federal Reserve Bank stock	4	2,164
Net cash provided by (used in) investing activities	(8,727)	51,740
Financing Activities		
Net change in deposits	(77,430)	193,731
Net change in short-term borrowings	130,335	(89,207)
Proceeds from notes payable		1,500
Payments on notes payable	(3,138)	(3,081)
Proceeds from issuance of common stock	3,039	15
Dividends paid	(4,225)	(2,896)
Net cash received from (distributed to) noncontrolling interest	(905)	(104)
Other, net	(113)	(114)
Net cash provided by (used in) financing activities	47,563	99,844
Net change in cash and cash equivalents	(87,300)	110,123
Cash and cash equivalents at beginning of period	347,189	359,335

Cash and cash equivalents at end of period	$ 259,889	$ 469,458
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for:		
Interest	$ 7,801	$ 11,482
Income taxes	$ 4,134	$ 1,090
Supplemental Schedule of Noncash Activities		
Conversion of loans to other real estate owned	$ 1,007	$ 2,568

See accompanying notes.

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PlainsCapital Corporation and Subsidiaries

Notes to the Consolidated Interim Financial Statements Unaudited

March 31, 2012

1. Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The unaudited consolidated financial statements of PlainsCapital Corporation, a Texas corporation, and its subsidiaries ("PlainsCapital") for the three month periods ended March 31, 2012 and 2011 have been prepared by PlainsCapital pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC").

The consolidated interim financial statements of PlainsCapital and subsidiaries are unaudited, but in the opinion of management, contain all adjustments (consisting primarily of normal recurring accruals) necessary for a fair statement of the results of the interim periods presented. The consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with instructions to Form 10-Q adopted by the SEC. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in PlainsCapital's Annual Report on Form 10-K filed with the SEC on March 16, 2012. Results for interim periods are not necessarily indicative of results to be expected for a full year or any future period. PlainsCapital has evaluated subsequent events for potential recognition and/or disclosure through May 9, 2012.

PlainsCapital is a financial holding company registered under the Bank Holding Company Act of 1956, as amended by the Graham-Leach-Bliley Act of 1999, headquartered in Dallas, Texas, that provides, through its subsidiaries, an array of financial products and services. In addition to traditional banking services, PlainsCapital provides residential mortgage lending, investment banking, public finance advisory, wealth and investment management, treasury management, fixed income sales, asset management and correspondent clearing services.

PlainsCapital owns 100% of the outstanding stock of PlainsCapital Bank (the "Bank") and 100% of the membership interest in PlainsCapital Equity, LLC. PlainsCapital owns a 69.7% membership interest in Hester Capital Management, LLC ("Hester Capital"). PlainsCapital Bank owns 100% of the outstanding stock of PrimeLending, a PlainsCapital Company ("PrimeLending"), PNB Aero Services, Inc. and PCB-ARC, Inc. PlainsCapital Bank has a 100% membership interest in First Southwest Holdings, LLC ("First Southwest") and PlainsCapital Securities, LLC, as well as a 51% voting interest in PlainsCapital Insurance Services, LLC.

PrimeLending owns a 100% membership interest in PrimeLending Ventures Management, LLC, the controlling and sole managing member of PrimeLending Ventures, LLC ("Ventures"). Through a series limited liability company structure, Ventures establishes separate operating divisions with select business partners, such as home builders, real estate brokers and financial institutions, to originate residential mortgage loans.

After the close of business on December 31, 2008, First Southwest Holdings, Inc., a diversified, private investment banking corporation headquartered in Dallas, Texas merged into FSWH Acquisition LLC, a wholly owned subsidiary of PlainsCapital Bank. Following the merger, FSWH Acquisition LLC changed its name to "First Southwest Holdings, LLC." The principal subsidiaries of First Southwest are First Southwest Company ("FSC"), a broker-dealer registered with the SEC and

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1. Summary of Significant Accounting and Reporting Policies (Continued)

the Financial Industry Regulatory Authority ("FINRA"), and First Southwest Asset Management, Inc., a registered investment advisor under the Investment Advisors Act of 1940.

The acquisition cost of First Southwest Holdings, Inc. was approximately $62.2 million. In addition, PlainsCapital placed approximately 1.7 million shares of PlainsCapital common stock, valued at approximately $19.2 million as of December 31, 2008, into escrow. The percentage of shares to be released from escrow and distributed to former First Southwest shareholders will be determined based upon, among other factors, the valuation of certain auction rate bonds held by First Southwest prior to the merger (or repurchased from investors following the closing of the merger) as of the last day of December 2012 or, if applicable, the aggregate sales price of such auction rate bonds prior to such date. Any shares issued out of the escrow will be accounted for as additional acquisition cost.

PlainsCapital used a third-party valuation specialist to assist in the determination of the fair value of assets acquired, including intangibles, and liabilities assumed in the acquisition. The purchase price allocation resulted in net assets acquired in excess of consideration paid of approximately $12.8 million. That amount has been recorded in other liabilities until the contingent consideration issue described previously is settled. Upon resolution of the contingent consideration issue, the acquisition cost of First Southwest may increase, resulting in a smaller excess of net assets acquired over consideration paid, or in certain circumstances, an excess of consideration paid over net assets acquired that would result in recording goodwill from the transaction. Any remaining excess of net assets acquired over consideration paid will be allocated *pro rata* to reduce the carrying value of purchased assets.

The consolidated interim financial statements include the accounts of the above-named entities. All significant intercompany transactions and balances have been eliminated. Noncontrolling interests have been recorded for minority ownership in entities that are not wholly owned and are presented in compliance with the provisions of Noncontrolling Interest in Subsidiary Subsections of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

PlainsCapital also owns 100% of the outstanding common stock of PCC Statutory Trusts I, II, III and IV (the "Trusts"), which are not included in the consolidated financial statements pursuant to the requirements of the Variable Interest Entities Subsections of the ASC, because the primary beneficiaries of the Trusts are not within the consolidated group.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates regarding the allowance for loan losses and the valuation of certain investments are particularly subject to change.

Cash Flow Reporting

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents are defined as the amount included in the consolidated balance sheets caption "Cash and due from banks" and the portion of the amount in the caption "Federal funds sold and securities purchased under agreements to resell" that represents federal funds sold. Cash equivalents have original maturities of three months or less.

Comprehensive Income

PlainsCapital's comprehensive income consists of its net income and unrealized holding gains (losses) on its available for sale securities, including securities for which the credit portion of an

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1. Summary of Significant Accounting and Reporting Policies (Continued)

other-than-temporary impairment ("OTTI") has been recognized in earnings, and investments held in trust for the Supplemental Executive Pension Plan.

The components of accumulated other comprehensive income ("AOCI") as of March 31, 2012 and December 31, 2011 are shown in the following table (in thousands, net of taxes):

	March 31, 2012	December 31, 2011
Unrealized gain on securities available for sale	$ 4,795	$ 5,718
Unrealized loss on securities for which the credit portion of an OTTI has been recognized in earnings	(687)	(1,428)
Unrealized gain on securities held in trust for the Supplemental Executive Pension Plan	749	297
	$ 4,857	$ 4,587

Reclassification

Certain items in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

2. Securities

The amortized cost and fair value of securities, excluding trading securities, as of March 31, 2012, and December 31, 2011 are summarized as follows (in thousands):

	Available for Sale				
		Recognized in AOCI			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	OTTI	Fair Value
As of March 31, 2012					
U. S. government agencies					
Bonds	$ 244,485	$ 190	$ (1,406)	$	$ 243,269
Mortgage-backed securities	33,690	2,331	(74)		35,947
Collateralized mortgage obligations	216,993	1,891	(589)		218,295
States and political subdivisions	68,547	5,056	(23)		73,580
Auction rate bonds	46,542			(1,024)	45,518
Totals	$ 610,257	$ 9,468	$ (2,092)	$ (1,024)	$ 616,609
As of December 31, 2011					
U. S. government agencies					
Bonds	$ 183,191	$ 659	$	$	$ 183,850
Mortgage-backed securities	33,897	2,456	(83)		36,270
Collateralized mortgage obligations	260,878	2,284	(1,084)		262,078
States and political subdivisions	69,779	4,613	(48)		74,344
Auction rate bonds	46,542			(1,998)	44,544
Totals	$ 594,287	$ 10,012	$ (1,215)	$ (1,998)	$ 601,086

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2. Securities (Continued)

	Held to Maturity					
	Amortized Cost	OTTI Unrealized Loss Recognized in AOCI	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of March 31, 2012						
U. S. government agencies						
Mortgage-backed securities	$ 6,135	$	$ 6,135	$ 528	$ (6)	$ 6,657
Collateralized mortgage obligations	14,459		14,459	313	(47)	14,725
States and political subdivisions	109,704		109,704	7,625	(6)	117,323
Auction rate bonds	45,383	(34)	45,349	379		45,728
Totals	$ 175,681	$ (34)	$ 175,647	$ 8,845	$ (59)	$ 184,433
As of December 31, 2011						
U. S. government agencies						
Mortgage-backed securities	$ 6,639	$	$ 6,639	$ 547	$ (6)	$ 7,180
Collateralized mortgage obligations	15,974		15,974	419	(88)	16,305
States and political subdivisions	111,924		111,924	7,209	(10)	119,123
Auction rate bonds	45,372	(199)	45,173	955		46,128
Totals	$ 179,909	$ (199)	$ 179,710	$ 9,130	$ (104)	$ 188,736

In the previous table, amounts shown as unrealized losses recognized in AOCI resulting from OTTI relate to OTTI recognized on auction rate bonds classified both as available for sale and held to maturity during the year ended December 31, 2011. PlainsCapital Bank did not incur OTTI in either of the three months ended March 31, 2012 or 2011.

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2. Securities (Continued)

Information regarding securities, including those for which the credit-related portion of an OTTI has been recorded in earnings, which were in an unrealized loss position as of March 31, 2012 and December 31, 2011, is shown in the following tables (dollars in thousands):

	As of March 31, 2012			As of December 31, 2011		
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
Available for sale						
U. S. government agencies						
Bonds						
Unrealized loss for less than twelve months	20	$ 203,143	$ 1,406		$	$
Unrealized loss for more than twelve months						
	20	203,143	1,406			
Mortgage-backed securities						
Unrealized loss for less than twelve months						
Unrealized loss for more than twelve months	1	4,370	74	1	4,404	83
	1	4,370	74	1	4,404	83
Collateralized mortgage obligations						
Unrealized loss for less than twelve months	16	99,869	589	15	106,887	1,083
Unrealized loss for more than twelve months				1	552	1
	16	99,869	589	16	107,439	1,084
States and political subdivisions						
Unrealized loss for less than twelve months	1	126	7	3	635	13
Unrealized loss for more than twelve months	1	1,535	16	4	4,380	35
	2	1,661	23	7	5,015	48
Auction rate bonds						
Unrealized loss for less than twelve months						
Unrealized loss for more than twelve months	2	23,047	1,046	3	44,544	1,998
	2	23,047	1,046	3	44,544	1,998
Total available for sale						
Unrealized loss for less than twelve months	37	303,138	2,002	18	107,522	1,096
Unrealized loss for more than twelve months	4	28,952	1,136	9	53,880	2,117
	41	$ 332,090	$ 3,138	27	$ 161,402	$ 3,213

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2. Securities (Continued)

	As of March 31, 2012			As of December 31, 2011		
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
Held to maturity						
U. S. government agencies						
Mortgage-backed securities						
Unrealized loss for less than twelve months	1	$ 491	$ 6	1	$ 491	$ 6
Unrealized loss for more than twelve months						
	1	491	6	1	491	6
Collateralized mortgage obligations						
Unrealized loss for less than twelve months	1	4,962	47	1	5,337	88
Unrealized loss for more than twelve months						
	1	4,962	47	1	5,337	88
States and political subdivisions						
Unrealized loss for less than twelve months	3	1,467	1			
Unrealized loss for more than twelve months	1	206	5	6	2,498	10
	4	1,673	6	6	2,498	10
Auction rate bonds						
Unrealized loss for less than twelve months						
Unrealized loss for more than twelve months	1	4,494	43	2	10,081	199
	1	4,494	43	2	10,081	199
Total held to maturity						
Unrealized loss for less than twelve months	5	6,920	54	2	5,828	94
Unrealized loss for more than twelve months	2	4,700	48	8	12,579	209
	7	$ 11,620	$ 102	10	$ 18,407	$ 303

As noted above, PlainsCapital Bank has incurred OTTI on securities classified both as held to maturity and available for sale. Subject to the discussion of OTTI above, management has the intent and ability to hold the securities classified as held to maturity until they mature, at which time PlainsCapital Bank expects to receive full value for the securities. As of March 31, 2012, management does not intend to sell any of the securities classified as available for sale in the previous table and believes that it is more likely than not that PlainsCapital Bank will not have to sell any such securities before a recovery of cost. As of March 31, 2012 and December 31, 2011, the securities included in the previous table represented 42.91% and 22.77%, respectively, of the fair value of PlainsCapital Bank's securities portfolio. As of March 31, 2012 and December 31, 2011, total impairment represented 0.94% and 1.96%, respectively, of the fair value of the underlying securities, and 0.40% and 0.45%, respectively, of the fair value of PlainsCapital Bank's securities portfolio. Management believes the other impairments detailed in the table are temporary and relate primarily to changes in interest rates and liquidity as of March 31, 2012.

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2. Securities (Continued)

The following table provides details regarding the amounts of credit-related OTTI recognized in earnings (in thousands):

	March 31, 2012	December 31, 2011
Balance at beginning of period	$ 5,305	$
Additions for credit-related OTTI not previously recognized		5,305
Balance at end of period	$ 5,305	$ 5,305

The amortized cost and fair value of securities, excluding trading securities, as of March 31, 2012 are shown by contractual maturity below (in thousands):

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Carrying Value	Fair Value
Due in one year or less	$ 2,136	$ 2,145	$ 5,623	$ 5,703
Due after one year through five years	12,970	13,179	4,333	4,501
Due after five years through ten years	666	685	14,486	15,163
Due after ten years	343,802	346,358	130,612	137,684
	359,574	362,367	155,054	163,051
Mortgage-backed securities	33,690	35,947	6,135	6,657
Collateralized mortgage obligations	216,993	218,295	14,458	14,725
	$ 610,257	$ 616,609	$ 175,647	$ 184,433

PlainsCapital Bank did not sell securities in either of the three months ended March 31, 2012 or 2011. PlainsCapital Bank determines the cost of securities sold by specific identification.

FSC realized net gains on its trading securities portfolio of $1.2 million and $1.0 million for the three months ended March 31, 2012 and 2011, respectively.

Securities with a carrying amount of approximately $680.4 million and $685.9 million (fair value of approximately $665.1 million and $624.4 million) as of March 31, 2012 and December 31, 2011, respectively, were pledged to secure public and trust deposits, federal funds purchased and securities sold under agreements to repurchase, and for other purposes as required or permitted by law.

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3. Loans and Allowance for Loan Losses

Loans summarized by category as of March 31, 2012 and December 31, 2011, are as follows (in thousands):

	March 31, 2012	December 31, 2011
Commercial and industrial		
Commercial	$ 1,464,898	$ 1,473,564
Lease financing	29,425	32,604
Securities (primarily margin loans)	314,830	319,895
Real estate	1,212,272	1,221,726
Construction and land development	281,847	273,949
Consumer	27,392	29,429
	3,330,664	3,351,167
Allowance for loan losses	(61,409)	(67,495)
	$ 3,269,255	$ 3,283,672

PlainsCapital has lending policies in place with the goal of establishing an asset portfolio that will provide a return on shareholders' equity sufficient to maintain capital to assets ratios that meet or exceed established regulatory guidelines. Loans are underwritten with careful consideration of the borrower's financial condition, the specific purpose of the loan, the primary sources of repayment and any collateral pledged to secure the loan.

Underwriting procedures address financial components based on the size or complexity of the credit. The financial components include, but are not limited to, current and projected global cash flows, shock analysis and/or stress testing, and trends in appropriate balance sheet and income statement ratios. Collateral analysis includes a complete description of the collateral, as well as determining values, monitoring requirements, loan to value ratios, concentration risk, appraisal requirements and other information relevant to the collateral being pledged. Guarantor analysis includes liquidity and global cash flow analysis based on the significance the guarantors are expected to serve as secondary repayment sources. PlainsCapital's underwriting standards are governed by adherence to its loan policy. The loan policy provides for specific guidelines by portfolio segment, including commercial and industrial, real estate, construction and land development, and consumer loans. Within each individual portfolio segment, permissible and impermissible loan types are explicitly outlined. Within the loan types, minimum requirements for the underwriting factors listed above are provided.

PlainsCapital maintains an independent loan review department that reviews credit risk in response to both external and internal factors that potentially impact the performance of either individual loans or the overall loan portfolio. The loan review process reviews the creditworthiness of borrowers and determines compliance with the loan policy. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel. Results of these reviews are presented to management and the Bank's Board of Directors.

Impaired loans exhibit a clear indication that the borrower's cash flow may not be sufficient to meet principal and interest payments, which is generally when a loan is 90 days past due unless the asset is both well secured and in the process of collection. Impaired loans include non-accrual loans,

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3. Loans and Allowance for Loan Losses (Continued)

troubled debt restructurings ("TDRs") and partially charged-off loans. Impaired loans as of March 31, 2012 and December 31, 2011 are summarized by class in the following tables (in thousands):

	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
As of March 31, 2012						
Commercial and industrial						
Secured by receivables	$ 15,249	$ 11,797	$	$ 11,797	$	$ 12,352
Secured by equipment	917	917		917		590
Unsecured	6,663	1,816		1,816		2,285
Lease financing	877	877		877		1,219
All other commercial and industrial	2,729	1,859	870	2,729		2,789
Real estate						
Secured by commercial properties	32,464	20,786	7,297	28,083	1,692	28,333
Secured by residential properties	10,722	6,253	3,285	9,538	232	9,529
Construction and land development						
Residential construction loans	482	482		482		1,072
Commercial construction loans and land development	27,956	19,382		19,382		21,996
Consumer						
	$ 98,059	$ 64,169	$ 11,452	$ 75,621	$ 1,924	$ 80,165

	Unpaid Contractual Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
As of December 31, 2011						
Commercial and industrial						
Secured by receivables	$ 13,991	$ 11,037	$ 1,869	$ 12,906	$ 392	$ 14,275
Secured by equipment	263	263		263		569
Unsecured	6,753	192	2,561	2,753	837	1,431
Lease financing	1,561	1,561		1,561		3,795
All other commercial and industrial	2,848	1,963	885	2,848		5,384
Real estate						
Secured by commercial properties	32,888	16,547	12,035	28,582	2,664	22,570
Secured by residential properties	10,812	9,519		9,519		9,720
Construction and land development						
Residential construction loans	1,662	1,662		1,662		1,747
Commercial construction loans and land development	28,547	6,690	17,920	24,610	4,894	41,064
Consumer						18
	$ 99,325	$ 49,434	$ 35,270	$ 84,704	$ 8,787	$ 100,573

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3. Loans and Allowance for Loan Losses (Continued)

Interest income recorded on accruing impaired loans was approximately $0.1 million and $0.2 million for the three months ended March 31, 2012 and 2011, respectively. Interest income recorded on non-accrual loans for the three months ended March 31, 2012 and 2011 was nominal. As of March 31, 2012, PlainsCapital had no unadvanced commitments to borrowers whose loans have been restructured in TDRs.

Non-accrual loans as of March 31, 2012 and December 31, 2011 are summarized by class in the following table (in thousands):

	March 31, 2012	December 31, 2011
Commercial and industrial		
Secured by receivables	$ 11,797	$ 12,707
Secured by equipment	917	263
Unsecured	1,816	2,720
Lease financing	877	1,561
All other commercial and industrial	897	1,000
Real estate		
Secured by commercial properties	25,215	26,611
Secured by residential properties	7,924	4,612
Construction and land development		
Residential construction loans	482	1,465
Commercial construction loans and land development	19,153	24,376
Consumer		
	$ 69,078	$ 75,315

PlainsCapital classifies loan modifications as TDRs when it concludes that it has both granted a concession to a debtor and that the debtor is experiencing financial difficulties. Loan modifications are typically structured to create affordable payments for the debtor and can be achieved in a variety of ways. PlainsCapital modifies loans by reducing interest rates and/or lengthening loan amortization schedules. PlainsCapital also reconfigures a single loan into two or more loans ("A/B Note"). The typical A/B Note restructure results in a "bad" loan which is charged off and a "good" loan or loans the terms of which comply with PlainsCapital Bank's customary underwriting policies. The debt charged off on the "bad" loan is not forgiven to the debtor.

PlainsCapital did not grant any TDRs during the three months ended March 31, 2012. None of the TDRs granted during the twelve months preceding March 31, 2012 had a payment that was at least 30 days past due during the three months ended March 31, 2012.

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3. Loans and Allowance for Loan Losses (Continued)

An analysis of the aging of PlainsCapital's loan portfolio as of March 31, 2012 and December 31, 2011 is shown in the following tables (in thousands):

	Loans Past Due 30 - 89 Days	Loans Past Due 90 Days or More	Total Past Due Loans	Current Loans	Total Loans
As of March 31, 2012					
Commercial and industrial					
Secured by receivables	$ 3,938	$ 8,872	$ 12,810	$ 684,477	$ 697,287
Secured by equipment	1,117	211	1,328	153,513	154,841
Unsecured	85	96	181	117,597	117,778
Lease financing	1,120	877	1,997	27,428	29,425
All other commercial and industrial	308	870	1,178	808,644	809,822
Real estate					
Secured by commercial properties	2,744	18,212	20,956	914,845	935,801
Secured by residential properties	5,794	4,163	9,957	266,514	276,471
Construction and land development					
Residential construction loans	1,458		1,458	46,716	48,174
Commercial construction loans and land development	2,334	18,826	21,160	212,513	233,673
Consumer	102		102	27,290	27,392
	$ 19,000	$ 52,127	$ 71,127	$ 3,259,537	$ 3,330,664

	Loans Past Due 30 - 89 Days	Loans Past Due 90 Days or More	Total Past Due Loans	Current Loans	Total Loans
As of December 31, 2011					
Commercial and industrial					
Secured by receivables	$ 2,168	$ 7,961	$ 10,129	$ 685,075	$ 695,204
Secured by equipment	1,151	218	1,369	133,290	134,659
Unsecured	34	8	42	113,481	113,523
Lease financing	2,965	1,561	4,526	28,078	32,604
All other commercial and industrial	5,119	968	6,087	843,986	850,073
Real estate					
Secured by commercial properties	531	19,105	19,636	921,613	941,249
Secured by residential properties	3,604	3,924	7,528	272,949	280,477
Construction and land development					
Residential construction loans	1,745		1,745	46,810	48,555
Commercial construction loans and land development	43	24,164	24,207	201,187	225,394
Consumer	79		79	29,350	29,429
	$ 17,439	$ 57,909	$ 75,348	$ 3,275,819	$ 3,351,167

No accruing loans were 90 or more days past due at either March 31, 2012 or December 31, 2011.

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3. Loans and Allowance for Loan Losses (Continued)

Management tracks credit quality trends on a quarterly basis related to: (i) past due levels, (ii) non-performing asset levels, (iii) classified loan levels, (iv) net charge-offs, and (v) general economic conditions at state and local levels.

PlainsCapital utilizes a risk grading matrix to assign a risk grade to each of the loans in its portfolio. A risk rating is assigned based on an assessment of the borrower's management, collateral position, financial capacity, and economic factors. The general characteristics of the various risk grades are described below.

Pass "Pass" loans present a range of acceptable risks to PlainsCapital Bank. Loans that would be considered virtually risk-free are rated Pass low risk. Loans that exhibit sound standards based on the grading factors above and present a reasonable risk to PlainsCapital Bank are rated Pass normal risk. Loans that exhibit a minor weakness in one or more of the grading criteria but still present an acceptable risk to PlainsCapital Bank are rated Pass high risk.

Special Mention A "Special Mention" asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset and weaken PlainsCapital Bank's credit position at some future date. Special Mention assets are not adversely classified and are deemed not to expose PlainsCapital Bank to sufficient risk to require adverse classification.

Substandard "Substandard" loans are inadequately protected by the current sound worth and paying capacity of the obligor or the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that PlainsCapital Bank will sustain some loss if the deficiencies are not corrected. Many substandard loans are considered impaired.

The following tables present the internal risk grades of loans, as previously described, in the portfolio as of March 31, 2012 and December 31, 2011 by class (in thousands):

	Pass	Special Mention	Substandard	Total
As of March 31, 2012				
Commercial and industrial				
Secured by receivables	$ 667,910	$ 1,204	$ 28,173	$ 697,287
Secured by equipment	152,692		2,149	154,841
Unsecured	115,962		1,816	117,778
Lease financing	26,072		3,353	29,425
All other commercial and industrial	785,935	85	23,802	809,822
Real estate				
Secured by commercial properties	900,404	3,242	32,155	935,801
Secured by residential properties	266,503		9,968	276,471
Construction and land development				
Residential construction loans	47,692		482	48,174
Commercial construction loans and land development	207,612		26,061	233,673
Consumer	27,392			27,392
	$ 3,198,174	$ 4,531	$ 127,959	$ 3,330,664

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3. Loans and Allowance for Loan Losses (Continued)

	Pass	Special Mention	Substandard	Total
As of December 31, 2011				
Commercial and industrial				
Secured by receivables	$ 661,269	$ 1,501	$ 32,434	$ 695,204
Secured by equipment	132,344		2,315	134,659
Unsecured	110,287		3,236	113,523
Lease financing	28,530		4,074	32,604
All other commercial and industrial	826,138	241	23,694	850,073
Real estate				
Secured by commercial properties	908,267	272	32,710	941,249
Secured by residential properties	271,533	544	8,400	280,477
Construction and land development				
Residential construction loans	47,090		1,465	48,555
Commercial construction loans and land development	194,664	2,736	27,994	225,394
Consumer	29,429			29,429
	$ 3,209,551	$ 5,294	$ 136,322	$ 3,351,167

Net investment in lease financing as of March 31, 2012 and December 31, 2011 is shown in the following table (in thousands):

	March 31, 2012	December 31, 2011
Future minimum lease payments	$ 29,933	$ 33,565
Unguaranteed residual value	150	136
Guaranteed residual value	2,269	2,333
Initial direct costs, net of amortization	58	79
Unearned income	(2,985)	(3,509)
	$ 29,425	$ 32,604

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses inherent in the existing portfolio of loans. Management has responsibility for determining the level of the allowance for loan losses, subject to review by the Audit Committee of PlainsCapital's Board of Directors and the Directors' Loan Review Committee of PlainsCapital Bank's Board of Directors.

It is management's responsibility at the end of each quarter, or more frequently as deemed necessary, to analyze the level of the allowance for loan losses to ensure that it is appropriate for the estimated credit losses in the portfolio consistent with the Receivables and Contingencies Topics of the ASC. Estimated credit losses are the probable current amount of loans that PlainsCapital will be unable to collect given facts and circumstances as of the evaluation date. When management determines that a loan or portion thereof, is uncollectible, the loan, or portion thereof, is charged off against the allowance for loan losses. Any subsequent recovery of charged-off loans is added back to the allowance for loan losses.

PlainsCapital has developed a methodology that seeks to determine an allowance within the scope of the Receivables and Contingencies Topics of the ASC. Each of the loans that has been determined to be impaired is within the scope of the Receivables Topic and is individually evaluated for impairment using one of three impairment measurement methods as of the evaluation date: (1) the present value

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3. Loans and Allowance for Loan Losses (Continued)

of expected future discounted cash flows on the loan, (2) the loan's observable market price, or (3) the fair value of the collateral if the loan is collateral dependent. Specific reserves are provided in PlainsCapital's estimate of the allowance based on the measurement of impairment under these three methods, except for collateral dependent loans, which require the fair value method. All non-impaired loans are within the scope of the Contingencies Topic. Estimates of loss for the Contingencies Topic are calculated based on historical loss experience by loan portfolio segment adjusted for changes in trends, conditions, and other relevant factors that affect repayment of loans as of the evaluation date. While historical loss experience provides a reasonable starting point for the analysis, historical losses, or recent trends in losses, are not the sole basis upon which to determine the appropriate level for the allowance for loan losses. Management considers recent qualitative or environmental factors that are likely to cause estimated credit losses associated with the existing portfolio to differ from historical loss experience, including but not limited to: changes in lending policies and procedures; changes in underwriting standards; changes in economic and business conditions and developments that affect the collectibility of the portfolio; the condition of various market segments; changes in the nature and volume of the portfolio and in the terms of loans; changes in lending management and staff; changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans; changes in the loan review system; changes in the value of underlying collateral for collateral-dependent loans; and any concentrations of credit and changes in the level of such concentrations.

PlainsCapital designs its loan review program to identify and monitor problem loans by maintaining a credit grading process, ensuring that timely and appropriate changes are made to the loans with assigned risk grades and coordinating the delivery of the information necessary to assess the appropriateness of the allowance for loan losses. Loans are evaluated for impairment when: (i) payments on the loan are delayed, typically by 90 days or more (unless the loan is both well secured and in the process of collection), (ii) the loan becomes classified, (iii) the loan is being reviewed in the normal course of the loan review scope, or (iv) the loan is identified by the servicing officer as a problem. PlainsCapital reviews all loan relationships over $0.2 million that exhibit probable or observed credit weaknesses, the top 25 loan relationships by dollar amount in each market PlainsCapital serves and additional relationships necessary to achieve adequate coverage of PlainsCapital's various lending markets.

Homogeneous loans, such as consumer installment loans, residential mortgage loans and home equity loans, are not individually reviewed and are generally risk graded at the same levels. The risk grade and reserves are established for each homogeneous pool of loans based on the expected net charge-offs from current trends in delinquencies, losses or historical experience and general economic conditions. As of March 31, 2012, PlainsCapital had no material delinquencies in these types of loans.

The allowance is subject to regulatory examinations and determinations as to appropriateness, which may take into account such factors as the methodology used to calculate the allowance and the size of the allowance.

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3. Loans and Allowance for Loan Losses (Continued)

Changes in the allowance for loan losses, distributed by portfolio segment, were as follows (in thousands):

	Commercial and Industrial	Real Estate	Construction and Land Development	Consumer	Unallocated	Total
Three Months Ended March 31, 2012						
Balance at beginning of period	$ 38,196	$ 15,703	$ 13,268	$ 328	$	$ 67,495
Provision charged to operations	1,108	(740)	2,057	(204)		2,221
Loans charged off	(3,982)	(163)	(4,637)	(17)		(8,799)
Recoveries on charged off loans	459	17	1	15		492
Balance at end of period	$ 35,781	$ 14,817	$ 10,689	$ 122	$	$ 61,409

	Commercial and Industrial	Real Estate	Construction and Land Development	Consumer	Unallocated	Total
Three Months Ended March 31, 2011						
Balance at beginning of period	$ 41,687	$ 11,732	$ 11,227	$ 523	$	$ 65,169
Provision charged to operations	3,024	(188)	3,575	(35)	124	6,500
Loans charged off	(4,055)	(417)	(1,571)	(63)		(6,106)
Recoveries on charged off loans	206	149	5	17		377
Balance at end of period	$ 40,862	$ 11,276	$ 13,236	$ 442	$ 124	$ 65,940

As of March 31, 2012 and December 31, 2011, the loan portfolio was distributed by portfolio segment and impairment methodology as shown below (in thousands):

	Commercial and Industrial	Real Estate	Construction and Land Development	Consumer	Total
As of March 31, 2012					
Loans individually evaluated for impairment	$ 18,136	$ 37,621	$ 19,864	$	$ 75,621
Loans collectively evaluated for impairment	1,791,017	1,174,651	261,983	27,392	3,255,043
	$ 1,809,153	$ 1,212,272	$ 281,847	$ 27,392	$ 3,330,664

	Commercial and Industrial	Real Estate	Construction and Land Development	Consumer	Total
As of December 31, 2011					
Loans individually evaluated for impairment	$ 20,331	$ 38,101	$ 26,272	$	$ 84,704
Loans collectively evaluated for impairment	1,805,732	1,183,625	247,677	29,429	3,266,463

$ 1,826,063	$ 1,221,726	$ 273,949	$ 29,429	$ 3,351,167

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3. Loans and Allowance for Loan Losses (Continued)

As of March 31, 2012 and December 31, 2011, the allowance for loan losses was distributed by portfolio segment and impairment methodology as shown below (in thousands):

	Commercial and Industrial	Real Estate	Construction and Land Development	Consumer	Total
As of March 31, 2012					
Loans individually evaluated for impairment	$	$ 1,924	$	$	$ 1,924
Loans collectively evaluated for impairment	35,781	12,893	10,689	122	59,485
	$ 35,781	$ 14,817	$ 10,689	$ 122	$ 61,409

	Commercial and Industrial	Real Estate	Construction and Land Development	Consumer	Total
As of December 31, 2011					
Loans individually evaluated for impairment	$ 1,229	$ 2,664	$ 4,894	$	$ 8,787
Loans collectively evaluated for impairment	36,967	13,039	8,374	328	58,708
	$ 38,196	$ 15,703	$ 13,268	$ 328	$ 67,495

4. Deposits

Deposits as of March 31, 2012 and December 31, 2011 are summarized as follows (in thousands):

	March 31, 2012	December 31, 2011
Noninterest-bearing demand	$ 265,036	$ 328,858
Interest-bearing:		
NOW accounts	127,792	117,395
Money market	2,111,587	2,090,172
Brokered money market	224,243	224,925
Demand	65,601	53,650
Savings	173,622	171,088
Time $100,000 and over	828,104	840,837
Time other	206,519	216,836
Brokered time	166,272	202,445
	$ 4,168,776	$ 4,246,206

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5. Short-Term Borrowings

Short-term borrowings as of March 31, 2012 and December 31, 2011 were as follows (in thousands):

	March 31, 2012	December 31, 2011
Federal funds purchased	$ 189,950	$ 211,025
Securities sold under agreements to repurchase	217,624	134,114
Federal Home Loan Bank (FHLB) notes	100,000	50,000
Short-term bank loans	99,200	81,300
	$ 606,774	$ 476,439

Federal funds purchased and securities sold under agreements to repurchase generally mature daily, on demand or on some other short-term basis. PlainsCapital Bank and FSC execute transactions to sell securities under agreements to repurchase with both their customers and broker-dealers. Securities involved in these transactions are held by PlainsCapital Bank, FSC or the dealer. Information concerning federal funds purchased and securities sold under agreements to repurchase is shown in the following table (dollar amounts in thousands):

	Three Months Ended March 31,	
	2012	2011
Average balance during the period	$ 403,759	$ 480,141
Average interest rate during the period	0.22%	0.23%

	March 31, 2012	December 31, 2011
Average interest rate at end of period	0.24%	0.20%
Securities underlying the agreements at end of period		
Carrying value	$ 178,635	$ 95,993
Estimated fair value	$ 226,190	$ 142,866

The estimated fair value of securities underlying repurchase agreements above includes approximately $46.8 million of securities owned by FSC customers and pledged to FSC as collateral for margin loans as of March 31, 2012. FSC is permitted to sell or re-pledge customer securities held as collateral for margin loans under the terms of the margin loan agreements between FSC and its customers.

FHLB notes mature over terms not exceeding 365 days and are collateralized by FHLB Dallas stock, nonspecified real estate loans and certain specific commercial real estate loans. Other information regarding FHLB notes is shown in the following table (dollar amounts in thousands):

	Three Months Ended March 31,	
	2012	2011
Average balance during the period	$ 25,549	$ 43,889
Average interest rate during the period	0.12%	0.42%

	March 31, 2012	December 31, 2011
Average interest rate at end of period	0.10%	0.10%

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5. Short-Term Borrowings (Continued)

FSC uses short-term bank loans periodically to finance securities owned, customers' margin accounts, and other short-term operating activities. Interest on the borrowings varies with the federal funds rate. The weighted average interest rate on the borrowings as of March 31, 2012 and December 31, 2011 was 1.19% and 1.33%, respectively.

6. Notes Payable

Notes payable as of March 31, 2012 and December 31, 2011 consisted of the following (in thousands):

	March 31, 2012	December 31, 2011
Term note with JPMorgan Chase, due July 31, 2012. Principal payments of $0.9 million and interest are payable quarterly.	$ 15,045	$ 15,930
Revolving credit line with JPMorgan Chase not to exceed $5.0 million. Facility matures July 31, 2012 with interest payable quarterly.	5,000	5,000
Term note with JPMorgan Chase, due July 31, 2012. Principal payments of $0.5 million and interest are payable semi-annually.	2,000	2,500
Term note with JPMorgan Chase, due October 27, 2015. Principal payments of $25,000 and interest are payable quarterly.	425	450
Subordinated note with JPMorgan Chase, not to exceed $20 million. Facility matures October 27, 2015 with principal payments of $1.0 million and interest payable quarterly.	17,000	18,000
First Southwest nonrecourse notes, due January 25, 2035 with interest payable quarterly.	12,358	13,086
	$ 51,828	$ 54,966

The agreements underlying the JPMorgan Chase Bank N.A. debt include certain restrictive covenants, including limitations on the ability to incur additional debt, limitations on the disposition of assets and requirements to maintain various financial ratios, including a non-performing asset ratio, at acceptable levels. As of March 31, 2012, PlainsCapital Bank's non-performing asset ratio was in compliance with the non-performing asset ratio covenant.

7. Income Taxes

PlainsCapital's effective tax rate was 34.11% and 36.88% for the three months ended March 31, 2012 and 2011, respectively. The decrease in the effective tax rate was primarily due to lower non-deductible expenses in the three months ended March 31, 2012, compared to the same period in 2011. In addition, the effective tax rate for the three months ended March 31, 2011 was affected by certain discrete items recorded in the income tax provision in the first quarter of 2011.

PlainsCapital files income tax returns in the U.S. federal jurisdiction and several U.S. state jurisdictions. PlainsCapital is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2008. PlainsCapital is currently under examination for the 2009 tax year by the U.S. federal income tax authorities and does not anticipate any material adjustments to result from this examination.

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8. Commitments and Contingencies

PlainsCapital Bank acts as agent on behalf of certain correspondent banks in the purchase and sale of federal funds that aggregated $25.5 million and $33.0 million as of March 31, 2012 and December 31, 2011, respectively.

Legal Matters

In November 2006, FSC received subpoenas from the SEC and the United States Department of Justice (the "DOJ") in connection with an investigation of possible antitrust and securities law violations, including bid-rigging, in the procurement of guaranteed investment contracts and other investment products for the reinvestment of bond proceeds by municipalities. The investigation is industry-wide and includes approximately 30 or more firms, including some of the largest U.S. investment firms.

As a result of these SEC and DOJ investigations into industry-wide practices, FSC was initially named as a co-defendant in cases filed in several different federal courts by various state and local governmental entities suing on behalf of themselves and a purported class of similarly situated governmental entities and a similar set of lawsuits filed by various California local governmental entities suing on behalf of themselves and a purported class of similarly situated governmental entities. All claims asserted against FSC in these purported class actions were subsequently dismissed. However, the plaintiffs in these purported class actions have filed amended complaints against other entities, and FSC is identified in these complaints not as a defendant, but as an alleged co-conspirator with the named defendants.

Additionally, as a result of these SEC and DOJ investigations into industry-wide practices, FSC has been named as a defendant in 20 individual lawsuits. These lawsuits have been brought by several California public entities and two New York non-profit corporations that do not seek to certify a class. The Judicial Panel on Multidistrict Litigation has transferred these cases to the United States District Court, Southern District of New York. The California plaintiffs allege violations of Section 1 of the Sherman Act and the California Cartwright Act. The New York plaintiffs allege violations of Section 1 of the Sherman Act and the New York Donnelly Act. The allegations against FSC are very limited in scope. FSC has filed answers in each of the twenty lawsuits denying the allegations and asserting several affirmative defenses. FSC intends to defend itself vigorously in these individual actions. The relief sought is unspecified monetary damages.

PlainsCapital and its subsidiaries are defendants in various other legal matters arising in the normal course of business. Management believes that the ultimate liability, if any, arising from these matters, and the matters discussed above will not materially affect the consolidated financial statements.

Other Contingencies

PlainsCapital and its subsidiaries lease space, primarily for branch facilities and automated teller machines, under noncancelable operating leases with remaining terms, including renewal options, of 1 to 16 years and under capital leases with remaining terms of 12 to 16 years. Future minimum payments under these leases have not changed significantly from the amounts reported as of December 31, 2011 in the audited consolidated financial statements and notes thereto included in PlainsCapital's Annual Report on Form 10-K filed with the SEC on March 16, 2012. Rental expense under the operating leases was approximately $6.0 million and $5.6 million for the three months ended March 31, 2012 and 2011, respectively.

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9. Financial Instruments with Off-Balance Sheet Risk

PlainsCapital Bank is party to financial instruments with off-balance sheet risk that are used in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit that involve varying degrees of credit and interest rate risk in excess of the amount recognized in the consolidated financial statements. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received. The contract amounts of those instruments reflect the extent of involvement (and therefore the exposure to credit loss) PlainsCapital Bank has in particular classes of financial instruments.

Commitments to extend credit are agreements to lend to a customer provided that the terms established in the contract are met. Commitments generally have fixed expiration dates and may require payment of fees. Because certain commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan commitments to customers.

PlainsCapital Bank had in the aggregate outstanding unused commitments to extend credit of $920.0 million as of March 31, 2012. PlainsCapital Bank had outstanding standby letters of credit of $45.8 million as of March 31, 2012.

PlainsCapital Bank uses the same credit policies in making commitments and standby letters of credit as it does for on-balance sheet instruments. The amount of collateral obtained, if deemed necessary, upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies but may include real estate, accounts receivable, marketable securities, interest-bearing deposit accounts, inventory, and property, plant and equipment.

In the normal course of business, FSC executes, settles and finances various securities transactions that may expose FSC to off-balance sheet risk in the event that a customer or counterparty does not fulfill its contractual obligations. Examples of such transactions include the sale of securities not yet purchased by customers or for the account of FSC, clearing agreements between FSC and various clearinghouses and broker-dealers, secured financing arrangements that involve pledged securities, and when-issued underwriting and purchase commitments.

10. Stock-Based Compensation

The PlainsCapital Corporation 2009 Long-Term Incentive Plan (the "2009 LTIP") allows for the granting of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights and other awards to employees of PlainsCapital, its subsidiaries and outside directors of PlainsCapital. The 2009 LTIP provides flexibility to PlainsCapital's compensation methods in order to adapt the compensation of key employees and outside directors to a changing business environment. In the aggregate, 4.0 million shares of common stock may be delivered pursuant to awards granted under the 2009 LTIP.

In addition, the PlainsCapital Corporation 2010 Long-Term Incentive Plan (the "2010 Plan") allowed for the granting of nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights and other awards to employees of PlainsCapital, its subsidiaries and outside directors of PlainsCapital. The 2010 Plan terminated on March 18, 2012 as to all future awards.

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10. Stock-Based Compensation (Continued)

As of March 31, 2012, a total of 4.0 million shares were available for grant under the 2009 LTIP. PlainsCapital typically issues new shares upon issuance, exercise or vesting of equity-based awards.

Stock-based compensation cost was approximately $0.7 million and $0.5 million for the three months ended March 31, 2012 and 2011, respectively.

As of March 31, 2012, unrecognized cost related to unvested restricted stock and restricted stock units was $4.4 million and $4.9 million, respectively. The vesting of the unvested restricted stock and restricted stock units will automatically accelerate in full under certain conditions. Upon a change in control of PlainsCapital, the entire unrecognized cost related to both unvested restricted stock and restricted stock units would be recognized in noninterest expense immediately. If and when PlainsCapital's common stock is listed and traded on an exchange registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the entire unrecognized cost related to unvested restricted stock would be recognized in noninterest expense immediately.

PlainsCapital approved the grant of 344,311 restricted stock units to certain employees effective April 1, 2012. The estimated grant date fair value of the restricted stock units is $4.8 million. The grants vest in 5 years and are subject to the accelerated vesting conditions discussed previously.

Information regarding unvested restricted stock and restricted stock units for the three months ended March 31, 2012 is as follows:

	Unvested Restricted Stock	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding, January 1	528,532	$ 11.45	590,149	$ 11.91
Granted		0.00		0.00
Vested	(75,429)	11.33		0.00
Cancellations and expirations		0.00	(3,500)	12.07
Outstanding, March 31	453,103	$ 11.46	586,649	$ 11.91

Information regarding stock options for the three months ended March 31, 2012 is as follows:

	Shares	Weighted Average Exercise Price
Outstanding, January 1	647,053	$ 10.04
Exercised	(80,579)	6.69
Cancellations and expirations	(47,913)	9.89
Outstanding, March 31	518,561	$ 10.57

11. Regulatory Matters

PlainsCapital Bank and PlainsCapital are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct, material effect on the consolidated financial statements. The regulations require PlainsCapital to meet specific capital adequacy guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory

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11. Regulatory Matters (Continued)

accounting practices. The capital classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the companies to maintain minimum amounts and ratios (set forth in the table below) of Tier 1 capital (as defined in the regulations) to total average assets (as defined), and minimum ratios of Tier 1 and total capital (as defined) to risk-weighted assets (as defined). A comparison of PlainsCapital Bank's and PlainsCapital's actual capital amounts and ratios to the minimum requirements is as follows (dollar amounts in thousands):

	At March 31, 2012			
	Required		Actual	
	Amount	Ratio	Amount	Ratio
PlainsCapital Bank:				
Tier 1 capital (to average assets)	$ 225,870	4%	$ 549,734	9.74%
Tier 1 capital (to risk-weighted assets)	175,957	4%	549,734	12.50%
Total capital (to risk-weighted assets)	351,913	8%	604,810	13.75%
PlainsCapital Corporation:				
Tier 1 capital (to average assets)	$ 226,335	4%	$ 553,810	9.79%
Tier 1 capital (to risk-weighted assets)	176,422	4%	553,810	12.56%
Total capital (to risk-weighted assets)	352,844	8%	619,230	14.04%

	At December 31, 2011			
	Required		Actual	
	Amount	Ratio	Amount	Ratio
PlainsCapital Bank:				
Tier 1 capital (to average assets)	$ 219,660	4%	$ 536,274	9.77%
Tier 1 capital (to risk-weighted assets)	169,281	4%	536,274	12.67%
Total capital (to risk-weighted assets)	338,561	8%	589,365	13.93%
PlainsCapital Corporation:				
Tier 1 capital (to average assets)	$ 220,103	4%	$ 532,025	9.67%
Tier 1 capital (to risk-weighted assets)	169,740	4%	532,025	12.54%
Total capital (to risk-weighted assets)	339,480	8%	596,057	14.05%

To be considered adequately capitalized (as defined) under the regulatory framework for prompt corrective action, PlainsCapital Bank must maintain minimum Tier 1 capital to total average assets and Tier 1 capital to risk-weighted assets ratios of 4%, and a total capital to risk-weighted assets ratio of 8%. Based on the actual capital amounts and ratios shown in the previous table, PlainsCapital Bank's ratios place it in the well capitalized (as defined) capital category under the regulatory framework for

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11. Regulatory Matters (Continued)

prompt corrective action. The minimum required capital amounts and ratios for the well capitalized category are summarized as follows (dollar amounts in thousands):

	At March 31, 2012			
	Required		Actual	
	Amount	Ratio	Amount	Ratio
PlainsCapital Bank:				
Tier 1 capital (to average assets)	$ 282,338	5%	$ 549,734	9.74%
Tier 1 capital (to risk-weighted assets)	263,935	6%	549,734	12.50%
Total capital (to risk-weighted assets)	439,891	10%	604,810	13.75%

	At December 31, 2011			
	Required		Actual	
	Amount	Ratio	Amount	Ratio
PlainsCapital Bank:				
Tier 1 capital (to average assets)	$ 274,575	5%	$ 536,274	9.77%
Tier 1 capital (to risk-weighted assets)	253,921	6%	536,274	12.67%
Total capital (to risk-weighted assets)	423,202	10%	589,365	13.93%

Pursuant to the net capital requirements of the Exchange Act, FSC has elected to determine its net capital requirements using the alternative method. Accordingly, FSC is required to maintain minimum net capital, as defined in Rule 15c3-1, equal to the greater of $250,000 or 2% of aggregate debit balances, as defined in Rule 15c3-3. As of March 31, 2012, FSC had net capital of $58.4 million; the minimum net capital requirement was $4.1 million; net capital maintained by FSC was 28% of aggregate debits; and net capital in excess of the minimum requirement was $54.3 million.

As a mortgage originator, PrimeLending is subject to minimum net worth requirements established by both the United States Department of Housing and Urban Development ("HUD") and the Government National Mortgage Association ("GNMA"). PrimeLending determines its compliance with the minimum net worth requirements on an annual basis. As of December 31, 2011, PrimeLending was required to have net worth of $1.0 million under HUD regulations, including $0.2 million of cash or cash equivalents, and $2.6 million under GNMA regulations, including approximately $0.5 million of cash or cash equivalents. As of December 31, 2011, PrimeLending's net worth exceeded the amounts required by both HUD and GNMA.

12. Shareholders' Equity

PlainsCapital Bank is subject to certain restrictions on the amount of dividends it may declare without prior regulatory approval. As of March 31, 2012, approximately $62.9 million of retained earnings was available for dividend declaration without prior approval from the Federal Reserve.

As of March 31, 2012, $114.1 million of PlainsCapital's Non-Cumulative Perpetual Preferred Stock, Series C (the "Series C Preferred Stock") was outstanding under the SBLF. The Series C Preferred Stock has an aggregate liquidation preference of approximately $114.1 million and qualifies as Tier 1 Capital for regulatory purposes.

The terms of the Series C Preferred Stock provide for the payment of non-cumulative dividends on a quarterly basis beginning January 1, 2012. The dividend rate, as a percentage of the liquidation amount, fluctuates while the Series C Preferred Stock is outstanding based upon changes in the level of "qualified small business lending" ("QSBL") by PlainsCapital Bank from its average level of QSBL at each of the four quarter ends leading up to June 30, 2010 (the "Baseline"). Until March 2016, the

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12. Shareholders' Equity (Continued)

dividend rate will generally decrease if PlainsCapital increases PlainsCapital's level of QSBL from the Baseline and increase if PlainsCapital decreases its level of QSBL from the Baseline, subject to certain limitations described in the Certificate of Designations.

The dividend rate on the Series C Preferred stock was 3.829% for the three months ended March 31, 2012. The dividend rate is 2.427% for the period from April 1, 2012 to June 30, 2012 as a result of increased levels of QSBL over the Baseline.

13. Assets Segregated for Regulatory Purposes

FSC was not required to segregate cash and securities in a special reserve account for the benefit of customers under Rule 15c3-3 of the Exchange Act as of March 31, 2012 or December 31, 2011. Assets segregated under the provisions of the Exchange Act are not available for general corporate purposes.

FSC was not required to segregate cash or securities in a special reserve account for the benefit of proprietary accounts of introducing broker-dealers as of March 31, 2012 or December 31, 2011.

14. Broker-Dealer and Clearing Organization Receivables and Payables

Broker-dealer and clearing organization receivables and payables as of March 31, 2012 and December 31, 2011 consisted of the following (in thousands):

	March 31, 2012	December 31, 2011
Receivables		
Securities borrowed	$ 127,361	$ 94,044
Securities failed to deliver	5,558	11,476
Clearing organizations	64,035	6,141
Due from dealers	36	29
	$ 196,990	$ 111,690
Payables		
Securities loaned	$ 165,456	$ 120,658
Correspondents	51,774	56,645
Securities failed to receive	2,463	8,114
Clearing organizations	319	1,066
	$ 220,012	$ 186,483

15. Fair Value Measurements

Fair Value Measurements and Disclosures

PlainsCapital determines fair values in compliance with the Fair Value Measurements and Disclosures Topic of the ASC (the "Fair Value Topic"). The Fair Value Topic defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and requires disclosures about fair value measurements. The Fair Value Topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Fair Value Topic assumes that transactions upon which fair value measurements are based occur in the principal market for the asset or liability being measured.

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15. Fair Value Measurements (Continued)

Further, fair value measurements made under the Fair Value Topic exclude transaction costs and are not the result of forced transactions.

The Fair Value Topic creates a fair value hierarchy that classifies fair value measurements based upon the inputs used in valuing the assets or liabilities that are the subject of fair value measurements. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, as indicated below.

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities that PlainsCapital can access at the measurement date.

Level 2 Inputs: Observable inputs other than Level 1 prices. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (*e.g.* interest rates and credit risks), and inputs that are derived from or corroborated by market data, among others.

Level 3 Inputs: Unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities. Level 3 inputs include pricing models and discounted cash flow techniques, among others.

Fair Value Option

PlainsCapital has elected to measure substantially all of PrimeLending's mortgage loans held for sale and certain time deposits at fair value under the provisions of the Fair Value Option Subsections of the ASC ("Fair Value Option"). PlainsCapital elected to apply the provisions of the Fair Value Option to these items so that it would have the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. PlainsCapital determines the fair value of the financial instruments accounted for under the provisions of the Fair Value Option in compliance with the provisions of the Fair Value Topic discussed above.

As of March 31, 2012, the aggregate fair value of PrimeLending loans held for sale accounted for under the Fair Value Option was $852.8 million, while the unpaid principal balance of those loans was $828.6 million. As of December 31, 2011, the aggregate fair value of PrimeLending loans held for sale accounted for under the Fair Value Option was $775.3 million, while the unpaid principal balance of those loans was $752.8 million. The interest component of fair value is reported as interest income on loans in the income statement.

PlainsCapital holds a number of financial instruments that are measured at fair value on a recurring basis, either by the application of the Fair Value Option or other authoritative pronouncements. The fair values of those instruments are determined primarily using Level 2 inputs. Those inputs include quotes from mortgage loan investors and derivatives dealers, data from an independent pricing service and rates paid in the brokered certificate of deposit market.

As of March 31, 2012, PlainsCapital Bank held certain senior and subordinate auction rate bonds purchased as a result of the First Southwest acquisition. The estimated fair value of the auction rate bonds is determined quarterly with the assistance of a third-party valuation expert using significant unobservable inputs. PlainsCapital projects cash flows from the bonds based on assumptions for expected workout period and the contractual rate formula specified in the bond indenture. The workout assumptions capture the expectations for prepayments on the underlying student loan collateral and the likelihood of possible redemptions by the issuer. The cash flows are then discounted

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15. Fair Value Measurements (Continued)

to determine fair value. The components of the discounts rates are the risk free rate, a credit spread, and a liquidity spread. The credit spreads are derived from observed market spreads in the student loan ABS market. The liquidity spreads represent the estimated risk premium a willing buyer would demand to compensate for the lack of liquidity in the auction rate market. The fair value calculations are sensitive to the input assumptions. Higher credit spreads, higher liquidity spreads, or longer workout assumptions result in lower fair values. In addition, a credit rating downgrade by a Nationally Recognized Statistical Rating Organization could lead to higher credit spreads and lower fair values.

Information regarding the significant unobservable inputs used to estimate the fair value of the auction rate bonds as of March 31, 2012 is shown in the following table:

	Liquidity Spread (bps)			Credit Spread (bps)			Workout (Years)		
	Low	High	Weighted Avg	Low	High	Weighted Avg	Low	High	Weighted Avg
Senior Auction Rate Bonds	200	250	225	51	1217	159	4.0	5.0	4.5
Subordinate Auction Rate Bonds	200	250	225	274	1841	711	4.0	5.0	4.5

The following table reconciles the beginning and ending balances of assets measured at fair value using Level 3 inputs (in thousands):

	Auction Rate Bonds
Balance, January 1, 2012	$ 44,544
Unrealized gains in other comprehensive income, net	974
Balance, March 31, 2012	$ 45,518

The following tables present information regarding financial assets and liabilities measured at fair value on a recurring basis, including changes in fair value for those instruments that are reported at fair value under an election under the Fair Value Option (in thousands):

	At March 31, 2012			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Loans held for sale	$	$ 852,751	$	$ 852,751
Securities available for sale		571,091	45,518	616,609
Trading securities		66,804		66,804
Derivative assets		11,491		11,491
Time deposits		1,094		1,094
Trading liabilities		5,218		5,218
Derivative liabilities		9		9

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15. Fair Value Measurements (Continued)

	Changes in Fair Value for Assets and Liabilities Reported at Fair Value under Fair Value Option					
	Three Months Ended March 31, 2012			Three Months Ended March 31, 2011		
	Net Gains from Sale of Loans	Other Noninterest Income	Total Changes in Fair Value	Net Gains from Sale of Loans	Other Noninterest Income	Total Changes in Fair Value
Loans held for sale	$ 1,652	$	$ 1,652	$ 568	$	$ 568
Time deposits		4	4		(2)	(2)

PlainsCapital also determines the fair value of assets and liabilities on a non-recurring basis. For example, facts and circumstances may dictate a fair value measurement when there is evidence of impairment. Assets and liabilities measured on a non-recurring basis include the items discussed below.

Impaired Loans PlainsCapital reports impaired loans at fair value through allocations of the allowance for loan losses. PlainsCapital determines fair value using Level 2 inputs consisting of independent appraisals. As of March 31, 2012, loans with a carrying amount of $11.4 million had been reduced by allocations of the allowance for loan losses of $1.9 million, resulting in a reported fair value of $9.5 million.

Other Real Estate Owned PlainsCapital reports other real estate owned at fair value less estimated cost to sell. Any excess of recorded investment over fair value less cost to sell is charged against the allowance for loan losses when property is initially transferred to other real estate. Subsequent to the initial transfer to other real estate, valuation adjustments are charged against earnings. PlainsCapital determines fair value using Level 2 inputs consisting of independent appraisals. As of March 31, 2012, the estimated fair value of other real estate owned was $23.6 million.

The Fair Value of Financial Instruments Subsection of the ASC requires disclosure of the fair value of financial assets and liabilities, including the financial assets and liabilities previously discussed. The methods for determining estimated fair value for financial assets and liabilities is described in detail in Note 21 to the consolidated financial statements included in PlainsCapital's Annual Report on Form 10-K filed with the SEC on March 16, 2012.

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15. Fair Value Measurements (Continued)

The estimated fair values of PlainsCapital's financial instruments are shown below (in thousands):

	At March 31, 2012				
		Estimated Fair Value			
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Financial assets					
Cash and short-term investments	$ 264,722	$ 264,722	$	$	$ 264,722
Loans held for sale	853,801		853,801		853,801
Securities	859,060		776,600	91,246	867,846
Loans, net	3,269,255		9,528	3,288,686	3,298,214
Broker-dealer and clearing organization receivables	196,990		196,990		196,990
Fee award receivable	17,706		17,706		17,706
Cash surrender value of life insurance policies	23,504		23,504		23,504
Interest rate swaps, interest rate lock commitments ("IRLCs") and forward purchase commitments	11,491		11,491		11,491
Accrued interest receivable	15,313		15,313		15,313
Financial liabilities					
Deposits	4,168,776		4,175,849		4,175,849
Broker-dealer and clearing organization payables	220,012		220,012		220,012
Other trading liabilities	5,218		5,218		5,218
Short-term borrowings	606,774		606,774		606,774
Debt	118,840		118,840		118,840
Forward purchase commitments	9		9		9
Accrued interest payable	2,498		2,498		2,498

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15. Fair Value Measurements (Continued)

	At December 31, 2011				
		Estimated Fair Value			
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Financial assets					
Cash and short-term investments	$ 347,994	$ 347,994	$	$	$ 347,994
Loans held for sale	776,372		776,372		776,372
Securities	839,753		758,107	90,672	848,779
Loans, net	3,283,672		26,483	3,276,102	3,302,585
Broker-dealer and clearing organization receivables	111,690		111,690		111,690
Fee award receivable	18,002		18,002		18,002
Cash surrender value of life insurance policies	23,122		23,122		23,122
Interest rate swaps, interest rate lock commitments ("IRLCs") and forward purchase commitments	10,481		10,481		10,481
Accrued interest receivable	16,175		16,175		16,175
Financial liabilities					
Deposits	4,246,206		4,255,639		4,255,639
Broker-dealer and clearing organization payables	186,483		186,483		186,483
Other trading liabilities	4,592		4,592		4,592
Short-term borrowings	476,439		476,439		476,439
Debt	121,978		121,978		121,978
Forward purchase commitments	3,642		3,642		3,642
Accrued interest payable	2,952		2,952		2,952

16. Derivative Financial Instruments

PlainsCapital Bank and PrimeLending use various derivative financial instruments to mitigate interest rate risk. PlainsCapital Bank's interest rate risk management strategy involves effectively modifying the re-pricing characteristics of certain assets and liabilities so that changes in interest rates do not adversely affect the net interest margin. PrimeLending has interest rate risk relative to its inventory of mortgage loans held for sale and IRLCs. PrimeLending is exposed to such rate risk from the time an IRLC is made to an applicant to the time the related mortgage loan is sold.

Derivative Instruments and the Fair Value Option

As discussed in Note 15, PrimeLending elected to measure substantially all mortgage loans held for sale at fair value under the provisions of the Fair Value Option. The election provides PrimeLending the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without applying complex hedge accounting provisions. PrimeLending provides IRLCs to its customers and executes forward purchase commitments to sell mortgage loans. The fair values of both IRLCs and purchase commitments are recorded in other assets or other liabilities, as appropriate. For the three months ended March 31, 2012 and 2011, changes in the fair values of these derivative instruments produced net gains of approximately $4.7 million and $0.5 million, respectively. The net gains were recorded as a component of gain on sale of loans.

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16. Derivative Financial Instruments (Continued)

Derivative positions as of March 31, 2012 and December 31, 2011 are presented in the following table (in thousands):

	At March 31, 2012		At December 31, 2011	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Derivative instruments				
IRLCs	$ 869,766	$ 10,526	$ 687,890	$ 10,096
Interest rate swaps	1,969	71	1,969	82
Forward purchase commitments	992,283	885	675,794	(3,339)

17. Segment and Related Information

PlainsCapital has three reportable segments that are organized primarily by the core products offered to the segments' respective customers. The bank segment includes the operations of PlainsCapital Bank. The operations of PrimeLending comprise the mortgage origination segment. The financial advisory segment is comprised of First Southwest and Hester Capital.

Balance sheet amounts for the operations of PlainsCapital and its remaining subsidiaries not discussed in the previous paragraph are included in "All Other and Eliminations."

The following tables present information about the revenues, profits and assets of PlainsCapital's reportable segments (in thousands):

Income Statement Data

	Three Months Ended March 31, 2012				
	Banking	Mortgage Origination	Financial Advisory	Intercompany Eliminations	PlainsCapital Consolidated
Interest income	$ 54,446	$ 7,257	$ 4,038	$ (9,185)	$ 56,556
Interest expense	6,047	12,767	941	(12,408)	7,347
Net interest income (expense)	48,399	(5,510)	3,097	3,223	49,209
Provision for loan losses	2,083		138		2,221
Noninterest income	9,591	118,082	25,858	(3,425)	150,106
Noninterest expense	34,765	102,127	27,412	(202)	164,102
Income before taxes	21,142	10,445	1,405		32,992
Income tax provision	6,562	4,210	482		11,254
Consolidated net income	14,580	6,235	923		21,738
Less: net income attributable to noncontrolling interest		446	35		481
Net income attributable to PlainsCapital Corporation	$ 14,580	$ 5,789	$ 888	$	$ 21,257

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17. Segment and Related Information (Continued)

Balance Sheet Data

	March 31, 2012				
	Banking	Mortgage Origination	Financial Advisory	All Other and Eliminations	PlainsCapital Consolidated
Cash and due from banks	$ 242,215	$ 46,593	$ 5,221	$ (49,165)	$ 244,864
Loans held for sale	1,050	852,751			853,801
Securities	796,037		63,023		859,060
Loans, net	3,741,405	1,848	311,465	(785,463)	3,269,255
Broker-dealer and clearing organization receivables			196,990		196,990
Investment in subsidiaries	237,088			(237,088)	
Goodwill and other intangible assets, net	7,862	23,706	15,309		46,877
Other assets	198,546	32,928	58,959	26,277	316,710
Total assets	$ 5,224,203	$ 957,826	$ 650,967	$ (1,045,439)	$ 5,787,557
Deposits	$ 4,151,782	$	$ 73,262	$ (56,268)	$ 4,168,776
Broker-dealer and clearing organization payables			220,012		220,012
Short-term borrowings	406,613		200,161		606,774
Notes payable		775,425	19,634	(743,231)	51,828
Junior subordinated debentures				67,012	67,012
Other liabilities	70,258	62,261	47,402	(47,728)	132,193
PlainsCapital Corporation shareholders' equity	595,550	118,535	90,496	(265,448)	539,133
Noncontrolling interest		1,605		224	1,829
Total liabilities and shareholders' equity	$ 5,224,203	$ 957,826	$ 650,967	$ (1,045,439)	$ 5,787,557

Income Statement Data

	Three Months Ended March 31, 2011				
	Banking	Mortgage Origination	Financial Advisory	Intercompany Eliminations	PlainsCapital Consolidated
Interest income	$ 48,893	$ 3,867	$ 3,566	$ (4,323)	$ 52,003
Interest expense	8,418	7,451	784	(7,075)	9,578
Net interest income (expense)	40,475	(3,584)	2,782	2,752	42,425
Provision for loan losses	6,500				6,500
Noninterest income	7,329	61,674	19,191	(2,854)	85,340
Noninterest expense	28,089	58,482	22,716	(246)	109,041
Income before taxes	13,215	(392)	(743)	144	12,224
Income tax provision	4,931	(146)	(277)		4,508
Consolidated net income	8,284	(246)	(466)	144	7,716
Less: net income attributable to noncontrolling interest		69	53		122
Net income attributable to PlainsCapital Corporation	$ 8,284	$ (315)	$ (519)	$ 144	$ 7,594

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17. Segment and Related Information (Continued)

Balance Sheet Data

	December 31, 2011				
	Banking	Mortgage Origination	Financial Advisory	All Other and Eliminations	PlainsCapital Consolidated
Cash and due from banks	$ 341,821	$ 48,715	$ 4,424	$ (50,313)	$ 344,647
Loans held for sale	1,061	775,311			776,372
Securities	783,586		56,167		839,753
Loans, net	3,685,013	1,848	316,992	(720,181)	3,283,672
Broker-dealer and clearing organization receivables			111,690		111,690
Investment in subsidiaries	230,389			(230,389)	
Goodwill and other intangible assets, net	7,862	23,706	15,697		47,265
Other assets	186,737	25,850	51,873	32,161	296,621
Total assets	$ 5,236,469	$ 875,430	$ 556,843	$ (968,722)	$ 5,700,020
Deposits	$ 4,238,662	$	$ 68,778	$ (61,234)	$ 4,246,206
Broker-dealer and clearing organization payables			186,483		186,483
Short-term borrowings	347,559		128,880		476,439
Notes payable		705,715	19,432	(670,181)	54,966
Junior subordinated debentures				67,012	67,012
Other liabilities	68,357	57,481	64,088	(40,296)	149,630
PlainsCapital Corporation shareholders' equity	581,891	110,311	89,182	(264,353)	517,031
Noncontrolling interest		1,923		330	2,253
Total liabilities and shareholders' equity	$ 5,236,469	$ 875,430	$ 556,843	$ (968,722)	$ 5,700,020

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18. Earnings per Common Share

The following table presents the computation of basic and diluted earnings per common share for the three months ended March 31, 2012 and 2011 (in thousands, except per share data):

	Three Months Ended March 31,	
	2012	2011
Income applicable to PlainsCapital Corporation common shareholders	$ 20,163	$ 6,194
Less: income applicable to participating securities	702	217
Income applicable to PlainsCapital Corporation common shareholders for basic earnings per common share	$ 19,461	$ 5,977
Weighted-average shares outstanding	32,991,399	32,773,614
Less: participating securities included in weighted-average shares outstanding	1,147,615	1,148,095
Weighted-average shares outstanding for basic earnings per common share	31,843,784	31,625,519
Basic earnings per common share	$ 0.61	$ 0.19
Income applicable to PlainsCapital Corporation common shareholders	$ 20,163	$ 6,194
Weighted-average shares outstanding	31,843,784	31,625,519
Dilutive effect of contingently issuable shares due to First Southwest acquisition	1,562,651	1,722,152
Dilutive effect of stock options and non-vested stock awards	517,915	175,847
Weighted-average shares outstanding for diluted earnings per common share	33,924,350	33,523,518
Diluted earnings per common share	$ 0.59	$ 0.18

PlainsCapital uses the two-class method prescribed by the Earnings Per Share Topic of the ASC to compute earnings per common share. Participating securities include non-vested restricted stock and shares of PlainsCapital stock held in escrow pending the resolution of contingencies with respect to the First Southwest acquisition. For the purpose of calculating fully diluted earnings per share, PlainsCapital evaluates the effect of the First Southwest acquisition on weighted-average shares outstanding assuming that the contingencies are resolved given the conditions existing at the balance sheet date.

The weighted-average shares outstanding used to compute diluted earnings per common share do not include outstanding options of 42,000 and 266,259 for the three months ended March 31, 2012 and 2011, respectively. The exercise price of the excluded options exceeded the estimated average market price of PlainsCapital stock in the periods shown. Accordingly, the assumed exercise of the excluded options would have been antidilutive.

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19. Recently Issued Accounting Standards

A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring

In April 2011, the FASB amended the Receivables Topic of the ASC to clarify when creditors should classify loan modifications as TDRs ("TDR Amendment"). The TDR Amendment requires creditors to separately conclude that a creditor has granted a concession to a debtor and that the debtor is experiencing financial difficulties in order to classify a loan modification as a troubled debt restructuring. The TDR Amendment became effective for PlainsCapital on July 1, 2011, and has been applied retrospectively to January 1, 2011. The adoption of the TDR Amendment did not have a significant effect on PlainsCapital's financial position, results of operations or cash flows.

Achieving Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs

In May 2011, the FASB amended the Fair Value Measurements and Disclosures Topic of the ASC to converge the fair value measurement guidance in U.S. generally accepted accounting principles and International Financial Reporting Standards. The amendments clarify the application of existing fair value measurement requirements, change certain principles in the Fair Value Measurements and Disclosure Topic and require additional fair value disclosures. The amendments became effective for PlainsCapital on January 1, 2012 and did not have a significant effect on PlainsCapital's financial position, results of operations or cash flows. PlainsCapital has included the additional disclosures required by the amendments in Note 15.

Comprehensive Income

In June 2011, the FASB amended the Comprehensive Income Topic of the ASC to revise the manner in which entities present comprehensive income in their financial statements. The amendments became effective for PlainsCapital January 1, 2012. Accordingly, PlainsCapital has presented the components of comprehensive income in a separate statement of comprehensive income immediately following the statement of income, rather than in the statement of shareholders' equity. The adoption of the amendment did not have a significant effect on PlainsCapital's financial position, results of operations or cash flows.

Testing Goodwill for Impairment

In September 2011, the FASB amended the Intangibles Topic of the ASC to simplify how entities test goodwill for impairment. Entities have the option to qualitatively test whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount in determining whether step one of the annual goodwill impairment test is necessary. PlainsCapital early adopted the amendments in the fourth quarter of 2011 and the adoption of the amendment did not have a significant effect on its financial position, results of operations or cash flows.

20. Subsequent Events

On May 8, 2012, PlainsCapital entered into an Agreement and Plan of Merger with Hilltop Holdings Inc. ("Hilltop") and a wholly owned subsidiary of Hilltop, whereby if the merger (the "Merger") contemplated therein were consummated, PlainsCapital would become a wholly owned subsidiary of Hilltop and each share of PlainsCapital's common stock would be converted into the right to receive 0.776 shares of Hilltop's common stock and a cash payment of $9.00. The Merger is subject to the approval of the shareholders of both Hilltop and PlainsCapital, regulatory approval and other customary closing conditions. If effected, PlainsCapital anticipates that the Merger would constitute a change of control.

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Annex A

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

by and among

PLAINSCAPITAL CORPORATION,

HILLTOP HOLDINGS INC.

and

MEADOW CORPORATION

Dated as of May 8, 2012

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AGREEMENT AND PLAN OF MERGER, dated as of May 8, 2012 (this "Agreement"), by and among Hilltop Holdings Inc., a Maryland corporation ("Purchaser"), Meadow Corporation, a Maryland corporation and a direct, wholly owned subsidiary of Purchaser ("Merger Sub"), and PlainsCapital Corporation, a Texas corporation ("Company").

RECITALS

A. The Boards of Directors of Company, Purchaser and Merger Sub have determined that it is in the best interests of their respective companies and shareholders to consummate the strategic business combination transaction provided for in this Agreement in which Company will, on the terms and subject to the conditions set forth in this Agreement, merge with and into Merger Sub (the "*Merger*"), with Merger Sub as the surviving entity in the Merger (sometimes referred to in such capacity as the "*Surviving Company*").

B. Purchaser, as the sole stockholder of Merger Sub, has adopted this Agreement and approved the Merger on the terms and subject to the conditions set forth in this Agreement.

C. The parties intend the Merger to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "*Code*"), and intend for this Agreement to constitute a "plan of reorganization" for purposes of Sections 354 and 361 of the Code.

D. In connection with the execution and delivery of this Agreement by the parties hereto, Alan B. White, Double E Investments, Maedgen, White and Maedgen, EAW White Family Partnership, Ltd., Maedgen & White, Ltd. and Hill A. Feinberg (the "*Specified Company Shareholders*") have entered into Support Agreements (the "*Company Support Agreements*"), each dated as of the date hereof, with Purchaser, in the form attached hereto as Exhibit A, pursuant to which each of the Specified Company Shareholders has agreed, among other things, to vote all of the Company Common Stock beneficially owned by such Specified Company Shareholder in favor of the Merger upon the terms and subject to the conditions set forth in the Company Support Agreement.

E. In connection with the execution and delivery of this Agreement by the parties hereto, Diamond A Financial, LP (the "*Specified Purchaser Shareholder*") has entered into a Support Agreement (the "*Purchaser Support Agreement*"), dated as of the date hereof, with Company, in the form attached hereto as Exhibit B, pursuant to which the Specified Purchaser Shareholder has agreed, among other things, to vote all of the shares of Purchaser Common Stock beneficially owned by the Specified Purchaser Shareholder in favor of the issuance of Purchaser Common Stock in connection with the Merger upon the terms and subject to the conditions set forth in the Purchaser Support Agreement.

F. In connection with the execution and delivery of this Agreement by the parties hereto, Company, PlainsCapital Bank, First Southwest Holdings, LLC and Hill A. Feinberg, as stockholders' representative, have entered into the Fourth Amendment to the First Southwest Merger Agreement, dated as of the date hereof, in the form attached hereto as Exhibit C (the "*Fourth Amendment to the First Southwest Merger Agreement*").

G. The parties desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe certain conditions to the Merger.

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NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained in this Agreement, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

THE MERGER

1.1 *The Merger.*

(a) Subject to the terms and conditions of this Agreement, in accordance with (i) the Maryland General Corporation Law (the "*MGCL*") and (ii) the Texas Business Organizations Code (the "*TBOC*"), at the Effective Time, Company shall merge with and into Merger Sub. Merger Sub shall be the Surviving Company in the Merger and shall continue its existence under the laws of the State of Maryland. As of the Effective Time, the separate corporate existence of Company shall cease.

(b) Subject to the consent of Company and the proviso in Section 8.4, Purchaser may at any time change the method of effecting the combination if and to the extent requested by Purchaser; *provided*, *however*, that no such change shall (i) alter or change the amount or kind of the Merger Consideration provided for in this Agreement, (ii) adversely affect the tax consequences of the Merger to shareholders of Company or the tax treatment of the parties pursuant to this Agreement, or (iii) materially impede or delay consummation of the transactions contemplated by this Agreement.

1.2 *Effective Time.* Subject to the terms and conditions of this Agreement, on or before the Closing Date, Purchaser shall cause to be filed (i) with the Secretary of State of the State of Texas (the "*Texas Secretary*"), in accordance with the TBOC, a certificate of merger (the "*Texas Certificate of Merger*"), and (ii) with the State Department of Assessments and Taxation of Maryland (the "*SDAT*"), articles of merger as provided in the MGCL (the "*Maryland Certificate of Merger*"). The Merger shall become effective as of the date and time specified in the Texas Certificate of Merger and the Maryland Certificate of Merger. The term "*Effective Time*" shall be the date and time when the Merger becomes effective as set forth in the Texas Certificate of Merger.

1.3 *Effects of the Merger.* At and after the Effective Time, the Merger shall have the effects set forth in the applicable provisions of the MGCL and the TBOC.

1.4 *Conversion of Stock.* At the Effective Time, by virtue of the Merger and without any action on the part of Purchaser, Merger Sub, Company or the holder of any of the following securities:

(a) The common stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall remain outstanding and shall constitute the only outstanding common stock of the Surviving Company.

(b) All shares of Company Common Stock issued and outstanding immediately prior to the Effective Time that are owned, directly or indirectly, by Company, Purchaser or Merger Sub (other than shares of Company Common Stock held in trust accounts, managed accounts, mutual funds and the like, or otherwise held in a fiduciary or agency capacity, that are beneficially owned by third parties, which shall include any shares of Company Common Stock held in a rabbi or other trust for purposes of funding an Employee Benefit Plan (any such shares, "*Trust Account Common Shares*"), and other than shares of Company Common Stock held, directly or indirectly, by Company, Purchaser or Merger Sub in respect of a debt previously contracted (any such shares, "*DPC Common Shares*")), shall be cancelled and shall cease to exist, and no Merger Consideration or cash in lieu of fractional shares of Company Common Stock shall be delivered in exchange therefor.

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(c) Subject to Section 1.4(e), each share of Company Common Stock (including Company Restricted Shares), except for shares of Company Common Stock owned by Company, Purchaser or Merger Sub (other than Trust Account Common Shares and DPC Common Shares), and each Company Restricted Stock Unit, shall be converted into the right to receive, without interest, (i) a number of shares of Purchaser Common Stock equal to the Exchange Ratio (the "*Per Share Stock Consideration*") and (ii) an amount in cash equal to the Per Share Cash Consideration. For purposes of this Agreement, the "*Merger Consideration*" means the right to receive the consideration described in clauses (i) and (ii) of the preceding sentence pursuant to the Merger with respect to each share of Company Common Stock (together with any cash in lieu of fractional shares as specified in Section 2.2(f)).

(i) For purposes of this Agreement, the following terms shall have the following meanings:

"*Aggregate Cash Amount*" shall mean the product of (A) the Aggregate Company Share Amount less the sum of (1) the number of shares of Company Common Stock cancelled pursuant to Section 1.4(b) and (2) the number of Company Restricted Shares or Company Restricted Stock Units forfeited prior to the Effective Time and (B) $9.00.

"*Aggregate Company Share Amount*" shall equal 35,383,650 shares of Company Common Stock; *provided*, *however*, that the Aggregate Company Share Amount shall be increased share for share for each share of Company Common Stock issued upon the exercise of Company Stock Options from and after May 8, 2012 and at or prior to the Effective Time.

"*Aggregate Purchaser Share Amount*" shall be equal to 27,457,712 shares of Purchaser Common Stock; *provided, however*, that the Aggregate Purchaser Share Amount shall be increased by 0.776 additional shares of Purchaser Common Stock for each share of Company Common Stock issued upon the exercise of Company Stock Options from and after May 8, 2012 and at or prior to the Effective Time shall be decreased by 0.776 additional shares of Purchaser Common Stock for each share of Company Common Stock cancelled pursuant to Section 1.4(b) hereof and for each Company Restricted Share or Company Restricted Stock Unit forfeited prior to the Effective Time.

"*Exchange Ratio*" shall mean that number of shares or fractions of a share of Purchaser Common Stock as shall be obtained by dividing (A) the Aggregate Purchaser Share Amount by (B) the number of Exchangeable Shares.

"*Exchangeable Shares*" shall mean the aggregate number of shares of Company Common Stock (which, for the avoidance of doubt, shall include the Escrow Shares and the Company Restricted Shares) and the Company Restricted Stock Units, in each case issued and outstanding immediately prior to the Effective Time, but shall not include any shares of Company Common Stock to be cancelled pursuant to Section 1.4(b).

"*Per Share Cash Consideration*" shall mean the quotient obtained by dividing (A) the Aggregate Cash Amount by (B) the number of Exchangeable Shares.

(d) All of the shares of Company Common Stock converted into the right to receive the Merger Consideration pursuant to this Article I shall no longer be outstanding and shall automatically be cancelled and shall cease to exist as of the Effective Time, and each certificate previously representing any such shares of Company Common Stock (each, a "*Certificate*") and each non-certificated share of Company Common Stock represented by book-entry ("*Book-Entry Shares*") shall thereafter represent only the right to receive the Merger Consideration and/or cash in lieu of fractional shares, into which the shares of Company Common Stock represented by such Certificate or Book-Entry Shares have been converted pursuant to this Section 1.4 and

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Section 2.2(f), as well as any dividends to which holders of Company Common Stock become entitled in accordance with Section 2.2(c).

(e) If, between the date of this Agreement and the Effective Time, the outstanding shares of Purchaser Common Stock shall have been increased, decreased, changed into or exchanged for a different number or kind of shares or securities as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar change in capitalization, an appropriate and proportionate adjustment shall be made to the Exchange Ratio.

(f) Notwithstanding any other provision contained in this Agreement, no shares of Company Common Stock that are issued and outstanding as of the Effective Time and that are held by a stockholder who has properly exercised such stockholder's appraisal rights (any such shares being referred to herein as "*Dissenting Shares*") under Section 10.356 of the TBOC shall be converted into the right to receive the Merger Consideration as provided in Section 1.4(c) and instead shall be entitled to such rights (but only such rights) as are granted by Section 10.366 of the TBOC (unless and until such stockholder shall have failed to perfect, or shall have effectively withdrawn or lost, such stockholder's right to dissent from the Merger under the TBOC) and to receive such consideration as may be determined to be due with respect to such Dissenting Shares pursuant to and subject to the requirements of the TBOC. Company shall give Purchaser (i) prompt notice of any notice or demand for appraisal or payment for shares of Company Common Stock received by Company and (ii) the opportunity to participate in and direct all negotiations and proceedings with respect to any such demand or notices. Company shall not, without the prior written consent of Purchaser, make any payment with respect to, or settle, offer for settle or otherwise negotiate any such demands.

(g) Each share of Series C Preferred Stock shall be converted into one share of preferred stock of Purchaser having the same rights, preferences, privileges and voting powers, and limitations and restrictions thereof that are the same as the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series C Preferred Stock immediately prior to the Effective Time, taken as a whole (the "*New Preferred Stock*").

1.5 *Stock Options.* At the Effective Time, each outstanding and unexercised stock option to purchase shares of Company Common Stock granted under a Company Stock Plan outstanding immediately prior to the Effective Time (each, a "*Company Stock Option*") shall vest in full (to the extent not previously vested), and, subject to Purchaser's receipt of a stock-based award surrender agreement in the form set forth on Section 2.3 of the Company Disclosure Schedule, the holder of a Company Stock Option shall be entitled to receive the Merger Consideration in accordance with Section 1.4(c) in respect of each share of Company Common Stock underlying such Company Stock Option, less the exercise price for such Company Stock Option and applicable Taxes required to be withheld with respect to such payment, each as provided in Section 2.3. To the extent the exercise price of a Company Stock Option is greater than or equal to the Merger Consideration (with the value of the Per Share Stock Consideration based on the average of the high and low sales prices of the Purchaser Common Stock on the New York Stock Exchange, as reported on the New York Stock Exchange Composite Transaction Tape, on the Closing Date), such Company Stock Option shall be cancelled for no consideration. As used in this Agreement, the term "*Company Stock Plans*" means the plans set forth in Section 1.5 of the Company Disclosure Schedule.

1.6 *Company Restricted Shares.* At the Effective Time, each share of Company Common Stock subject to vesting, repurchase or other lapse restrictions granted under any of the Company Stock Plans which is outstanding immediately prior to the Effective Time (each, a "*Company Restricted Share*") shall vest in full and become free of such restrictions and any repurchase right shall lapse and, subject to Purchaser's receipt of a stock-based award surrender agreement in the form set forth on Section 2.3 of the Company Disclosure Schedule, the holder thereof shall be entitled to receive the Merger

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Consideration with respect to each such Company Restricted Share in accordance with Section 1.4(c), less applicable Taxes as provided in Section 2.3.

1.7 *Company Restricted Stock Units.* At the Effective Time, each award representing the right to receive a share of Company Common Stock granted under any of the Company Stock Plans which is outstanding immediately prior to the Effective Time (each a "*Company Restricted Stock Unit*") shall vest in full (to the extent not previously vested), and, subject to Purchaser's receipt of a stock-based award surrender agreement in the form set forth on Section 2.3 of the Company Disclosure Schedule, the holder of a Company Restricted Stock Unit shall be entitled to receive the Merger Consideration with respect to each such Company Restricted Stock Unit in accordance with Section 1.4(c), less applicable Taxes as provided in Section 2.3 of this Agreement. Prior to the Effective Time, the Board of Directors of Company and the Compensation Committee of the Board of Directors of Company, as applicable, shall adopt resolutions to effectuate the provisions of Sections 1.5, 1.6, 1.7 and 2.3.

1.8 *Escrow Shares and Escrow Options.* At the Effective Time, and subject to the Fourth Amendment to the First Southwest Merger, each of the Escrow Shares shall be converted into the right to receive from Purchaser the Merger Consideration, and each of the Escrow Options shall be converted into the right to receive the Merger Consideration as set forth in Section 1.5. Notwithstanding anything contained herein to the contrary, all Merger Consideration received in respect of the Escrow Shares shall remain in escrow, and the Merger Consideration received (less the exercise price and applicable Tax withholding in) in respect of the Escrow Options shall be placed into escrow and, except as amended, shall be subject to the terms and conditions currently applicable to Escrow Shares and Escrow Options with respect to ownership, payment of dividends, and release from escrow, pursuant to the terms of the First Southwest Merger Agreement and the related escrow agreement.

1.9 *Articles and Bylaws of the Surviving Company.*

(a) Except as provided in Section 1.9(b), the articles of incorporation and bylaws of the Surviving Company shall be the articles of incorporation and bylaws of Merger Sub as in effect immediately prior to the Effective Time, until duly amended in accordance with the terms thereof and applicable law.

(b) As of immediately following the Effective Time, Purchaser and the Surviving Company shall amend the articles of incorporation of the Surviving Company to change the name of the Surviving Company to "PlainsCapital Corporation."

1.10 *Officers.* Except as set forth in Section 6.13, the officers of Company immediately prior to the Effective Time shall be the initial officers of the Surviving Company and shall hold office until their respective successors are duly appointed and qualified, or their earlier death, resignation or removal.

1.11 *Effect on Purchaser Common Stock; Required Purchaser Action.* Each share of Purchaser Common Stock outstanding immediately prior to the Effective Time will remain outstanding.

ARTICLE II

DELIVERY OF MERGER CONSIDERATION

2.1 *Delivery of Merger Consideration.* At or prior to the Effective Time, Purchaser shall (a) authorize an exchange agent, which person shall be a bank or trust company selected by Purchaser and reasonably acceptable to Company (the "*Exchange Agent*"), pursuant to an agreement (the "*Exchange Agent Agreement*") entered into at least ten (10) business days prior to the Effective Time, to deliver an aggregate number of shares of Purchaser Common Stock and an amount in cash which together are equal to the aggregate Merger Consideration (excluding, for avoidance of doubt, the aggregate Merger Consideration in respect of Company Stock Awards) and (b) deposit, or cause to be deposited with, the Exchange Agent, to the extent then determinable, any cash payable in lieu of fractional shares pursuant to Section 2.2(f) (the "*Exchange Fund*").

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2.2 *Exchange Procedures for Common Shares (other than Company Restricted Shares).*

(a) As soon as reasonably practicable after the Effective Time, but in any event within five (5) business days thereafter, the Exchange Agent shall mail to (x) each holder of record of Certificate(s) or Book-Entry Shares which, immediately prior to the Effective Time, represented outstanding shares of Company Common Stock whose shares were converted into the right to receive the Merger Consideration pursuant to Section 1.4, and (z) each holder of Escrow Shares that were converted into the right to receive the Merger Consideration pursuant to Section 1.8, along with, in each case, any cash in lieu of fractional shares of Purchaser Common Stock to be issued or paid in consideration therefor, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to Certificate(s) or Book-Entry Shares shall pass, only upon delivery of Certificate(s) (or affidavits of loss in lieu of such Certificate(s))) or Book-Entry Shares to the Exchange Agent and shall be substantially in such form and have such other provisions as shall be prescribed by the Exchange Agent Agreement (the "*Letter of Transmittal*") and (ii) instructions for use in surrendering Certificate(s) or Book-Entry Shares in exchange for the applicable Merger Consideration, any cash in lieu of fractional shares of Purchaser Common Stock to be issued or paid in consideration therefor and any dividends or distributions to which such holder is entitled pursuant to Section 2.2(c).

(b) Upon surrender to the Exchange Agent of its Certificate(s) or Book-Entry Shares, accompanied by a properly completed Letter of Transmittal, a holder of Company Common Stock will be entitled to receive promptly after the Effective Time but in any event within ten (10) business days after such surrender, the applicable Merger Consideration and any cash in lieu of fractional shares of Purchaser Common Stock to be issued or paid in consideration therefor in respect of the shares of Company Common Stock represented by its Certificate(s) or Book-Entry Shares. Until so surrendered, each such Certificate or Book-Entry Shares shall represent after the Effective Time, for all purposes, only the right to receive, without interest, the applicable Merger Consideration and any cash in lieu of fractional shares of Purchaser Common Stock to be issued or paid in consideration therefor upon surrender of such Certificate or Book-Entry Shares in accordance with, and any dividends or distributions to which such holder is entitled pursuant to, this Article II.

(c) No dividends or other distributions with respect to Purchaser Common Stock shall be paid to the holder of any unsurrendered Certificate or Book-Entry Shares with respect to the shares of Purchaser Common Stock represented thereby, in each case unless and until the surrender of such Certificate or Book-Entry Share in accordance with this Article II. Subject to the effect of applicable abandoned property, escheat or similar laws, following surrender of any such Certificate or Book-Entry Share in accordance with this Article II, the record holder thereof shall be entitled to receive, without interest, (i) the amount of dividends or other distributions with a record date after the Effective Time theretofore payable with respect to the whole shares of Purchaser Common Stock represented by such Certificate or Book-Entry Share and paid prior to such surrender date, and/or (ii) at the appropriate payment date, the amount of dividends or other distributions payable with respect to shares of Purchaser Common Stock represented by such Certificate or Book-Entry Shares with a record date after the Effective Time (but before such surrender date) and with a payment date subsequent to the issuance of the Purchaser Common Stock issuable with respect to such Certificate or Book-Entry Shares.

(d) In the event of a transfer of ownership of a Certificate or Book-Entry Shares representing Company Common Stock that is not registered in the stock transfer records of Company, the shares of Purchaser Common Stock and cash in lieu of fractional shares of Purchaser Common Stock comprising the Merger Consideration shall be issued or paid in exchange therefor to a person other than the person in whose name the Certificate or Book-Entry Shares so surrendered is registered if the Certificate or Book-Entry Shares formerly representing such Company Common

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Stock shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such payment or issuance shall pay any transfer or other similar taxes required by reason of the payment or issuance to a person other than the registered holder of the Certificate or Book-Entry Shares, or establish to the reasonable satisfaction of Purchaser that the tax has been paid or is not applicable. The Exchange Agent (or, subsequent to the earlier of (x) the one-year anniversary of the Effective Time and (y) the expiration or termination of the Exchange Agent Agreement, Purchaser or the Surviving Company) shall be entitled to deduct and withhold from any cash in lieu of fractional shares of Purchaser Common Stock otherwise payable pursuant to this Agreement to any holder of Company Common Stock such amounts as the Exchange Agent, Purchaser or the Surviving Company, as the case may be, is required to deduct and withhold under the Code, or any provision of state, local or foreign tax law, with respect to the making of such payment. To the extent the amounts are so withheld by the Exchange Agent, Purchaser or the Surviving Company, as the case may be, and timely paid over to the appropriate Governmental Entity, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of shares of Company Common Stock or Company Restricted Stock Units in respect of whom such deduction and withholding was made by the Exchange Agent or Purchaser, as the case may be.

(e) After the Effective Time, there shall be no transfers on the stock transfer books of Company of the shares of Company Common Stock that were issued and outstanding immediately prior to the Effective Time other than to settle transfers of Company Common Stock that occurred prior to the Effective Time. If, after the Effective Time, Certificates or Book-Entry Shares representing such shares are presented for transfer to the Exchange Agent, they shall be cancelled and exchanged for the applicable Merger Consideration and any cash in lieu of fractional shares of Purchaser Common Stock to be issued or paid in consideration therefor in accordance with the procedures set forth in this Article II.

(f) Notwithstanding anything to the contrary contained in this Agreement, no fractional shares of Purchaser Common Stock shall be issued upon the surrender of Certificates or Book-Entry Shares for exchange, no dividend or distribution with respect to Purchaser Common Stock shall be payable on or with respect to any fractional share, and such fractional share interests shall not entitle the owner thereof to vote or to any other rights of a shareholder of Purchaser. In lieu of the issuance of any such fractional share, Purchaser shall pay to each former shareholder of Company who otherwise would be entitled to receive such fractional share an amount in cash (rounded to the nearest cent) determined by multiplying (i) average of the high and low sales prices of the Purchaser Common Stock on the New York Stock Exchange, as reported on the New York Stock Exchange Composite Transaction Tape, on the Closing Date by (ii) the fraction of a share (after taking into account all shares of Company Common Stock held by such holder at the Effective Time and rounded to the nearest thousandth when expressed in decimal form) of Purchaser Common Stock to which such holder would otherwise be entitled to receive pursuant to Section 1.4.

(g) Any portion of the Exchange Fund that remains unclaimed by the shareholders of Company as of the one year anniversary of the Effective Time will be transferred to Purchaser. In such event, any former shareholders of Company who have not theretofore complied with this Article II shall thereafter look only to Purchaser with respect to the Merger Consideration, any cash in lieu of any fractional shares and any unpaid dividends and distributions on the Purchaser Common Stock deliverable in respect of each share of Company Common Stock such shareholder holds as determined pursuant to this Agreement, in each case, without any interest thereon. Notwithstanding the foregoing, none of Purchaser, the Surviving Company, the Exchange Agent or any other person shall be liable to any former holder of shares of Company Common Stock for any amount delivered in good faith to a public official pursuant to applicable abandoned property, escheat or similar laws.

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(h) In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if reasonably required by Purchaser or the Exchange Agent, the posting by such person of a bond in such amount as Purchaser may determine is reasonably necessary as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the applicable Merger Consideration deliverable in respect thereof pursuant to this Agreement.

2.3 *Exchange Procedures and Tax Withholding for Company Stock Awards.* As soon as reasonably practicable after the Effective Time, but in any event within fifteen (15) business days thereafter subject to Purchaser's receipt of a stock-based award surrender agreement from the holder in the form set forth on Section 2.3 of the Company Disclosure Schedule and satisfaction by the holder of all Tax obligations, Purchaser shall or shall cause the Surviving Company or the Exchange Agent to deliver to each holder of Company Stock Options, Company Restricted Shares and Company Restricted Stock Units (collectively, "*Company Stock Awards*") that were converted into the right to receive the Merger Consideration pursuant to Section 1.5, 1.6 or 1.7, as set forth in the books and records of the Company, the applicable Merger Consideration and any cash in lieu of fractional shares of Purchaser Common Stock to be issued or paid in consideration therefor, less the aggregate exercise price, in the case of Company Stock Options, and in each case, less and subject to the satisfaction of applicable Taxes, each as provided herein; *provided, however*, that all Merger Consideration, less the aggregate exercise price and applicable Taxes, in respect of Company Stock Options that are Escrow Options, shall be delivered to the agent for the Escrow under the First Southwest Merger Agreement and not the holder of such Company Stock Option. Notwithstanding anything to the contrary in this Agreement, the aggregate Per Share Cash Consideration payable in respect of each holder's Company Stock Awards pursuant to Section 1.5, 1.6 or 1.7 (the "*Stock Award Cash Amount*") shall be reduced by all Taxes required to be withheld or deducted under the Code or any provision of state, local or foreign Law in respect of such Company Stock Awards (the "*Stock Award Withholding Amount*"). If the Stock Award Withholding Amount for any holder exceeds the aggregate Stock Award Cash Amount for such holder (such excess, the "*Stock Award Withholding Shortfall*"), then, prior to delivery of the aggregate Per Share Stock Consideration in respect of such Company Stock Awards, the holder of the Company Stock Awards shall be required to remit in cash (or make other arrangements that are satisfactory to the Surviving Company and Purchaser for the satisfaction of) the Stock Award Withholding Shortfall. The aggregate exercise price for each holder's Company Stock Options shall be deducted (a) first from the Stock Award Cash Amount, to the extent that the Stock Award Cash Amount exceeds the Stock Award Withholding Amount, and (b) then from the aggregate Per Share Stock Consideration, with the value of such Per Share Stock Consideration based on the average of the high and low sales prices of the Purchaser Common Stock on the New York Stock Exchange, as reported on the New York Stock Exchange Composite Transaction Tape, on the Closing Date.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF COMPANY

Except as (i) Previously Disclosed or (ii) disclosed in any report, schedule, form or other document filed with, or furnished to, the SEC by Company prior to the date hereof and on or after the date on which Company filed with the SEC its Annual Report on Form 10-K for its fiscal year ended December 31, 2010 (but disregarding risk factor disclosures contained under the heading "Risk Factors," or disclosure of risks set forth in any "forward-looking statements" disclaimer or any other

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statements that are similarly non-specific or cautionary, predictive or forward-looking in nature), Company hereby represents and warrants to Purchaser and Merger Sub as follows:

3.1 *Corporate Organization.*

(a) Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Texas. Company has the requisite corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and, except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Company, is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary. Company is duly registered as a financial holding company under the Bank Holding Company Act of 1956 ("*BHC Act*") and meets the applicable requirements for qualification as such.

(b) True, complete and correct copies of the Third Amended and Restated Certificate of Incorporation of Company, as amended (the "*Company Certificate*"), and the Amended and Restated Bylaws of Company (the "*Company Bylaws*"), as in effect as of the date of this Agreement, have previously been publicly filed by Company and made available to Purchaser.

(c) Company has Previously Disclosed a list of all its Subsidiaries. Each Subsidiary of Company (i) is duly incorporated or duly formed, as applicable to each such Subsidiary, and validly existing and in good standing under the laws of its jurisdiction of organization, (ii) has the requisite corporate (or similar) power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted and (iii) except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Company, is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary. There are no restrictions on the ability of any Subsidiary of Company to pay dividends or distributions to Company, except, in the case of a Subsidiary that is a regulated entity, for restrictions on dividends or distributions generally applicable to all such regulated entities. As used in this Agreement, the term "*Subsidiary*," when used with respect to either party, shall have the meaning ascribed to it in Section 2(d) of the BHC Act. The deposit accounts of each of its Subsidiaries that is an insured depository institution are insured by the Federal Deposit Insurance Corporation (the "*FDIC*") through the Deposit Insurance Fund to the fullest extent permitted by law, all premiums and assessments required to be paid in connection therewith have been paid when due, and no proceedings for the termination of such insurance are pending or, to the knowledge of the Company, threatened. The copies of the articles of incorporation, bylaws and similar governing documents of each "*Significant Subsidiary*" (as defined in Rule 1-02 of Regulation S-X promulgated under the Exchange Act) of Company which have been made available to Purchaser are true, complete and correct copies of such documents as in full force and effect as of the date of this Agreement.

3.2 *Capitalization.*

(a) The authorized capital stock of Company consists of (i) 100,000,000 shares of original common stock, par value $0.001 per share (the "*Company Original Common Stock*") of which, as of May 7, 2012 (the "*Company Capitalization Date*"), 34,444,693 shares were issued and outstanding (including Company Restricted Shares and 1,736,279 Escrow Shares (as defined below)), (ii) 150,000,000 shares of common stock, par value $0.001 per share (the "*Company Successor Common Stock*" and together with the Company Original Common Stock the "*Company Common Stock*"), none of which were issued and outstanding as of the Company Capitalization Date, and (iii) 50,000,000 shares of preferred stock, par value $1.00 per share (the "*Company Preferred Stock*") of which, as of the Company Capitalization Date, 87,631 shares are designated as Fixed Rate Cumulative Perpetual Preferred Stock, Series A, none of which are issued and

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outstanding as of the Company Capitalization Date, 4,832 shares are designated as Fixed Rate Cumulative Perpetual Preferred Stock, Series B, none of which are issued and outstanding as of the Company Capitalization Date, and 114,068 shares are designated as Non-Cumulative Perpetual Preferred Stock, Series C (the "*Series C Preferred Stock*"), all of which are issued and outstanding as of the Company Capitalization Date. As of the Company Capitalization Date, no shares of Company Common Stock or Company Preferred Stock were reserved for issuance except for shares of Company Common Stock reserved for issuance in connection with awards under the Company Stock Plans to purchase not more than 3,655,189 shares of Company Common Stock, of which 518,561 Company Stock Options were outstanding as of the Company Capitalization Date, 931,460 Company Restricted Stock Units were outstanding as of the Company Capitalization Date, and 5,105,210 shares of Company Common Stock reserved for issuance pursuant to future awards under the Company Stock Plans. The number of shares of Company Common Stock held as of the Company Capitalization Date in the trust established under the Company Employees' Stock Ownership Plan (the "*ESOP*") is 1,809,590.0000, 1,619,337.4450 of which are allocated to participant ESOP accounts, 868,170.3841 of which are held in participant accounts under the "stock bonus portion" of the ESOP and 190,252.5550 of which are unallocated. All of the issued and outstanding shares of Company Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. As of the date of this Agreement, no bonds, debentures, notes or other indebtedness having the right to vote on any matters on which shareholders of Company may vote ("*Voting Debt*") are issued or outstanding. As of the Company Capitalization Date, except pursuant to this Agreement, the First Southwest Merger Agreement with respect to the Escrow Shares and under the Company Stock Plans as set forth herein, Company does not have and is not bound by any outstanding subscriptions, options, warrants, calls, rights, commitments or agreements of any character calling for the purchase or issuance of, or the payment of, any amount based on, any shares of Company Common Stock, Company Preferred Stock, Voting Debt or any other equity securities of Company or any securities representing the right to purchase or otherwise receive any shares of Company Common Stock, Company Preferred Stock, Voting Debt or other equity securities of Company. As of the Company Capitalization Date, there are no contractual obligations of Company or any of its Subsidiaries (i) to repurchase, redeem or otherwise acquire any shares of capital stock of Company or any equity security of Company or its Subsidiaries or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of Company or its Subsidiaries or (ii) pursuant to which Company or any of its Subsidiaries is or could be required to register shares of Company capital stock or other securities under the Securities Act of 1933, as amended (the "*Securities Act*"). "*Escrow Shares*" means 1,736,279 shares of Company Original Common Stock held in escrow pursuant to the Agreement and Plan of Merger, dated as of November 7, 2008, by and among Company, PlainsCapital Bank, First Southwest Holdings, Inc., and Hill A. Feinberg, as Stockholders' Representative, as amended (the "*First Southwest Merger Agreement*"). Except for the Company Support Agreements, there are no voting trusts or other agreements or understandings to which Company, any Subsidiary of Company or, to the Knowledge of Company, any of their respective officers or directors, is a party with respect to the voting of any Company Common Stock, Company Preferred Stock, Voting Debt or other equity securities of the Company. Section 3.2(a) of the Company Disclosure Schedule sets forth a true and complete list of all Company Stock Options, Company Restricted Shares and Company Restricted Stock Units outstanding as of the Company Capitalization Date, specifying on a holder-by-holder basis (i) the name of such holder, (ii) the number of shares subject to each such award, (iii) the grant date of each such award, (iv) the vesting schedule of each such award, (v) the exercise price for each such Company Stock Option and (vi) each Company Stock Option issued in connection with the First Southwest Merger Agreement, the proceeds of 25% of which are required to be placed into escrow upon exercise pursuant to the First Southwest Merger Agreement (such 25% of such Company Stock Options,

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the "*Escrow Options*"). Except for the Trust Account Common Shares and DPC Common Shares, no subsidiary of the Company owns any capital stock of the Company.

(b) Other than awards under the Company Stock Plans that are outstanding as of the Company Capitalization Date and listed in Section 3.2(a) of the Company Disclosure Schedule, no other equity-based awards are outstanding as of the Company Capitalization Date. Since the Company Capitalization Date through the date hereof, Company has not (i) issued or repurchased any shares of Company Common Stock, Company Preferred Stock, Voting Debt or other equity securities of Company, other than in connection with the exercise of Company Stock Options or settlement in accordance with their terms that were outstanding on the Company Capitalization Date or (ii) issued or awarded any options, stock appreciation rights, restricted shares, restricted stock units, deferred equity units, awards based on the value of Company capital stock or any other equity-based awards. With respect to each grant of Company Stock Options, Company Restricted Shares and Company Restricted Stock Units, (i) each such grant was made in accordance with the terms of the applicable Company Stock Plan, the Exchange Act and all other applicable Laws and (ii) each such grant was properly accounted for in accordance with GAAP in the financial statements (including the related notes) of Company and disclosed in the Company SEC Reports in accordance with the Exchange Act and all other applicable Laws. All Company Stock Options granted by Company or any of its Subsidiaries have been granted with a per share exercise or reference price at least equal to the fair market value of the underlying stock on the date the option or stock appreciation right was granted, within the meaning of Section 409A of the Code and associated Treasury Department guidance. From January 1, 2011 through the date of this Agreement, neither Company nor any of its Subsidiaries has (A) accelerated the vesting of or lapsing of restrictions with respect to any stock-based compensation awards or long-term incentive compensation awards, (B) with respect to executive officers of Company or its Subsidiaries, entered into or amended any employment, severance, change of control or similar agreement (including any agreement providing for the reimbursement of excise taxes under Section 4999 of the Code) or (C) adopted or amended any material Company Stock Plan.

(c) All of the issued and outstanding shares of capital stock or other equity ownership interests of each Subsidiary of Company are owned by Company, directly or indirectly, free and clear of any material liens, pledges, charges, claims and security interests and similar encumbrances ("*Liens*"), and all of such shares or equity ownership interests are duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights. No Significant Subsidiary of Company has or is bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of capital stock or any other equity security of such Subsidiary or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of such Subsidiary.

3.3 *Authority; No Violation.*

(a) Company has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly adopted and approved by the Board of Directors of Company by a unanimous vote thereof. The Board of Directors of Company has determined that the Merger, on the terms and conditions set forth in this Agreement, is in the best interests of Company and its shareholders and has directed that this Agreement and the transactions contemplated hereby be submitted to Company's shareholders for approval at a duly held meeting of such shareholders and has adopted a resolution to the foregoing effect. Except for the approval of this Agreement and the transactions contemplated hereby by the affirmative vote of a majority of all the votes entitled to be cast by holders of outstanding Company Common Stock (the "*Company Shareholder Approval*"), no other corporate proceedings on the part of Company are necessary to approve this Agreement or to

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consummate the transactions contemplated hereby. Neither Company nor any of its Significant Subsidiaries has been charged as an entity with a federal crime relating to financial services by way of an indictment, filing of an information or a criminal complaint. This Agreement has been duly and validly executed and delivered by Company and (assuming due authorization, execution and delivery by Purchaser and Merger Sub, as applicable) constitutes the valid and binding obligation of Company, enforceable against Company in accordance with its terms (except as may be limited by bankruptcy, insolvency, fraudulent transfer, moratorium, reorganization or similar laws of general applicability relating to or affecting the rights of creditors generally and subject to general principles of equity (the "*Bankruptcy and Equity Exception*")).

(b) Neither the execution and delivery of this Agreement by Company, nor the consummation by Company of the transactions contemplated hereby, nor compliance by Company with any of the terms or provisions of this Agreement, will (i) violate any provision of the Company Certificate or the Company Bylaws or (ii) assuming that the consents, approvals and filings referred to in Section 3.4 are duly obtained and/or made, (A) violate any law, statute, rule, regulation, judgment, order, injunction or decree issued, promulgated or entered into by or with any Governmental Entity (each, a "*Law*") applicable to Company, any of its Subsidiaries or any of their respective properties or assets or (B) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event that, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon any of the respective properties or assets of Company or any of its Subsidiaries under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, franchise, permit, agreement, by-law or other instrument or obligation to which Company or any of its Subsidiaries is a party or by which any of them or any of their respective properties or assets is bound except, with respect to clause (ii), any such violation, conflict, breach, default, termination, cancellation, acceleration or creation as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Company.

3.4 *Consents and Approvals.* Except for (i) filings of applications and notices with, and receipt of consents, authorizations, approvals, exemptions or non-objections from, the Securities and Exchange Commission (the "*SEC*"), New York Stock Exchange (the "*NYSE*"), state securities authorities, the Financial Industry Regulatory Authority, applicable securities, commodities and futures exchanges, and other industry self-regulatory organizations (each, an "*SRO*"), (ii) the filing of any other required applications, filings or notices with the Board of Governors of the Federal Reserve System (the "*Federal Reserve*"), the Texas Department of Banking, any foreign, federal or state banking, other regulatory, self-regulatory or enforcement authorities or any courts, administrative agencies or commissions or other governmental authorities or instrumentalities (each a "*Governmental Entity*") and approval of or non-objection to such applications, filings and notices (taken together with the items listed in clause (i), the "*Regulatory Approvals*"), (iii) the filing with the SEC of a proxy statement in definitive form relating to the meeting of Company's shareholders to be held in connection with this Agreement and the transactions contemplated by this Agreement (the "Company *Proxy Statement*"), which shall also serve as the proxy statement relating to the meeting of Purchaser's shareholders to be held in connection with this Agreement and the transactions contemplated by this Agreement (the "*Purchaser Proxy Statement*" and together with the Company Proxy Statement the "*Joint Proxy Statement*") and of a registration statement on Form S-4 (or such other applicable form) (the "*Form S-4*") in which the Joint Proxy Statement will be included as a prospectus, and declaration of effectiveness of the Form S-4 and the filing and effectiveness of the registration statement contemplated by Section 6.1(b), (iv) the filing of the Texas Certificate of Merger with the Texas Secretary and the Maryland Articles of Merger with the SDAT, (v) any notices or filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "*HSR Act*") and (vi) such filings and approvals as are required to be made or obtained under the securities or "blue sky" laws of

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various states in connection with the issuance of the shares of Purchaser Common Stock pursuant to this Agreement and approval of listing of such Purchaser Common Stock on the NYSE, no consents or approvals of or filings or registrations with any Governmental Entity are necessary in connection with the consummation by Company of the Merger and the other transactions contemplated by this Agreement. No consents or approvals of or filings or registrations with any Governmental Entity are necessary in connection with the execution and delivery by Company of this Agreement.

3.5 *Reports.*

(a) Company and each of its Subsidiaries have timely filed all reports, registrations, statements and certifications, together with any amendments required to be made with respect thereto, that they were required to file since December 31, 2008 with (i) the Federal Reserve, (ii) the FDIC, (iii) the Texas Department of Banking and any other state banking or other state regulatory authority, (iv) the SEC, (v) any foreign regulatory authority and (vi) any applicable industry SRO (collectively, "*Regulatory Agencies*") and with each other applicable Governmental Entity, and all other reports and statements required to be filed by them since December 31, 2010, including any report or statement required to be filed pursuant to the laws, rules or regulations of the United States, any state, any foreign entity, or any Regulatory Agency or other Governmental Entity, have paid all fees and assessments due and payable in connection therewith, and there are no material violations or exceptions in any such material report or statement that is unresolved as of the date hereof.

(b) An accurate and complete copy of each final registration statement, prospectus, report, schedule and definitive proxy statement filed with or furnished to the SEC by Company or any of its Subsidiaries pursuant to the Securities Act or the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), since June 16, 2009 (the "*Company SEC Reports*") is publicly available. No such Company SEC Report, at the time filed, furnished or communicated (and, in the case of registration statements and proxy statements, on the dates of effectiveness and the dates of the relevant meetings, respectively), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances in which they were made, not misleading, except that information filed as of a later date (but before the date of this Agreement) shall be deemed to modify information as of an earlier date. As of their respective dates, all Company SEC Reports complied as to form in all material respects with the published rules and regulations of the SEC with respect thereto. As of the date of this Agreement, no executive officer of Company has failed in any respect to make the certifications required of him or her under Section 302 or 906 of the Sarbanes-Oxley Act of 2002 (the "*Sarbanes-Oxley Act*"). As of the date hereof, there are no outstanding comments from or unresolved issues raised by the SEC with respect to any of the Company SEC Reports. None of Company's Subsidiaries is required to file periodic reports with the SEC pursuant to Section 13 or 15(d) of the Exchange Act (other than Form 13F, 13H or with respect to the Broker Dealer Entities, Form ADV).

3.6 *Financial Statements.*

(a) The financial statements of Company and its Subsidiaries included (or incorporated by reference) in the Company SEC Reports (including the related notes, where applicable) (i) have been prepared from, and are in accordance with, the books and records of Company and its Subsidiaries, (ii) fairly present in all material respects the consolidated results of operations, cash flows, changes in shareholders' equity and consolidated financial position of Company and its Subsidiaries for the respective fiscal periods or as of the respective dates therein set forth (subject in the case of unaudited statements to recurring year-end audit adjustments normal in nature and amount), (iii) complied as to form, as of their respective dates of filing with the SEC, in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, and (iv) have been prepared in accordance with U.S.

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generally accepted accounting principles ("*GAAP*") consistently applied during the periods involved, except, in each case, as indicated in such statements or in the notes thereto. As of the date hereof, the books and records of Company and its Subsidiaries have been maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements and reflect only actual transactions. Ernst & Young LLP has not resigned (or informed Company that it intends to resign) or been dismissed as independent public accountants of Company as a result of or in connection with any disagreements with Company on a matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

(b) Neither Company nor any of its Subsidiaries has incurred any material liability or obligation of any nature whatsoever (whether absolute, accrued, contingent, determined, determinable or otherwise and whether due or to become due), except for (i) those liabilities that are reflected or reserved against on the consolidated balance sheet of Company included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (including any notes thereto), (ii) liabilities incurred in the ordinary course of business consistent with past practice since December 31, 2011 which have either been Previously Disclosed or would not have, individually or in the aggregate, be material to the operation of Company and its Subsidiaries, taken as a whole or (iii) in connection with this Agreement and the transactions contemplated hereby.

3.7 *Broker's Fees.* Neither Company nor any of its Subsidiaries nor any of their respective officers, directors, employees or agents has utilized any broker, finder or financial advisor or incurred any liability for any broker's fees, commissions or finder's fees in connection with the Merger or any other transactions contemplated by this Agreement, other than to J.P. Morgan Securities LLC. pursuant to a letter agreement, a true, complete and correct copy of which has been previously delivered to Purchaser.

3.8 *Absence of Changes.* Since December 31, 2011, no event or events have occurred that have had or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on Company. As used in this Agreement, the term "*Material Adverse Effect*" means, with respect to any party, a material adverse effect on (i) the financial condition, results of operations or business of such party and its Subsidiaries taken as a whole (*provided*, *however*, that, with respect to this clause (i), a "Material Adverse Effect" shall not be deemed to include effects arising out of, relating to or resulting from (A) changes after the date hereof in applicable GAAP or regulatory accounting requirements, (B) changes after the date hereof in laws, rules or regulations of general applicability to companies in the industries in which such party and its Subsidiaries operate, (C) changes after the date hereof in global, national or regional political conditions or general economic or market conditions (including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates, and price levels or trading volumes in the United States or foreign securities markets) affecting other companies in the industries in which such party and its Subsidiaries operate, (D) changes after the date hereof in the credit markets, any downgrades in the credit markets, or adverse credit events resulting in deterioration in the credit markets generally and including changes to any previously correctly applied asset marks resulting therefrom, (E) a decline in the trading price of a party's common stock or a failure, in and of itself, to meet earnings projections, but not, in either case, including any underlying causes thereof, (F) the public disclosure of this Agreement or the transactions contemplated hereby or the consummation of the transactions contemplated hereby, (G) any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism or (H) actions or omissions taken with the prior written consent of the other party or expressly required by this Agreement except, with respect to clauses (A), (B), (C), (D) and (G), to the extent that the effects of such change are materially disproportionately adverse to the financial condition, results of operations or business of such party and its Subsidiaries, taken as a whole, as compared to other companies in the industry in which such party and its Subsidiaries operate; or (ii) the ability of such party to timely consummate the transactions contemplated by this Agreement.

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3.9 *Compliance with Applicable Law.*

(a) Company and each of its Subsidiaries hold, and have at all times since December 31, 2008 held, all licenses, franchises, permits and authorizations which are necessary for the lawful conduct of their respective businesses and ownership of their respective properties, rights and assets under and pursuant to applicable Law (and have paid all fees and assessments due and payable in connection therewith), except where the failure to hold such license, franchise, permit or authorization or to pay such fees or assessments would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Company and, to the Knowledge of Company, no suspension or cancellation of any such necessary license, franchise, permit or authorization is threatened in writing. Company and each of its Subsidiaries have complied in all material respects with, and are not in default or violation in any material respect of, (i) any applicable Law, including all laws related to data protection or privacy, the USA PATRIOT Act, the Bank Secrecy Act, the Equal Credit Opportunity Act and Regulation B, the Fair Housing Act, the Community Reinvestment Act, the Fair Credit Reporting Act, the Truth in Lending Act and Regulation Z, the Home Mortgage Disclosure Act, the Fair Debt Collection Practices Act, the Electronic Fund Transfer Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, any regulations promulgated by the Consumer Financial Protection Bureau, the Interagency Policy Statement on Retail Sales of Nondeposit Investment Products, the SAFE Mortgage Licensing Act of 2008, the Real Estate Settlement Procedures Act and Regulation X, and any other Law relating to bank secrecy, discriminatory lending, financing or leasing practices, money laundering prevention, Sections 23A and 23B of the Federal Reserve Act, the Sarbanes-Oxley Act, all Agency requirements relating to the origination, sale and servicing of mortgage and consumer loans and all applicable laws relating to broker-dealers, investment advisors and insurance brokers, and (ii) any posted or internal privacy policies relating to data protection or privacy, including without limitation, the protection of personal information, and neither the Company nor any of its Subsidiaries knows of, or has received from a Governmental Entity since January 1, 2008, written notice of, any material defaults or material violations of any applicable Law.

(b) Company and each of its Subsidiaries has properly administered all accounts for which it acts as a fiduciary, including accounts for which it serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents and applicable law, except where the failure to so administer such accounts would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Company. Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Company, none of Company, any of its Subsidiaries, or any director, officer or employee of Company or of any of its Subsidiaries, has committed any breach of trust or fiduciary duty with respect to any such fiduciary account, and, the accountings for each such fiduciary account are true and correct and accurately reflect the assets of such fiduciary account.

(c) Except as Previously Disclosed, neither Company nor any of its Subsidiaries is subject to any cease-and-desist order or enforcement action issued by, or is a party to any written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking with, or is subject to any capital directive by, or since January 1, 2007 has adopted any board resolutions at the request of, any Governmental Entity that currently restricts in any material respect the conduct of its business or that in any material manner relates to its capital adequacy, its liquidity and funding policies and practices, its ability to pay dividends, its credit, risk management or compliance policies, its internal controls, its management or its operations or business (each a "*Regulatory Agreement*"), nor has Company or any Company Subsidiary been advised since January 1, 2009 and prior to the date hereof by any Governmental Entity that it is considering issuing, initiating, ordering or requesting any such Regulatory Agreement. Company

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and each of its Subsidiaries are in compliance in all material respects with each Regulatory Agreement to which it is party or subject, and neither Company nor any of its Subsidiaries has received any notice from any Governmental Entity indicating that either Company or any of its Subsidiaries is not in compliance in all material respects with any such Regulatory Agreement.

(d) Neither Company nor any of its Subsidiaries, nor, to the Knowledge of Company, any of their respective directors, officers, agents, employees or any other persons acting on their behalf, (i) has violated the Foreign Corrupt Practices Act, 15 U.S.C. § 78dd-1 *et seq*., as amended, or any other similar applicable foreign, federal or state legal requirement, (ii) has made or provided, or caused to be made or provided, directly or indirectly, any payment or thing of value to a foreign official, foreign political party, candidate for office or any other person while knowing or having a reasonable belief that the person will pay or offer to pay the foreign official, party or candidate, for the purpose of influencing a decision, inducing an official to violate their lawful duty, securing an improper advantage, or inducing a foreign official to use their influence to affect a governmental decision, (iii) has paid, accepted or received any unlawful contributions, payments, expenditures or gifts, (iv) has violated or operated in noncompliance with any export restrictions, money laundering law, anti-terrorism law or regulation, anti-boycott regulations or embargo regulations, or (v) is currently subject to any United States sanctions administered by the Office of Foreign Assets Control of the United States Treasury Department.

3.10 *State Takeover Laws.* The Board of Directors of Company has taken all action necessary to exempt this Agreement, the Merger and the transactions contemplated hereby from the restrictions on "business combinations" as set forth in Section 21.601 *et. seq.* of the TBOC, and such action is effective as of the date of this Agreement. No other "business combination," "fair price," "affiliate transaction," "moratorium," "control share," "takeover" or "interested stockholder" law or other similar anti-takeover statue or regulation (collectively, the "*Takeover Laws*") is applicable to this Agreement or the transactions contemplated hereby.

3.11 *Employee Benefit Plans.*

(a) Section 3.11(a) of the Company Disclosure Schedule sets forth a true, complete and correct list of each material employee benefit plan, program, policy, practice, or other arrangement providing benefits to any current or former employee, officer or director of Company or any of its Subsidiaries or any beneficiary or dependent thereof that is sponsored or maintained by Company or any of its Subsidiaries or to which Company or any of its Subsidiaries contributes or is obligated to contribute, whether or not written, including without limitation any employee welfare benefit plan within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), any employee pension benefit plan within the meaning of Section 3(2) of ERISA (whether or not such plan is subject to ERISA) and any equity purchase plan, option, equity bonus, phantom equity or other equity plan, profit sharing, bonus, retirement (including compensation, pension, health, medical or life insurance benefits), deferred compensation, excess benefit, incentive compensation, severance, change in control or termination pay, hospitalization or other medical or dental, life or other insurance (including any self-insured arrangements), supplemental unemployment, salary continuation, sick leave or other leave of absence benefits, short- or long-term disability, or vacation benefits plan or any other agreement or policy or other arrangement providing employee benefits, employment-related compensation, fringe benefits or other benefits (whether qualified or nonqualified, funded or unfunded) (whether or not listed in Section 3.11(a) of the Company Disclosure Schedule, each an "*Employee Benefit Plan*").

(b) With respect to each Employee Benefit Plan, Company has delivered or made available to Purchaser a true, correct and complete copy of: (i) each writing constituting a part of such Employee Benefit Plan, including without limitation all plan documents, employee communications, benefit schedules, formal or informal trust agreements, and insurance contracts

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and other funding vehicles; (ii) the most recent Annual Report (Form 5500 Series) and accompanying schedule, if any; (iii) all investment policy statements or guidelines, delegations and charters related to any Employee Benefit Plan; (iv) the current summary plan description and any material modifications thereto, if any; (v) the most recent annual financial report, if any; (vi) the most recent actuarial report, if any; and (vii) the most recent determination letter from the IRS, if any. Except as specifically provided in the foregoing documents delivered or made available to Purchaser, there are no amendments to any Employee Benefit Plan that have been adopted or approved nor has Company or any of its Subsidiaries undertaken to make any such amendments or to adopt or approve any new Employee Benefit Plan. No Employee Benefit Plan is maintained outside the jurisdiction of the United States, or covers any employee residing or working outside of the United States.

(c) Each Employee Benefit Plan intended to qualify under Section 401(a) of the Code and each related trust intended to qualify under Section 501(a) of the Code either has received a favorable determination, opinion, notification or advisory letter from the IRS with respect to each such Employee Benefit Plan as to its qualified status under the Code, including all amendments to the Code effected by the Tax Reform Act of 1986 and subsequent legislation for the most recent cycle applicable to such qualified plan pursuant to Revenue Procedure 2005-66 (as amended or otherwise revised by subsequent IRS guidance), any such letter has not been revoked (nor has revocation been threatened) and no fact or event has occurred since the date of such letter or letters from the IRS that could reasonably be expected to adversely affect the qualified status of any such Employee Benefit Plan or the exempt status of any such trust.

(d) With respect to each Employee Benefit Plan, Company and its Subsidiaries have complied, and are now in substantial compliance with all provisions of ERISA, the Code and all laws and regulations applicable to such Employee Benefit Plans and each Employee Benefit Plan has been administered in all material respects in accordance with its terms. There is not now, nor do any circumstances exist that could reasonably be expected to give rise to, any requirement for the posting of security with respect to any Employee Benefit Plan or the imposition of any lien on the assets of Company or any of its Subsidiaries under ERISA or the Code. None of the Company or any of its Subsidiaries has engaged in a transaction with respect to any applicable Employee Benefit Plan that, assuming the taxable period of such transaction expired as of the date hereof, could subject the Company or any of its Subsidiaries to a tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of ERISA in an amount which would be material.

(e) All contributions required to be made to any Employee Benefit Plan by applicable law or regulation or by any plan document or other contractual undertaking, and all premiums due or payable with respect to insurance policies funding any Employee Benefit Plan, for any period through the date hereof have been timely made or paid in full or, to the extent not required to be made or paid on or before the date hereof, have been fully reflected on the financial statements. Each Employee Benefit Plan that is an employee welfare benefit plan under Section 3(1) of ERISA is either (i) funded through an insurance company contract and is not a "welfare benefit fund" with the meaning of Section 419 of the Code or (ii) unfunded.

(f) No Employee Benefit Plan is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA (a "*Multiemployer Plan*") or a plan that has two or more contributing sponsors at least two of whom are not under common control, within the meaning of Section 4063 of ERISA (a "*Multiple Employer Plan*"); (ii) none of Company or its Subsidiaries nor any of their respective ERISA Affiliates has, at any time during the last six years, contributed to or been obligated to contribute to any Multiemployer Plan or Multiple Employer Plan; (iii) none of Company and its Subsidiaries nor any of their respective ERISA Affiliates has incurred any Withdrawal Liability that has not been satisfied in full; and (iv) no Employee Benefit Plan is subject to Title IV or Section 302 of ERISA. "*ERISA Affiliate*" means, with respect to any entity,

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trade or business, any other entity, trade or business that is a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes the first entity, trade or business, or that is a member of the same "controlled group" as the first entity, trade or business pursuant to Section 4001(a)(14) of ERISA. "*Withdrawal Liability*" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as those terms are defined in Part I of Subtitle E of Title IV of ERISA.

(g) There does not now exist, nor do any circumstances exist that could result in, any Controlled Group Liability that would be a liability of Company or its Subsidiaries or any of their respective ERISA Affiliates following the Closing. Without limiting the generality of the foregoing, neither Company nor any of its Subsidiaries nor any of their respective ERISA Affiliates, has engaged in any transaction described in Section 4069 or Section 4204 or 4212 of ERISA. "*Controlled Group Liability*" means any and all liabilities (i) under Title IV of ERISA, (ii) under section 302 of ERISA, (iii) under sections 412 and 4971 of the Code, (iv) as a result of a failure to comply with the continuation coverage requirements of section 601 *et seq.* of ERISA and section 4980B of the Code, and (v) under corresponding or similar provisions of foreign laws or regulations.

(h) None of Company and its Subsidiaries have any liability for life, health, medical or other welfare benefits to former employees or beneficiaries or dependents thereof, except for health continuation coverage as required by Section 4980B of the Code or Part 6 of Title I of ERISA and at no expense to Company and its Subsidiaries. Company and each of its Subsidiaries has reserved the right to amend, terminate or modify at any time all plans or arrangements providing for post-retirement welfare benefits.

(i) There are no pending or threatened claims (other than claims for benefits in the ordinary course), lawsuits or arbitrations which have been asserted or instituted, or to the Knowledge of Company, no set of circumstances exists which may reasonably give rise to a claim or lawsuit, against the Employee Benefit Plans, any fiduciaries thereof with respect to their duties to the Employee Benefit Plans or the assets of any of the trusts under any of the Employee Benefit Plans which could reasonably be expected to result in a material liability of Company or any of its Subsidiaries to the U.S. Department of the Treasury (the "*Treasury Department*"), the U.S. Department of Labor, any Multiemployer Plan, any Employee Benefit Plan or any participant in an Employee Benefit Plan. Neither Company nor any of its Subsidiaries has taken any action to take corrective action or make a filing under any voluntary correction program of the IRS, the U.S. Department of Labor or any other Governmental Entity with respect to any Employee Benefit Plan, and neither Company nor any of its Subsidiaries has any knowledge of any material plan defect that would qualify for correction under any such program.

(j) Each Employee Benefit Plan that is or was a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code and associated Treasury Department guidance has (i) been operated between January 1, 2005 and December 31, 2008, in good faith compliance with Section 409A of the Code and Notice 2005-01 and (ii) since January 1, 2009 (or such later date permitted under applicable guidance), been operated in compliance with, and is in documentary compliance with, in all respects, Section 409A of the Code and IRS regulations and guidance thereunder. No compensation payable by Company or any of its Subsidiaries has been reportable as nonqualified deferred compensation in the gross income of any individual or entity, and subject to an additional tax, as a result of the operation of Section 409A of the Code and no arrangement exists with respect to a nonqualified deferred compensation plan that would result in income inclusion under Section 409A(b) of the Code.

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(k) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby, either alone or together with any other event or events, will (i) result in any payment (including, without limitation, severance, golden parachute, forgiveness of indebtedness or otherwise) becoming due under any Employee Benefit Plan, whether or not such payment is contingent, (ii) increase any payments or benefits otherwise payable under any Employee Benefit Plan, (iii) result in the acceleration of the time of payment, vesting or funding of any benefits including, but not limited to, the acceleration of the vesting and exercisability of any equity awards, whether or not contingent, (iv) result in any limitation on the right of Company or any of its Subsidiaries to amend, merge, terminate or receive a reversion of assets from any Employee Benefit Plan or related trust, or (v) require the funding of any trust or other funding vehicle. There is no agreement, contract or arrangement to which Company is a party that could, individually or collectively, result in the payment of any amount that would not be deductible by reason of Section 162(m) or Section 280G of the Code, as determined without regard to Section 280G(b)(4) of the Code. No Employee Benefit Plan provides for the gross-up or reimbursement of Taxes under Section 4999 or 409A of the Code, or otherwise. The Section 280G calculations and related documentation previously provided to Purchaser dated April 26, 2012 (A) includes accurate and complete (other than in immaterial respects) data and amounts (based on the dates and other assumptions specified therein) with respect to each individual identified in such calculations and (B) sets forth a good faith estimate (based on the stock price and other assumptions specified therein) of the amounts potentially payable to each individual identified in such calculations under any Employee Benefit Plan in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby (either alone or in conjunction with any other event) or as a result of a termination of employment or service, including the amount of any "excess parachute payments" within the meaning of Section 280G of the Code and any excise tax gross-up that could become payable under any Employee Benefit Plans.

(l) Company and its Subsidiaries are, and have been at all relevant times, in compliance with Sections 111 and 302 of the Emergency Economic Stabilization Act of 2008, as amended by the U.S. American Recovery and Reinvestment Act of 2009, including all guidance issued thereunder by a Governmental Entity (collectively "*EESA*"). Company has previously completed and filed all of the certifications and disclosure documents required from the Company, its officers and its board of directors/compensation committee pursuant to Treasury's Interim Final Rule, 31 C.F.R. Part 30, as amended, under Section 111 of EESA, including as such requirements are interpreted pursuant to the guidance included in Treasury's "Frequently Asked Questions (FAQ), Troubled Asset Relief Program (TARP) Standards for Compensation and Governance," and has properly maintained all documentation and supporting information required in order to make such certifications and disclosures.

(m) The ESOP is an "employee stock ownership plan" within the meaning of Section 4975(e)(7) of the Code. Section 3.11(m) of the Company Disclosure Schedule identifies (i) each loan under which the ESOP is a borrower (each, an "*ESOP Loan*"), (ii) the lender and guarantor (if any) of each ESOP Loan, and (iii) the securities of Company that were acquired with such ESOP Loan (the "*Employer Securities*"). Each ESOP Loan meets the requirements of Section 4975(d)(3) of the Code. The Employer Securities are pledged as collateral for the ESOP Loan with which they were acquired, except to the extent they have been released from such pledge and allocated to the accounts of participants in the ESOP in accordance with the requirements of Treasury Regulations Sections 54.4975-7 and 54.4975-11.

(n) Each individual who renders services to Company or any of its Subsidiaries who is classified by Company or such Subsidiary, as applicable, as having the status of an independent

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contractor or other non-employee status for any purpose (including for purposes of taxation and tax reporting and under Employee Benefit Plans) is properly so characterized.

3.12 *Approvals.* As of the date of this Agreement, Company knows of no reason why all regulatory approvals from any Governmental Entity required for the consummation of the transactions contemplated by this Agreement should not be obtained on a timely basis.

3.13 *Opinion.* The Board of Directors of Company has received the opinion of J.P. Morgan Securities LLC that, as of the date of such opinion, and based upon and subject to the factors and assumptions set forth therein, the Merger Consideration to be paid to the holders of Company Common Stock in the Merger is fair, from a financial point of view, to such holders.

3.14 *Company Information.* The information relating to Company and its Subsidiaries that is provided by Company or its representatives for inclusion in the Joint Proxy Statement and Form S-4, or in any application, notification or other document filed with any other Regulatory Agency or other Governmental Entity in connection with the transactions contemplated by this Agreement, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading. The portions of the Joint Proxy Statement relating to Company and its Subsidiaries and other portions within the reasonable control of Company and its Subsidiaries will comply in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder.

3.15 *Legal Proceedings.*

(a) There is no suit, action, investigation, claim, proceeding or review pending, or to the Knowledge of Company, threatened against or affecting it or any of its Subsidiaries or any of the current or former directors or executive officers of it or any of its Subsidiaries (and it is not aware of any basis for any such suit, action or proceeding) (i) that involves a Governmental Entity, or (ii) that, individually or in the aggregate, and, in either case, is (A) material to it and its Subsidiaries, taken as a whole, or is reasonably likely to result in a material restriction on its or any of its Subsidiaries' businesses or, after the Effective Time, the business of Purchaser, Surviving Company or any of their affiliates, or (B) reasonably likely to materially prevent or delay it from performing its obligations under, or consummating the transactions contemplated by, this Agreement. There is no material injunction, order, award, judgment, settlement, decree or regulatory restriction imposed upon or entered into by Company, any of its Subsidiaries or the assets of it or any of its Subsidiaries (or that, upon consummation of the Merger, would apply to Purchaser or any of its affiliates).

(b) Since December 31, 2008, (i) there have been no subpoenas, written demands, or document requests received by Company, any of its Subsidiaries or any affiliate of Company or any of its Subsidiaries from any Governmental Entity, except such as are received by Company or any of its Subsidiaries or any affiliate of Company or any of its Subsidiaries in the ordinary course of business or as are not, individually or in the aggregate, material to Company and its Subsidiaries taken as a whole, and (ii) no Governmental Entity has requested that Company or any of its Subsidiaries enter into a settlement negotiation or tolling agreement with respect to any matter related to any such subpoena, written demand, or document request.

3.16 *Material Contracts.*

(a) Except for those agreements and other documents filed as exhibits or incorporated by reference to Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 or filed or incorporated in any of its other Company SEC Reports filed since March 16, 2012 and prior to the date hereof or as Previously Disclosed, neither Company nor any of its Subsidiaries is a party to, bound by or subject to any agreement, contract, arrangement, commitment or understanding (whether written or oral) (each, whether or not filed with the SEC, a "*Material*

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Contract"): (i) that is a "material contract" within the meaning of Item 601(b)(10) of the SEC's Regulation S-K; (ii) that contains a non-compete or client or customer non-solicit requirement or any other provisions that restricts the conduct of, or the manner of conducting, any line of business of Company or any of its affiliates (or, upon consummation of the Merger, of Purchaser or any of its affiliates); (iii) that obligates Company or any of its affiliates (or, upon consummation of the Merger, Purchaser or any of its affiliates) to conduct business with any third party on an exclusive or preferential basis; (iv) that requires referrals of business or requires Company or any of its affiliates to make available investment opportunities to any person on a priority or exclusive basis; (v) that relates to the incurrence of indebtedness by Company or any of its Subsidiaries (other than deposit liabilities, trade payables, federal funds purchased, advances and loans from the Federal Home Loan Bank and securities sold under agreements to repurchase, in each case incurred in the ordinary course of business consistent with past practice) including any sale and leaseback transactions, capitalized leases and other similar financing transactions; (vi) that grants any right of first refusal, right of first offer or similar right with respect to any material assets, rights or properties of Company or any of its Subsidiaries; (vii) that limits the payment of dividends by Company or any of its Subsidiaries; (viii) that relates to a material joint venture, partnership, limited liability company agreement or other similar agreement or arrangement with any third party, or to the formation, creation or operation, management or control of any material partnership or joint venture with any third parties, except in each case that relate to merchant banking investments by the Company or its Subsidiaries in the ordinary course of business; (ix) that relates to an acquisition, divestiture, merger or similar transaction and which contains representations, covenants, indemnities or other obligations (including indemnification, "earn-out" or other contingent obligations) that are still in effect; (x) that provides for payments to be made by Company or any of its Subsidiaries upon a change in control thereof; (xi) that is a consulting agreement or data processing, software programming or licensing contract involving the payment of more than $200,000 per annum (other than any such contracts which are terminable by Company or any of its Subsidiaries on 60 days or less notice without any required payment or other conditions, other than the condition of notice); (xii) that grants to a person any right in Company Owned Intellectual Property or grants to Company or any of its Subsidiaries a license to Company Licensed Intellectual Property (excluding licenses to shrink-wrap or click-wrap software), in each case that involves the payment or more than $200,000 per annum or is material to the conduct of the businesses of the Company; (xiii) to which any affiliate, officer, director, employee or consultant of such party or any of its Subsidiaries is a party or beneficiary (except with respect to loans to, or deposit or asset management accounts of, directors, officers and employees entered into in the ordinary course of business and in accordance with all applicable regulatory requirements with respect to it); or (xiv) that is otherwise material to the Company or any Significant Subsidiary of the Company or their financial condition or results of operations. Company has Previously Disclosed or made available to Purchaser prior to the date hereof true, correct and complete copies of each Material Contract.

(b) (i) Each Material Contract is a valid and legally binding agreement of Company or one of its Subsidiaries, as applicable, and, to the Knowledge of Company, the counterparty or counterparties thereto, is enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception) and is in full force and effect, (ii) Company and each of its Subsidiaries has duly performed all material obligations required to be performed by it prior to the date hereof under each Material Contract, (iii) neither Company nor any of its Subsidiaries, and, to the Knowledge of Company, any counterparty or counterparties, is in breach of any provision of any Material Contract, and (iv) no event or condition exists that constitutes, after notice or lapse of time or both, will constitute, a breach, violation or default on the part of Company or any of its Subsidiaries under any such Material Contract or provide any party thereto with the right to terminate such Material Contract.

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3.17 *Environmental Matters.* Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Company, (a) Company and its Subsidiaries are in compliance, and for the preceding three years have complied, with any federal, state or local law, regulation, order, decree, permit, authorization, common law or agency requirement relating to: (i) the protection or restoration of the environment, health and safety as it relates to hazardous substance exposure or natural resources; (ii) the handling, use, presence, disposal, release or threatened release of, or exposure to, any hazardous substance; or (iii) noise, odor, wetlands, indoor air, pollution, contamination or any injury to persons or property from exposure to any hazardous substance (collectively, "*Environmental Laws*"); (b) there are no proceedings, claims, actions, or, to the Knowledge of Company, investigations of any kind, pending, or threatened in writing, by any person, court, agency, or other Governmental Entity or any arbitral body, against Company or its Subsidiaries relating to liability under any Environmental Law and, to the Knowledge of Company, there is no such proceeding, claim, action or investigation threatened in writing; (c) there are no agreements, orders, judgments or decrees by or with any court, regulatory agency or other Governmental Entity, that impose any liabilities or obligations under or in respect of any Environmental Law; and (d) to the Knowledge of Company, there are, and have been, no releases of hazardous substances or other environmental conditions at any property (currently or formerly owned, operated, or otherwise used by Company or any of its Subsidiaries) under circumstances which could reasonably be expected to result in liability to or claims against Company or its Subsidiaries relating to any Environmental Law. Notwithstanding any other representation or warranty in this Article III, the representations and warranties in this Section 3.17 constitute the sole representations and warranties of the Company relating to any Environmental Law.

3.18 *Taxes.* Company and each of its Subsidiaries (i) have prepared in good faith and duly and timely filed (taking into account any extension of time within which to file) all material Tax Returns (as defined below) required to be filed by any of them and all such filed Tax Returns are complete and accurate in all material respects; and (ii) have paid all material Taxes (as defined below) that are required to be paid or that Company or any of its Subsidiaries are obligated to withhold from amounts owing to any employee, creditor or third party, except with respect to matters contested in good faith and for which adequate reserves have been established and reflected on the financial statements of Company. None of the material Tax Returns or material matters, in each case pertaining to (i) income Taxes of Company or any of its Subsidiaries or (ii) state franchise taxes imposed with reference to the income, net income, assets, or capital stock of Company or any of its Subsidiaries are currently under any audit, suit, proceeding, examination or assessment by the U.S. Internal Revenue Service ("*IRS*") or the relevant state, local or foreign Tax authority and neither Company nor any of its Subsidiaries has received written notice from any Tax authority that an audit, suit, proceeding, examination or assessment in respect of such Tax Returns or matters pertaining to Taxes are pending or threatened. No material deficiencies have been asserted or assessments made against Company or any of its Subsidiaries that has not been paid or resolved in full. No material claim has been made against Company or any of its Subsidiaries by any Tax authorities in a jurisdiction where Company or its Subsidiaries does not file Tax Returns that Company or its Subsidiaries is or may be subject to taxation by that jurisdiction. No material liens for Taxes exist with respect to any of the assets of Company or any of its Subsidiaries, except for liens for Taxes not yet due and payable. Neither Company nor any of its Subsidiaries has entered into any material closing agreements, private letter rulings, technical advice memoranda or similar agreement or rulings with any Tax authority, nor have any been issued by any Tax authority, in each case that have any continuing effect. Neither Company nor any of its Subsidiaries (A) have ever been a member of an affiliated, combined, consolidated or unitary Tax group for purposes of filing any Tax Return, other than, for purposes of filing affiliated, combined, consolidated or unitary Tax Returns, a group of which Company was the common parent, (B) has any liability for a material amount of Taxes of any person under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), or (C) is a party to or bound by any Tax sharing or allocation

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agreement or has any other current or potential contractual obligation to indemnify any other person with respect to Taxes. Neither Company nor any of its Subsidiaries has participated in any "listed transactions" within the meaning of Treasury Regulations Section 1.6011-4(b). Company has made available to Purchaser true and correct copies of the United States federal income Tax Returns filed by Company and its Subsidiaries for each of the fiscal years ended December 31, 2008, 2009 and 2010. None of Company or its Subsidiaries has been a "distributing corporation" or "controlled corporation" in any distribution occurring during the last 30 months that was purported or intended to be governed by Section 355 of the Code (or any similar provision of state, local or foreign law.) As used in this Agreement, (i) the term "*Tax*" (including, with correlative meaning, the term "*Taxes*") includes all United States federal, state, local and foreign income, profits, franchise, gross receipts, environmental, customs duty, capital stock, severances, stamp, payroll, sales, employment, unemployment, disability, use, property, withholding, excise, production, value added, occupancy and other taxes, duties or assessments of any nature whatsoever, together with all interest, penalties and additions imposed with respect to such amounts and any interest in respect of such penalties and additions, and (ii) the term "*Tax Return*" includes all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority relating to Taxes.

3.19 *Reorganization.* Company has not taken or agreed to take any action, and is not aware of any fact or circumstance, that would prevent or impede, or could reasonably be expected to prevent or impede, the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

3.20 *Intellectual Property.* Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Company:

(a) Each of Company and its Subsidiaries (A) solely owns (beneficially, and of record where applicable), free and clear of all Liens, other than Permitted Encumbrances and non-exclusive licenses entered into in the ordinary course of business, all right, title and interest in and to its respective Company Owned Intellectual Property, and (B) to the Knowledge of Company, has valid and sufficient rights and licenses to all of the Company Licensed Intellectual Property. The Company Owned Intellectual Property is subsisting and, to the Knowledge of Company, valid and enforceable.

(b) To the Knowledge of Company, the operation of Company and each of its Subsidiary's respective businesses as presently conducted does not infringe, dilute, misappropriate or otherwise violate the Intellectual Property rights of any third person, and no person has asserted in writing that Company or any of its Subsidiaries has materially infringed, diluted, misappropriated or otherwise violated any third person's Intellectual Property rights. To the Knowledge of Company, no third person has infringed, diluted, misappropriated or otherwise violated any of Company's or any of its Subsidiary's rights in the Company Owned Intellectual Property in any material respect.

(c) Company and each of its Subsidiaries has taken reasonable measures to protect (A) their rights in their respective Company Owned Intellectual Property and (B) the confidentiality of all Trade Secrets that are owned, used or held by Company or any of its Subsidiaries, and to the Knowledge of Company, such Trade Secrets have not been used, disclosed to or discovered by any person except pursuant to appropriate non-disclosure agreements which have not been breached. To the Knowledge of Company, no person has gained unauthorized access to Company's or its Subsidiaries' IT Assets.

(d) Company's and each of its Subsidiary's respective IT Assets operate and perform as required by Company and each of its Subsidiaries in connection with their respective businesses and have not materially malfunctioned or failed within the past two years. Company and each of its Subsidiaries has implemented reasonable backup, security and disaster recovery technology and procedures consistent with industry practices. Company and each of its Subsidiaries is compliant

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with all applicable laws, rules and regulations, and their own privacy policies and commitments to their respective customers, consumers and employees, concerning data protection and the privacy and security of personal data and the nonpublic personal information of their respective customers, consumers and employees.

(e) For purposes of this Agreement,

(i) "*Intellectual Property*" means any and all: (i) trademarks, service marks, brand names, collective marks, Internet domain names, logos, symbols, slogans, designs and other indicia of origin, together with all translations, adaptations, derivations and combinations thereof, all applications, registrations and renewals for the foregoing, and all goodwill associated therewith and symbolized thereby; (ii) patents and patentable inventions (whether or not reduced to practice), all improvements thereto, and all invention disclosures and applications therefor, together with all divisions, continuations, continuations-in-part, revisions, renewals, extensions, reexaminations and reissues in connection therewith; (iii) confidential proprietary business information, trade secrets and know-how, including processes, schematics, business and other methods, technologies, techniques, protocols, formulae, drawings, prototypes, models, designs, unpatentable discoveries and inventions ("*Trade Secrets*"); (iv) copyrights in published and unpublished works of authorship (including databases and other compilations of information), and all registrations and applications therefor, and all renewals, extensions, restorations and reversions thereof; and (v) other intellectual property rights.

(ii) "*IT Assets*" means, with respect to any person, the computers, computer software, firmware, middleware, servers, workstations, routers, hubs, switches, data, data communications lines, and all other information technology equipment, and all associated documentation owned by such person or such person's Subsidiaries.

(iii) "*Company Licensed Intellectual Property*" means the Intellectual Property owned by third persons that is used in or necessary for the operation of the respective businesses of Company and each of its Subsidiaries as presently conducted.

(iv) "*Company Owned Intellectual Property*" means Intellectual Property owned or purported to be owned by Company or any of its Subsidiaries.

3.21 *Properties.* Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Company, Company or one of its Subsidiaries (a) has good and insurable title to all the properties and assets reflected in the latest audited balance sheet included in such Company SEC Reports as being owned by Company or one of its Subsidiaries or acquired after the date thereof (except properties sold or otherwise disposed of since the date thereof in the ordinary course of business) (the "*Company Owned Properties*"), free and clear of all Liens of any nature whatsoever, except (i) statutory Liens securing payments not yet due, (ii) Liens for real property Taxes not yet due and payable, (iii) easements, rights of way, and other similar encumbrances that do not materially affect the use of the properties or assets subject thereto or affected thereby or otherwise materially impair business operations at such properties and (iv) such imperfections or irregularities of title or Liens as do not materially affect the use of the properties or assets subject thereto or affected thereby or otherwise materially impair business operations at such properties (collectively, "*Permitted Encumbrances*"), and (b) is the lessee of all leasehold estates reflected in the latest audited financial statements included in such Company SEC Reports or acquired after the date thereof (except for leases that have expired by their terms since the date thereof) (the "*Company Leased Properties*" and, collectively with the Company Owned Properties, the "*Company Real Property*"), free and clear of all Liens of any nature whatsoever, except for Permitted Encumbrances, and is in possession of the properties purported to be leased thereunder, and each such lease is valid without default thereunder by the lessee or, to the Knowledge of Company, the lessor. There are no pending or, to the Knowledge of Company, threatened (in writing) condemnation proceedings against the Company Real Property.

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3.22 *Insurance.* Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Company, (a) Company and its Subsidiaries are insured with reputable insurers against such risks and in such amounts as the management of Company reasonably has determined to be prudent and consistent with industry practice. Company and its Subsidiaries are in compliance in all material respects with their insurance policies and are not in default under any of the terms thereof, (b) each such policy is outstanding and in full force and effect and, except for policies insuring against potential liabilities of officers, directors and employees of Company and its Subsidiaries, Company or the relevant Subsidiary thereof is the sole beneficiary of such policies, and (c) all premiums and other payments due under any such policy have been paid, and all claims thereunder have been filed in due and timely fashion.

3.23 *Accounting and Internal Controls.*

(a) The records, systems, controls, data and information of Company and its Subsidiaries are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of Company or its Subsidiaries or accountants (including all means of access thereto and therefrom). Company and its Subsidiaries have devised and maintain a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Company has designed and implemented disclosure controls and procedures (within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act) to ensure that material information relating to Company and its Subsidiaries is made known to its management by others within those entities as appropriate to allow timely decisions regarding required disclosure and to make the certifications required by the Exchange Act and Sections 302 and 906 of the Sarbanes-Oxley Act.

(b) Company's management has completed an assessment of the effectiveness of its internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act for the year ended December 31, 2011, and such assessment concluded that such controls were effective. Company has Previously Disclosed, based on its most recent evaluation prior to the date hereof, to its auditors and the audit committee of its board of directors: (A) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in its internal controls over financial reporting.

(c) Since January 1, 2009, (A) neither Company nor any of its Subsidiaries nor, to the Knowledge of Company, any director, officer, auditor, accountant or representative of it or any of its Subsidiaries has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or written claim regarding the accounting or auditing practices, procedures, methodologies or methods (including with respect to loan loss reserves, write-downs, charge-offs and accruals) of Company or any of its Subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or written claim that Company or any of its Subsidiaries has engaged in questionable accounting or auditing practices, and (B) no attorney representing Company or any of its Subsidiaries, whether or not employed by it or any of its Subsidiaries, has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by it or any of its officers or directors to its board of directors or any committee thereof or to any of its directors or officers.

3.24 *Derivatives.* Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Company, all swaps, caps, floors, option agreements, futures and forward contracts and other similar derivative transactions (each, a "*Derivative Contract*"), whether entered into for its own account, or for the account of one or more of its Subsidiaries or their

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respective customers, were entered into (i) in accordance with prudent business practices and all applicable laws, rules, regulations and regulatory policies and (ii) with counterparties believed to be financially responsible at the time; and each Derivative Contract constitutes the valid and legally binding obligation of it or one of its Subsidiaries, as the case may be, enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception), and are in full force and effect. Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Company, neither Company nor its Subsidiaries, nor to the Knowledge of Company any other party thereto, is in breach of any of its obligations under any Derivative Contract. The financial position of it and its Subsidiaries on a consolidated basis under or with respect to each such Derivative Contracts has been reflected in its books and records and the books and records of such Subsidiaries, in each case in accordance with GAAP consistently applied.

3.25 *Loan Matters.*

(a) Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Company, each loan, loan agreement, note or borrowing arrangement (including leases, credit enhancements, commitments, guarantees and interest-bearing assets) in which the Company or any Subsidiary of Company is a creditor (collectively, "*Loans*") currently outstanding (i) is evidenced by notes, agreements or other evidences of indebtedness that are true, genuine and what they purport to be, (ii) to the extent secured, has been secured by valid Liens which have been perfected and (iii) to the Knowledge of Company, is a legal, valid and binding obligation of the obligor named therein, enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception). The notes or other credit or security documents with respect to each such outstanding Loan were in compliance in all material respects with all applicable laws at the time of origination or purchase by Company or its Subsidiaries.

(b) Each outstanding Loan (including Loans held for resale to investors) was solicited and originated, and is and has been administered and, where applicable, serviced, and the relevant Loan files are being maintained in accordance with the relevant notes or other credit or security documents and Company's written underwriting standards (and, in the case of Loans held for resale to investors, the underwriting standards, if any, of the applicable investors), in each case except for such exceptions as would not reasonably be expected, individually or in the aggregate to have a Material Adverse Effect on Company, and in all material respects with all applicable requirements of applicable law.

(c) None of the agreements pursuant to which Company or any of its Subsidiaries has sold Loans or pools of Loans or participations in Loans or pools of Loans contains any obligation to repurchase such Loans or interests therein or to pursue any other form of recourse against Company or any of its Subsidiaries solely on account of a payment default by the obligor on any such Loan.

(d) Company has Previously Disclosed to Purchaser all claims for repurchases by Company or any of its Subsidiaries of home mortgage loans that were sold to third parties by Company and its Subsidiaries between January 1, 2006 and the date hereof that are outstanding or threatened, in each case, as of the date hereof.

(e) Section 3.25(e) of the Company Disclosure Schedule sets forth a list of (i) each Loan that as of March 31, 2012 had an outstanding balance and/or unfunded commitment of $500,000 or more and that as of such date (A) was contractually past due 90 days or more in the payment of principal and/or interest or was in default of any other material provision, (B) was on non-accrual status, (C) was classified as "substandard," "doubtful," "loss," "classified," "criticized," "credit risk assets," "concerned loans," "watch list," "impaired" or "special mention" (or words of similar import) by Company, any of its Subsidiaries or any Governmental Entity (each a "*Special Mention Loan*"), (D) as to which a reasonable doubt exists as to the timely future collectibility of principal

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and/or interest, whether or not interest is still accruing or the Loans are less than 90 days past due, (E) where the interest rate terms have been reduced and/or the maturity dates have been extended subsequent to the agreement under which the Loan was originally created due to concerns regarding the borrower's ability to pay in accordance with such initial terms, (F) where a specific reserve allocation exists in connection therewith or (G) which is required to be accounted for as a troubled debt restructuring in accordance with ASC 310-40, and (ii) each asset of Company or any of its Subsidiaries that as of March 31, 2012 was classified as "other real estate owned," "other repossessed assets" or as an asset to satisfy Loans, and the book value thereof as of such date. For each loan identified in accordance with the immediately preceding sentence, Section 3.25(e) of the Company Disclosure Schedule sets forth the outstanding balance, including accrued and unpaid interest, on each such Loan and the identity of the borrower thereunder as of March 31, 2012.

(f) Company's allowance for loan losses as of March 31, 2012, is in compliance with (i) Company's existing methodology for determining the adequacy of its allowance for loan losses and (ii) the standards established by applicable Governmental Entities and the Financial Accounting Standards Board, and is adequate under all of such standards.

(g) Section 3.25(g) of the Company Disclosure Schedule sets forth a list of all Loans as of the date of this Agreement by Company or any of its Subsidiaries to any directors, officers and principal shareholders (as such terms are defined in Regulation O of the Federal Reserve Board (12 C.F.R. Part 215)) of Company or any of its Subsidiaries. There are no employee, officer, director or other affiliate Loans on which the borrower is paying a rate other than that reflected in the note or other relevant credit or security agreement or on which the borrower is paying a rate which was not in compliance with Regulation O, and all such Loans are and were originated in compliance in all material respects with all applicable Laws.

(h) Each of the Company and each of its Subsidiaries, as applicable, is approved by and is in good standing: (1) as a supervised mortgagee by the Department of Housing and Urban Development to originate and service Title I FHA mortgage loans; (2) as a GNMA I and II Issuer by the Government National Mortgage Association; (3) by the Department of Veteran's Affairs ("*VA*") to originate and service VA loans; and (4) as a seller/servicer by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to originate and service conventional residential mortgage Loans (each such entity being referred to herein as an "*Agency*" and, collectively, the "*Agencies*").

(i) Except as set forth in Section 3.25(i) of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries is now nor has it ever been since December 31, 2010 subject to any fine, suspension, settlement or other Contract or other administrative agreement or sanction by, or any reduction in any loan purchase commitment from, any Governmental Entity or Agency relating to the origination, sale or servicing of mortgage or consumer Loans. Neither the Company nor any of its Subsidiaries has received any notice, nor does it have any reason to believe as of the date of this Agreement, that any Agency proposes to limit or terminate the underwriting authority of the Company or any of its Subsidiaries or to increase the guarantee fees payable to any such Governmental Entity or Agency.

(j) To the Knowledge of the Company, each Loan included in a pool of Loans originated, acquired or serviced by the Company or any of its Subsidiaries (a "*Pool*") meets all eligibility requirements (including all applicable requirements for obtaining mortgage insurance certificates and loan guaranty certificates) for inclusion in such Pool. All such Pools have been finally certified or, if required, recertified in accordance with all applicable laws, rules and regulations, except where the time for certification or recertification has not yet expired. To the Knowledge of the Company, no Pools have been improperly certified, and no Loan has been bought out of a Pool without all required approvals of the applicable investors.

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(k) Since December 31, 2008, each of the Company and each of its Subsidiaries has complied with, and all documentation in connection with the origination, processing, underwriting and credit approval of any mortgage loan originated by the Company or any of its Subsidiaries satisfied: (1) all applicable Laws with respect to the origination, insuring, purchase, sale, pooling, servicing, subservicing, loan modification, loss mitigation or filing of claims in connection with such mortgage loans, including, to the extent applicable, all Laws relating to real estate settlement procedures, consumer credit protection, truth in lending Laws, usury limitations, fair housing, transfers of servicing, collection practices, equal credit opportunity and adjustable rate mortgages, in each case applicable as of the time of such origination, processing, underwriting or credit approval; (2) the responsibilities and obligations relating to such mortgage loans set forth in any Contract between the Company or any of its Subsidiaries and any Agency, loan investor or insurer; (3) the applicable rules, regulations, guidelines, handbooks and other requirements of any Agency, loan investor or insurer, in each case applicable as of the time of such origination, processing, underwriting or credit approval; and (4) the terms and provisions of any mortgage or other collateral documents and other loan documents with respect to each such mortgage loan; in each case applicable as of the time of such origination, processing, underwriting or credit approval, and in each case but for such exceptions as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Company.

(l) The electronic data files delivered by Company to Purchaser with respect to all outstanding Loans as of each of March 31, 2012 are true, correct and complete in all material respects as of their respective dates.

(m) Since December 31, 2008, no loan investor representing greater than 30% of the purchased volume for any calendar year has indicated in writing to the Company or any of its Subsidiaries that it has terminated or intends to terminate its relationship with the Company or any of its Subsidiaries for poor performance, poor loan quality or concern with respect to the Company's or any of its Subsidiaries' compliance with laws.

(n) Since December 31, 2008, the Company and its Subsidiaries have not engaged in, and, to the Knowledge of the Company, no third-party vendors (including outside law firms and other third-party foreclosure services providers, collectively, the "*Mortgage Vendors*") used by the Company or by any of its Subsidiaries has engaged in, directly or indirectly, (1) any foreclosures in material violation of any applicable Law, including but not limited to the Servicemembers Civil Relief Act, or in material breach of any binding Regulatory Agreement or (2) the conduct referred to as "robo-signing" or any other similar conduct of approving or notarizing documents relating to mortgage loans that do not comply with any applicable Law in all material respects.

(o) Each of the Company and each of its Subsidiaries, and, to the Knowledge of the Company, the Mortgage Vendors, is and has been in compliance in all material respects with the standards of conduct set forth in the several Consent Orders, dated April 13, 2011, issued by the Office of the Comptroller of the Currency in connection with its interagency horizontal review of major residential mortgage services.

(p) Since December 31, 2008, Company has not foreclosed upon, or taken a deed or title to, any real estate (other than single-family residential properties) without complying in all material respects with all applicable FDIC environmental due diligence standards (including FDIC Bulletin FIL-14-93, and update FIL-98-2006) or foreclosed upon, or taken a deed or title to, any such real estate if the environmental assessment indicates the liabilities under Environmental Laws are likely in excess of the asset's value.

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3.26 *Broker-Dealer and Investment Advisory Matters.*

(a) Each of Company and its Subsidiaries and each of their respective officers and employees who are required to be registered, licensed or qualified as (i) a broker-dealer (each a "*Broker-Dealer Entity*"), investment adviser (each an "*RIA Entity*"), futures commission merchant, municipal securities dealer or (ii) a registered principal, registered representative, agent, salesperson or investment adviser representative with the SEC or any securities or insurance commission or other Governmental Entity are duly registered as such, and such registrations are in full force and effect, or are in the process of being registered as such within the time periods required by applicable law. Each of Company and its Subsidiaries and, to the Knowledge of Company, each of their respective officers and employees are in compliance with all applicable laws requiring any such registration, licensing or qualification, and are not subject to any liability or disability by reason of failure to be so registered, licensed or qualified, in each case, in all material respects. Neither Company nor any of its Subsidiaries has received any notice of proceedings, except for examinations conducted in the regular course of Company's and its Subsidiaries' business, which are outstanding and unresolved relating to the revocation or modification of any such registrations, licenses or qualifications.

(b) Each Broker-Dealer Entity (i) is subject to the provisions of Regulation T of the Federal Reserve, (ii) maintains procedures and internal controls reasonably designed to ensure that such Broker-Dealer Entity does not extend or maintain credit to or for its customers other than in accordance with the provisions of Regulation T, and (iii) members of each such Broker-Dealer Entity regularly supervise its activities and the activities of its members, employees and independent contractors to ensure that such Broker-Dealer Entity does not extend or maintain credit to or for its customers other than in accordance with the provisions of Regulation T, except for occasional inadvertent failures to comply with Regulation T in connection with transactions which are not, individually or in the aggregate, material either in number or amount.

(c) Each Broker-Dealer Entity is a member in good standing of the Financial Industry Regulatory Authority ("*FINRA*") or any other self-regulatory body which succeeds to the functions of FINRA.

(d) Each of Company and its Subsidiaries and, to the Knowledge of Company, their respective solicitors, third party administrators, managers, brokers and distributors, have marketed, sold and issued investment products and securities in accordance with all applicable laws governing sales processes and practices in all material respects.

(e) The information contained in the currently effective Forms ADV and BD as filed with the SEC by each Broker-Dealer Entity was complete and accurate in all material respects as of the time of filing thereof.

(f) None of Company nor any of its Subsidiaries is, or provide any investment management or investment advisory or sub-advisory services to any person or entity that is registered as, an investment company under the Investment Company Act of 1940, as amended (the "*Investment Company Act*"). Each of Company and its Subsidiaries is, and has been since January 1, 2009, in compliance with each investment advisory contract to which it is a party. The accounts of each investment advisory client of Company or any of its Subsidiaries subject to ERISA have been managed by Company or its applicable Subsidiary in compliance with the applicable requirements of ERISA.

(g) Each RIA Entity has implemented written policies and procedures as required by applicable law, which have been Previously Disclosed to Purchaser and is, and since January 1, 2008 has been, in compliance in all material respects with such policies and procedures.

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(h) Except as disclosed on Forms ADV or BD filed with the SEC prior to the date of this Agreement, none of Company, any of its Subsidiaries nor to the Knowledge of Company any of their directors, officers, employees, "associated persons" (as defined in the Exchange Act) or "affiliated persons" (as defined in the Investment Company Act) (i) has been the subject of any inquiry, investigation, review or disciplinary proceedings or orders of any Governmental Entity arising under applicable laws which would be required to be disclosed on Forms ADV or BD; *provided* that routine regulatory investigations and examinations and routine customer complaints and arbitration shall not be construed as or deemed to be any inquiry, investigation, review or disciplinary proceedings for the purpose of this sentence, (ii) has been permanently enjoined by the order of any Governmental Entity from engaging or continuing any conduct or practice in connection with any activity or in connection with the purchase or sale of any security, or (iii) is or has been ineligible to serve as an investment adviser under the Investment Advisers Act of 1940, as amended, or as a broker-dealer or an associated person of a broker-dealer under Section 15(b) of the Exchange Act (including being subject to any "statutory disqualification" as defined in Section 3(a)(39) of the Exchange Act) or ineligible to serve in, or subject to any disqualification which would be the basis for any limitation on serving in, any of the capacities specified in Section 9(a) or 9(b) of the Investment Company Act.

3.27 *Community Reinvestment Act Compliance.* Company and each of its Subsidiaries that is an insured depositary institution is in compliance in all material respects with the applicable provisions of the Community Reinvestment Act of 1977 and the regulations promulgated thereunder and has received a Community Reinvestment Act rating of "satisfactory" in its most recently completed exam, and Company has no knowledge of the existence of any fact or circumstance or set of facts or circumstances which would reasonably be expected to result in Company or any such Subsidiary having its current rating lowered.

3.28 *Investment Securities.* Each of Company and its Subsidiaries has good and valid title to all securities held by it (except securities sold under repurchase agreements or held in any fiduciary or agency capacity) free and clear of any Liens, except to the extent such securities are pledged in the ordinary course of business consistent with prudent business practices to secure obligations of Company or any of its Subsidiaries and except for such defects in title or Liens that would not be material to Company and its Subsidiaries. Such securities are valued on the books of Company and its Subsidiaries in accordance with GAAP.

3.29 *Related Party Transactions.* Except for Loans set forth in Section 3.25(g) of the Company Disclosure Schedule, for ordinary course bank deposit, trust and asset management services on arms' length terms, and "compensation" as defined in Item 402 of the SEC's Regulation S-K, there are no transactions or series of related transactions, agreements, arrangements or understandings, nor are there any currently proposed transactions or series of related transactions, between Company or any of its Subsidiaries, on the one hand, and any current or former director or "executive officer" (as defined in Rule 3b-7 under the Exchange Act) of Company or any of its Subsidiaries or any person who beneficially owns (as defined in Rules 13d-3 and 13d-5 of the Exchange Act) 5% or more of the Company Common Stock (or any of such person's immediate family members or Affiliates) (other than Subsidiaries of Company) on the other hand.

3.30 *Labor.* Neither Company nor any of its Subsidiaries is, nor at any time since January 1, 2008 was, a party to or bound by any labor or collective bargaining agreement and there are no organizational campaigns, petitions or other activities or proceedings of any labor union, workers' council or labor organization seeking recognition of a collective bargaining unit with respect to, or otherwise attempting to represent, any of the employees of Company or any of its Subsidiaries or compel Company or any of its Subsidiaries to bargain with any such labor union, works council or labor organization. There are no material labor related controversies, strikes, slowdowns, walkouts or other work stoppages pending or, to the Knowledge of Company, threatened and neither Company nor any

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of its Subsidiaries has experienced any such labor related controversy, strike, slowdown, walkout or other work stoppage since January 1, 2008. Neither Company nor any of its Subsidiaries is a party to, or otherwise bound by, any consent decree with, or citation by, any Governmental Entity relating to employees or employment practices. Each of Company and its Subsidiaries are in material compliance with all applicable laws relating to labor, employment, termination of employment or similar matters, including but not limited to laws relating to discrimination, disability, labor relations, hours of work, payment of wages and overtime wages, pay equity, immigration, workers compensation, working conditions, employee scheduling, occupational safety and health, family and medical leave, and employee terminations, and have not engaged in any material unfair labor practices or similar material prohibited practices. Except as would not result in any material liability to Company or any of its Subsidiaries, there are no complaints, lawsuits, arbitrations, administrative proceedings, or other proceedings of any nature pending or, to the Knowledge of Company, threatened against Company or any of its Subsidiaries brought by or on behalf of any applicant for employment, any current or former employee, any person alleging to be a current or former employee, any class of the foregoing, or any Governmental Entity, relating to any such law or regulation, or alleging breach of any express or implied contract of employment, wrongful termination of employment, or alleging any other discriminatory, wrongful or tortious conduct in connection with the employment relationship. Company has made available to Purchaser prior to the date of this Agreement a copy of all material written policies and procedures related to Company's and its Subsidiaries' employees and a written description of all material unwritten policies and procedures related to Company's and its Subsidiaries' employees.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASER AND MERGER SUB

Except as (i) Previously Disclosed or (ii) disclosed in any report, schedule, form or other document filed with, or furnished to, the SEC by Purchaser prior to the date hereof and on or after the date on which Purchaser filed with the SEC its Annual Report on Form 10-K for its fiscal year ended December 31, 2010 (but disregarding risk factor disclosures contained under the heading "Risk Factors," or disclosure of risks set forth in any "forward-looking statements" disclaimer or any other statements that are similarly non-specific or cautionary, predictive or forward-looking in nature), Purchaser and Merger Sub, jointly and severally, hereby represent and warrant to Company as follows:

4.1 *Corporate Organization.*

(a) Purchaser is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Maryland. Merger Sub is a corporation duly formed, validly existing and in good standing under the laws of the State of Maryland. Each of Purchaser and Merger Sub has the requisite corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and, except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Purchaser, is and will be duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary.

(b) A list of Purchaser's Significant Subsidiaries is included in Purchaser's Annual Report on Form 10-K for its fiscal year ended December 31, 2011. Each Significant Subsidiary of Purchaser (i) is duly incorporated or duly formed, as applicable to each such Significant Subsidiary, and validly existing and in good standing under the laws of its jurisdiction of organization, (ii) has the requisite corporate (or similar) power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted and (iii) except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Purchaser, is duly licensed or qualified to do business in each jurisdiction in which the nature of the business

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conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary. There are no restrictions on the ability of any Subsidiary of Purchaser to pay dividends or distributions to Purchaser, except, in the case of a Subsidiary that is a regulated entity, for restrictions on dividends or distributions generally applicable to all such regulated entities. The copies of the articles of incorporation, bylaws and similar governing documents of each Significant Subsidiary of Purchaser which have been made available to Company are true, complete and correct copies of such documents as in full force and effect as of the date of this Agreement.

4.2 *Capitalization.*

(a) The authorized capital stock of Purchaser consists of (i) 100,000,000 shares of common stock, par value $0.01 per share (the "*Purchaser Common Stock*"), of which, as of May 7, 2012, (the "*Purchaser Capitalization Date*"), 56,362,273 were issued and outstanding, (ii) 10,000,000 shares of special voting stock, par value $0.01 per share ("*Special Voting Stock*"), none of which were issued and outstanding as of the Purchaser Capitalization Date, and (iii) 10,000,000 shares of preferred stock, par value $0.01 per share, of which, as of the Purchaser Capitalization Date, none of which were classified, designated, issued or outstanding as of the Purchaser Capitalization Date. As of the Purchaser Capitalization Date, 1,120,986 shares of Purchaser Common Stock were authorized for issuance upon exercise of options issued pursuant to employee and director stock plans of Purchaser or a Subsidiary of Purchaser in effect as of the date of this Agreement (the "*Purchaser Stock Plans*"). As of the Purchaser Capitalization Date, 6,718,356 shares of Purchaser Common Stock were issuable upon exchange of the 7.5% Senior Exchangeable Notes due 2025 of HTH Operating Partnership LP, a wholly owned limited partnership of Purchaser. All of the issued and outstanding shares of Purchaser Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. As of the date of this Agreement, no Voting Debt of Purchaser is issued or outstanding. As of the Purchaser Capitalization Date, except pursuant to this Agreement, Purchaser does not have and is not bound by any outstanding subscriptions, options, warrants, calls, rights, commitments or agreements of any character calling for the purchase or issuance of any shares of Purchaser Common Stock, Special Voting Stock, Voting Debt of Purchaser or any other equity securities of Purchaser or any securities representing the right to purchase or otherwise receive any shares of Purchaser Common Stock, Special Voting Stock, Purchaser preferred stock, Voting Debt of Purchaser or other equity securities of Purchaser. As of the Purchaser Capitalization Date, there are no contractual obligations of Purchaser or any of its Subsidiaries (i) to repurchase, redeem or otherwise acquire any shares of capital stock of Purchaser or any equity security of Purchaser or its Subsidiaries or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of Purchaser or its Subsidiaries or (ii) pursuant to which Purchaser or any of its Subsidiaries is or could be required to register shares of Purchaser capital stock or other securities under the Securities Act. There are no voting trusts or other agreements or understandings to which Purchaser, any Subsidiary of Purchaser or, to the Knowledge of Purchaser, any of their respective officers or directors, is a party with respect to the voting of any Purchaser Common Stock, Special Voting Stock, Voting Debt or other equity securities of Purchaser. The shares of Purchaser Common Stock to be issued pursuant to the Merger will be duly authorized and validly issued and, at the Effective Time, all such shares will be fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof.

(b) Other than awards under the Purchaser Stock Plans that are outstanding as of the Purchaser Capitalization Date, no other equity-based awards are outstanding as of the Purchaser Capitalization Date. Since the Purchaser Capitalization Date through the date hereof, Purchaser has not (i) issued or repurchased any shares of Purchaser Common Stock, Special Voting Stock,

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Voting Debt or other equity securities of Purchaser, other than in connection with the exercise of Purchaser Stock Options or settlement in accordance with their terms of the Purchaser Stock Plans that were outstanding on the Purchaser Capitalization Date or (ii) issued or awarded any options, stock appreciation rights, restricted shares, restricted stock units, deferred equity units, awards based on the value of Purchaser capital stock or any other equity-based awards. With respect to each grant of options to purchase Purchaser Common Stock, (i) each such grant was made in accordance with the terms of the applicable Purchaser Stock Plan, the Exchange Act and all other applicable Laws and (ii) each such grant was properly accounted for in accordance with GAAP in the financial statements (including the related notes) of Purchaser and disclosed in the Purchaser SEC Reports in accordance with the Exchange Act and all other applicable Laws. All options to purchase Purchaser Common Stock granted by Purchaser or any of its Subsidiaries have been granted with a per share exercise or reference price at least equal to the fair market value of the underlying stock on the date the option or stock appreciation right was granted, within the meaning of Section 409A of the Code and associated Treasury Department guidance. From January 1, 2011 through the date of this Agreement, neither Purchaser nor any of its Subsidiaries has (A) accelerated the vesting of or lapsing of restrictions with respect to any stock-based compensation awards or long-term incentive compensation awards, or (B) with respect to executive officers of Purchaser or its Subsidiaries, entered into or amended any employment, severance, change of control or similar agreement (including any agreement providing for the reimbursement of excise taxes under Section 4999 of the Code).

(c) All of the issued and outstanding shares of capital stock or other equity ownership interests of each Subsidiary of Purchaser are owned by Purchaser, directly or indirectly, free and clear of any material Liens, and all of such shares or equity ownership interests are duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights. No Significant Subsidiary of Purchaser has or is bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of capital stock or any other equity security of such Subsidiary or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of such Subsidiary.

4.3 *Authority; No Violation.*

(a) Each of Purchaser and Merger Sub has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly, validly and unanimously adopted and approved by the Board of Directors of Purchaser and Merger Sub, and the Board of Directors of Purchaser has determined that the Merger, on the terms and conditions set forth in this Agreement, is advisable and in the best interests of Purchaser and its shareholders, and has directed that this Agreement and the transactions contemplated hereby be submitted to Purchaser's shareholders for approval at a duly held meeting of such shareholders and has adopted a resolution to the foregoing effect. Except for the approval of this Agreement and the transactions contemplated hereby (including the issuance of Purchaser Common Stock in connection with the Merger) by the affirmative vote of a majority of all the votes cast on the issuance proposal, provided that a majority of the outstanding shares of Purchaser Common Stock on the record date are cast on the issuance proposal (the "*Purchaser Shareholder Approval*"), no other corporate proceedings on the part of Purchaser are necessary to approve this Agreement or to consummate the transactions contemplated hereby. Neither Purchaser nor any of its Significant Subsidiaries has been charged as an entity with a federal crime relating to financial services by way of an indictment, filing of an information or a criminal complaint. This Agreement has been duly and validly executed and delivered by each of Purchaser and Merger Sub and (assuming due authorization, execution and delivery by Company) constitutes

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the valid and binding obligation of each of Purchaser and Merger Sub, enforceable against each of Purchaser and Merger Sub in accordance with its terms (subject to the Bankruptcy and Equity Exception).

(b) Neither the execution and delivery of this Agreement, nor the consummation by Purchaser and Merger Sub, as applicable, of the transactions contemplated hereby, nor compliance with any of the terms or provisions of this Agreement, will (i) violate any provision of the certificate of incorporation or bylaws of Purchaser or Merger Sub, or (ii) assuming that the consents, approvals and filings referred to in Section 4.4 are duly obtained and/or made, (A) violate any Law applicable to Purchaser, any of its Subsidiaries or any of their respective properties or assets or (B) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event that, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon any of the respective properties or assets of Purchaser or any of its Subsidiaries under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, franchise, permit, agreement, by-law or other instrument or obligation to which Purchaser or any of its Subsidiaries is a party or by which any of them or any of their respective properties or assets is bound except, with respect to clause (ii), for any such violation, conflict, breach, default, termination, cancellation, acceleration or creation as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Purchaser.

4.4 *Consents and Approvals.* Except for (i) the Regulatory Approvals, (ii) the filing with the SEC of the Joint Proxy Statement and the filing and declaration of effectiveness of the Form S-4 and the filing and effectiveness of the registration statement contemplated by Section 6.1(b), (iii) the filing of the Texas Certificate of Merger pursuant to the TBOC and the Maryland Articles of Merger with the SDAT, (iv) any consents, authorizations, approvals, filings or exemptions in connection with compliance with the rules and regulations of any applicable SRO, and the rules of the NYSE, (v) any notices or filings under the HSR Act, and (vi) such filings and approvals as are required to be made or obtained under the securities or "blue sky" laws of various states in connection with the issuance of the shares of Purchaser Common Stock pursuant to this Agreement and approval of listing of such Purchaser Common Stock on the NYSE, no consents or approvals of or filings or registrations with any Governmental Entity are necessary in connection with the consummation by Purchaser of the Merger and the other transactions contemplated by this Agreement. No consents or approvals of or filings or registrations with any Governmental Entity are necessary in connection with the execution and delivery by Purchaser or Merger Sub of this Agreement.

4.5 *Reports.*

(a) Purchaser and each of its Subsidiaries have timely filed all reports, registration statements, proxy statements and other materials, together with any amendments required to be made with respect thereto, that they were required to file since December 31, 2008 with the Regulatory Agencies and each other applicable Governmental Entity, and all other reports and statements required to be filed by them since December 31, 2009, including any report or statement required to be filed pursuant to the laws, rules or regulations of the United States, any state, any foreign entity, or any Regulatory Agency or other Governmental Entity, and have paid all fees and assessments due and payable in connection therewith.

(b) An accurate and complete copy of each final registration statement, prospectus, report, schedule and definitive proxy statement filed with or furnished to the SEC by Purchaser pursuant to the Securities Act or the Exchange Act since December 31, 2008 and prior to the date of this Agreement (the "*Purchaser SEC Reports*") is publicly available. No such Purchaser SEC Report, at the time filed, furnished or communicated (and, in the case of registration statements and proxy

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statements, on the dates of effectiveness and the dates of the relevant meetings, respectively), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances in which they were made, not misleading, except that information filed as of a later date (but before the date of this Agreement) shall be deemed to modify information as of an earlier date. As of their respective dates, all Purchaser SEC Reports complied as to form in all material respects with the published rules and regulations of the SEC with respect thereto. As of the date of this Agreement, no executive officer of Purchaser has failed in any respect to make the certifications required of him or her under Section 302 or 906 of the Sarbanes-Oxley Act. As of the date hereof, there are no outstanding comments from or unresolved issues raised by the SEC with respect to any of the Purchaser SEC Reports. None of Purchaser's Subsidiaries is required to file periodic reports with the SEC pursuant to Section 13 or 15(d) of the Exchange Act (other than Form 13F).

4.6 *Financial Statements.*

(a) The financial statements of Purchaser and its Subsidiaries included (or incorporated by reference) in the Purchaser SEC Reports (including the related notes, where applicable) (i) have been prepared from, and are in accordance with, the books and records of Purchaser and its Subsidiaries; (ii) fairly present in all material respects the consolidated results of operations, cash flows, changes in shareholders' equity and consolidated financial position of Purchaser and its Subsidiaries for the respective fiscal periods or as of the respective dates therein set forth (subject in the case of unaudited statements to recurring year-end audit adjustments normal in nature and amount); (iii) complied as to form, as of their respective dates of filing with the SEC, in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto; and (iv) have been prepared in accordance with GAAP consistently applied during the periods involved, except, in each case, as indicated in such statements or in the notes thereto. As of the date hereof, the books and records of Purchaser and its Subsidiaries have been maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements and reflect only actual transactions. PricewaterhouseCoopers LLP has not resigned (or informed Purchaser that indicated it intends to resign) or been dismissed as independent public accountants of Purchaser as a result of or in connection with any disagreements with Purchaser on a matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

(b) Neither Purchaser nor any of its Subsidiaries has incurred any material liability or obligation of any nature whatsoever (whether absolute, accrued, contingent, determined, determinable or otherwise and whether due or to become due), except for (i) those liabilities that are reflected or reserved against on the consolidated balance sheet of Purchaser included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (including any notes thereto), (ii) liabilities incurred in the ordinary course of business consistent with past practice since December 31, 2011 which have either been Previously Disclosed or would not have, individually or in the aggregate, be material to the operation of Purchaser and its Subsidiaries, taken as a whole or (iii) in connection with this Agreement and the transactions contemplated hereby.

4.7 *Broker's Fees.* Neither Purchaser nor any of its Subsidiaries nor any of their respective officers or directors have employed any broker or finder or incurred any liability for any broker's fees, commissions or finder's fees in connection with the Merger or related transactions contemplated by this Agreement, other than to Stephens Inc., and other than as previously disclosed to Company.

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4.8 *Absence of Changes.* Since December 31, 2011, no event or events have occurred that have had or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on Purchaser.

4.9 *Compliance with Applicable Law.*

(a) Purchaser and each of its Subsidiaries hold, and have at all times since December 31, 2008 held, all licenses, franchises, permits and authorizations which are necessary for the lawful conduct of their respective businesses and ownership of their respective properties, rights and assets under and pursuant to applicable Law (and have paid all fees and assessments due and payable in connection therewith), except where the failure to hold such license, franchise, permit or authorization or to pay such fees or assessments would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Purchaser and, to the Knowledge of Purchaser, no suspension or cancellation of any such necessary license, franchise, permit or authorization is threatened in writing. Purchaser and each of its Subsidiaries have complied in all material respects with, and are not in default or violation in any material respect of any, applicable Law relating to Purchaser or any of its Subsidiaries.

(b) Except as Previously Disclosed, neither Purchaser nor any of its Subsidiaries is subject to any Regulatory Agreement. Purchaser and each of its Subsidiaries are in compliance in all material respects with each Regulatory Agreement to which it is party or subject, and neither Purchaser nor any of its Subsidiaries has received any notice from any Governmental Entity indicating that either Purchaser or any of its Subsidiaries is not in compliance in all material respects with any such Regulatory Agreement.

(c) Neither Purchaser nor any of its Subsidiaries, nor, to the Knowledge of Purchaser, any of their respective directors, officers, agents, employees or any other persons acting on their behalf, (i) has violated the Foreign Corrupt Practices Act, 15 U.S.C. § 78dd-1 et seq., as amended, or any other similar applicable foreign, federal or state legal requirement, (ii) has made or provided, or caused to be made or provided, directly or indirectly, any payment or thing of value to a foreign official, foreign political party, candidate for office or any other person while knowing or having a reasonable belief that the person will pay or offer to pay the foreign official, party or candidate, for the purpose of influencing a decision, inducing an official to violate their lawful duty, securing an improper advantage, or inducing a foreign official to use their influence to affect a governmental decision, (iii) has paid, accepted or received any unlawful contributions, payments, expenditures or gifts, (iv) has violated or operated in noncompliance with any export restrictions, money laundering law, anti-terrorism law or regulation, anti-boycott regulations or embargo regulations, or (v) is currently subject to any United States sanctions administered by the Office of Foreign Assets Control of the United States Treasury Department.

4.10 *Employee Benefit Plans.*

(a) Section 4.10(a) of the Purchaser Disclosure Schedule sets forth a true, complete and correct list of each material employee benefit plan, program, policy, practice, or other arrangement providing benefits to any current or former employee, officer or director of Purchaser or any of its Subsidiaries or any beneficiary or dependent thereof that is sponsored or maintained by Purchaser or any of its Subsidiaries or to which Purchaser or any of its Subsidiaries contributes or is obligated to contribute, whether or not written, including without limitation any employee welfare benefit plan within the meaning of Section 3(1) of ERISA, any employee pension benefit plan within the meaning of Section 3(2) of ERISA (whether or not such plan is subject to ERISA) and any equity purchase plan, option, equity bonus, phantom equity or other equity plan, profit sharing, bonus, retirement (including compensation, pension, health, medical or life insurance benefits), deferred compensation, excess benefit, incentive compensation, severance, change in control or termination pay, hospitalization or other medical or dental, life or other insurance

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(including any self-insured arrangements), supplemental unemployment, salary continuation, sick leave or other leave of absence benefits, short- or long-term disability, or vacation benefits plan or any other agreement or policy or other arrangement providing employee benefits, employment-related compensation, fringe benefits or other benefits (whether qualified or nonqualified, funded or unfunded) (whether or not listed in Section 4.10(a) of the Company Disclosure Schedule) (each, a "*Purchaser Benefit Plan*").

(b) Following the date hereof, Purchaser shall provide or make available to Company true and complete copies of the Purchaser Benefit Plans and related plan documents as may be reasonably requested by Company. There are no material amendments to any Purchaser Benefit Plan that have been adopted or approved nor has Purchaser or any of its Subsidiaries undertaken to make any such amendments or to adopt or approve any new Purchaser Benefit Plan. No Purchaser Benefit Plan is maintained outside the jurisdiction of the United States, or covers any employee residing or working outside of the United States.

(c) (i) Each of the Purchaser Benefit Plans has been operated and administered in all material respects with applicable law, including ERISA, the Code, (ii) each of the Purchaser Benefit Plans has been administered in all material respects in accordance with its terms; (iii) each of the Purchaser Benefit Plans intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination, opinion, notification or advisory letter from the IRS with respect to each such Purchaser Benefit Plan as to its qualified status under the Code, any such letter has not been revoked (nor has revocation been threatened) and no fact or event has occurred since the date of such letter or letters from the IRS that could reasonably be expected to adversely affect the qualified status of any such Purchaser Benefit Plan or the exempt status of any such trust; (iv) no Purchaser Benefit Plan is subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code; (v) no liability under Title IV of ERISA has been incurred by Purchaser, its Subsidiaries or any of their respective ERISA Affiliates that has not been satisfied in full, and no condition exists that presents a material risk to Purchaser, its Subsidiaries or any of their respective ERISA Affiliates of incurring a liability thereunder; (vi) no Purchaser Benefit Plan is a "multiemployer pension plan" (as such term is defined in Section 3(37) of ERISA) or a plan that has two or more contributing sponsors at least two of whom are not under common control, within the meaning of Section 4063 of ERISA; (vii) neither Purchaser nor its Subsidiaries has engaged in a transaction in connection with which the Purchaser or its Subsidiaries reasonably could be subject to either a material civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a material tax imposed pursuant to Section 4975 or 4976 of the Code; and (viii) there are no pending, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any of the Purchaser Benefit Plans or any trusts related thereto which could reasonably be expected to result in any material liability of Purchaser or any of its Subsidiaries.

(d) All contributions required to be made to any Purchaser Benefit Plan by applicable law or regulation or by any plan document or other contractual undertaking, and all premiums due or payable with respect to insurance policies funding any Purchaser Benefit Plan, for any period through the date hereof have been timely made or paid in full or, to the extent not required to be made or paid on or before the date hereof, have been fully reflected on the financial statements. Each Purchaser Benefit Plan that is an employee welfare benefit plan under Section 3(1) of ERISA is either (i) funded through an insurance company contract and is not a "welfare benefit fund" with the meaning of Section 419 of the Code or (ii) unfunded.

(e) There does not now exist, nor do any circumstances exist that could result in, any Controlled Group Liability that would be a liability of Purchaser or any of its ERISA Affiliates following the Closing. Without limiting the generality of the foregoing, neither Purchaser nor any of its ERISA Affiliates, has engaged in any transaction described in Section 4069 or Section 4204 or 4212 of ERISA.

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(f) None of Purchaser and its Subsidiaries have any liability for life, health, medical or other welfare benefits to former employees or beneficiaries or dependents thereof, except for health continuation coverage as required by Section 4980B of the Code or Part 6 of Title I of ERISA and at no expense to Purchaser and its Subsidiaries. Purchaser and each of its Subsidiaries has reserved the right to amend, terminate or modify at any time all plans or arrangements providing for post-retirement welfare benefits.

(g) Each Purchaser Benefit Plan that is or was a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code and associated Treasury Department guidance has (i) been operated between January 1, 2005 and December 31, 2008, in good faith compliance with Section 409A of the Code and Notice 2005-01 and (ii) since January 1, 2009 (or such later date permitted under applicable guidance), been operated in compliance with, and is in documentary compliance with, in all respects, Section 409A of the Code and IRS regulations and guidance thereunder. No compensation payable by Purchaser or any of its Subsidiaries has been reportable as nonqualified deferred compensation in the gross income of any individual or entity, and subject to an additional tax, as a result of the operation of Section 409A of the Code and no arrangement exists with respect to a nonqualified deferred compensation plan that would result in income inclusion under Section 409A(b) of the Code.

4.11 *Approvals.* As of the date of this Agreement, Purchaser knows of no reason why all regulatory approvals from any Governmental Entity required for the consummation of the transactions contemplated by this Agreement should not be obtained on a timely basis.

4.12 *Purchaser Information.* The information relating to Purchaser and its Subsidiaries that is provided by Purchaser or its representatives for inclusion in the Joint Proxy Statement and the Form S-4, or in any application, notification or other document filed with any other Regulatory Agency or other Governmental Entity in connection with the transactions contemplated by this Agreement, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading. The portions of the Joint Proxy Statement relating to Purchaser and its Subsidiaries and other portions within the reasonable control of Purchaser and its Subsidiaries will comply in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder. The Form S-4 will comply in all material respects with the provisions of the Securities Act and the rules and regulations thereunder.

4.13 *Legal Proceedings.*

(a) There is no suit, action, investigation, claim, proceeding or review pending, or to the Knowledge of Purchaser, threatened against or affecting it or any of its Subsidiaries or any of the current or former directors or executive officers of it or any of its Subsidiaries (and it is not aware of any basis for any such suit, action or proceeding) (i) that involves a Governmental Entity, or (ii) that, individually or in the aggregate, and, in either case, is (A) material to it and its Subsidiaries, taken as a whole, or is reasonably likely to result in a material restriction on its or any of its Subsidiaries' businesses or, after the Effective Time, the business of Purchaser, Surviving Company or any of their affiliates, or (B) reasonably likely to materially prevent or delay it from performing its obligations under, or consummating the transactions contemplated by, this Agreement. There is no material injunction, order, award, judgment, settlement, decree or regulatory restriction imposed upon or entered into by Purchaser, any of its Subsidiaries or the assets of it or any of its Subsidiaries.

(b) Since December 31, 2008, (i) there have been no subpoenas, written demands, or document requests received by Purchaser or any of its Subsidiaries from any Governmental Entity, except such as are received by Purchaser or any of its Subsidiaries in the ordinary course of business or as are not, individually or in the aggregate, material to Purchaser and its Subsidiaries

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taken as a whole, and (ii) no Governmental Entity has requested that Purchaser or any of its Subsidiaries enter into a settlement negotiation or tolling agreement with respect to any matter related to any such subpoena, written demand, or document request.

4.14 *Material Contracts.*

(a) Except for those agreements and other documents filed as exhibits or incorporated by reference to Purchaser's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 or filed or incorporated in any of its other SEC Filings filed since March 9, 2012 and prior to the date hereof or as Previously Disclosed, neither Purchaser nor any of its Subsidiaries is a party to, bound by or subject to any agreement, contract, arrangement, commitment or understanding (whether written or oral): (i) that is a "material contract" within the meaning of Item 601(b)(10) of the SEC's Regulation S-K; (ii) to which any affiliate, officer, director, employee or consultant of such party or any of its Subsidiaries is a party or beneficiary (except with respect to loans to, or deposit or asset management accounts of, directors, officers and employees entered into in the ordinary course of business and in accordance with all applicable regulatory requirements with respect to it); or (iii) that is otherwise material to it or its financial condition or results of operations. Purchaser has Previously Disclosed or made available to Company prior to the date hereof true, correct and complete copies of each such contract.

(b) (i) Each contract identified in Section 4.14(a) is a valid and legally binding agreement of Purchaser or one of its Subsidiaries, as applicable, and, to the Knowledge of Purchaser, the counterparty or counterparties thereto, is enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception) and is in full force and effect, (ii) Purchaser and each of its Subsidiaries has duly performed all material obligations required to be performed by it prior to the date hereof under each such contract, (iii) neither Purchaser nor any of its Subsidiaries, and, to the Knowledge of Purchaser, any counterparty or counterparties, is in breach of any provision of any such contract, and (iv) no event or condition exists that constitutes, after notice or lapse of time or both, will constitute, a breach, violation or default on the part of Purchaser or any of its Subsidiaries under any such contract or provide any party thereto with the right to terminate such contract.

4.15 *Environmental Matters.* Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Purchaser, (a) Purchaser and its Subsidiaries are in compliance, and for the preceding three years have complied, with Environmental Laws; (b) there are no proceedings, claims, actions, or, to the Knowledge of Purchaser, investigations of any kind, pending, or threatened in writing, by any person, court, agency, or other Governmental Entity or any arbitral body, against Purchaser or its Subsidiaries relating to liability under any Environmental Law and, to the Knowledge of Purchaser, there is no such proceeding, claim, action or investigation threatened in writing; (c) there are no agreements, orders, judgments or decrees by or with any court, regulatory agency or other Governmental Entity, that impose any liabilities or obligations under or in respect of any Environmental Law; and (d) to the Knowledge of Purchaser, there are, and have been, no releases of hazardous substances or other environmental conditions at any property (currently or formerly owned, operated, or otherwise used by Purchaser or any of its Subsidiaries) under circumstances which could reasonably be expected to result in liability to or claims against Purchaser or its Subsidiaries relating to any Environmental Law. Notwithstanding any other representation or warranty in this Article IV, the representations and warranties in this Section 4.15 constitute the sole representations and warranties of Purchaser relating to any Environmental Law.

4.16 *Taxes.* Purchaser and each of its Subsidiaries (i) have prepared in good faith and duly and timely filed (taking into account any extension of time within which to file) all material Tax Returns required to be filed by any of them and all such filed Tax Returns are complete and accurate in all material respects; and (ii) have paid all material Taxes that are required to be paid or that Purchaser or

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any of its Subsidiaries are obligated to withhold from amounts owing to any employee, creditor or third party, except with respect to matters contested in good faith and for which adequate reserves have been established and reflected on the financial statements of Purchaser. None of the material Tax Returns or material matters, in each case pertaining to (i) income Taxes of Purchaser or any of its Subsidiaries or (ii) state franchise taxes imposed with reference to the income, net income, assets, or capital stock of Purchaser or any of its Subsidiaries are currently under any audit, suit, proceeding, examination or assessment by the IRS or the relevant state, local or foreign Tax authority and neither Purchaser nor any of its Subsidiaries has received written notice from any Tax authority that an audit, suit, proceeding, examination or assessment in respect of such Tax Returns or matters pertaining to Taxes are pending or threatened. No material deficiencies have been asserted or assessments made against Purchaser or any of its Subsidiaries that has not been paid or resolved in full. No material claim has been made against Purchaser or any of its Subsidiaries by any Tax authorities in a jurisdiction where Purchaser or its Subsidiaries does not file Tax Returns that Purchaser or its Subsidiaries is or may be subject to taxation by that jurisdiction. No material liens for Taxes exist with respect to any of the assets of Purchaser or any of its Subsidiaries, except for liens for Taxes not yet due and payable. Neither Purchaser nor any of its Subsidiaries has entered into any material closing agreements, private letter rulings, technical advice memoranda or similar agreement or rulings with any Tax authority, nor have any been issued by any Tax authority, in each case that have any continuing effect. Neither Purchaser nor any of its Subsidiaries (A) have ever been a member of an affiliated, combined, consolidated or unitary Tax group for purposes of filing any Tax Return, other than, for purposes of filing affiliated, combined, consolidated or unitary Tax Returns, a group of which Purchaser was the common parent, (B) has any liability for a material amount of Taxes of any person under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), or (C) is a party to or bound by any Tax sharing or allocation agreement or has any other current or potential contractual obligation to indemnify any other person with respect to Taxes. Neither Purchaser nor any of its Subsidiaries has participated in any "listed transactions" within the meaning of Treasury Regulations Section 1.6011-4(b). Purchaser has made available to Company true and correct copies of the United States federal income Tax Returns filed by Purchaser and its Subsidiaries for each of the fiscal years ended December 31, 2008, 2009 and 2010. None of Purchaser or its Subsidiaries has been a "distributing corporation" or "controlled corporation" in any distribution occurring during the last 30 months that was purported or intended to be governed by Section 355 of the Code (or any similar provision of state, local or foreign law).

4.17 *Reorganization.* Purchaser has not taken or agreed to take any action, and is not aware of any fact or circumstance, that would prevent or impede, or could reasonably be expected to prevent or impede, the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

4.18 *Properties.* Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Purchaser, Purchaser or one of its Subsidiaries (a) has good and insurable title to all the properties and assets reflected in the latest audited balance sheet included in such Purchaser SEC Reports as being owned by Purchaser or one of its Subsidiaries or acquired after the date thereof (except properties sold or otherwise disposed of since the date thereof in the ordinary course of business) (the "*Purchaser Owned Properties*"), free and clear of all Liens of any nature whatsoever, except Permitted Encumbrances, and (b) is the lessee of all leasehold estates reflected in the latest audited financial statements included in such Purchaser SEC Reports or acquired after the date thereof (except for leases that have expired by their terms since the date thereof) (the "*Purchaser Leased Properties*" and, collectively with the Purchaser Owned Properties, the "*Purchaser Real Property*"), free and clear of all Liens of any nature whatsoever, except for Permitted Encumbrances, and is in possession of the properties purported to be leased thereunder, and each such lease is valid without default thereunder by the lessee or, to the Knowledge of Purchaser, the lessor. There are no pending or, to the Knowledge of Purchaser, threatened (in writing) condemnation proceedings against the Purchaser Real Property.

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4.19 *Insurance.* Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Purchaser, (a) Purchaser and its Subsidiaries are insured with reputable insurers against such risks and in such amounts as the management of Purchaser reasonably has determined to be prudent and consistent with industry practice. Purchaser and its Subsidiaries are in compliance in all material respects with their insurance policies and are not in default under any of the terms thereof, (b) each such policy is outstanding and in full force and effect and, except for policies insuring against potential liabilities of officers, directors and employees of Purchaser and its Subsidiaries, Purchaser or the relevant Subsidiary thereof is the sole beneficiary of such policies, and (c) all premiums and other payments due under any such policy have been paid, and all claims thereunder have been filed in due and timely fashion.

4.20 *Accounting and Internal Controls.*

(a) The records, systems, controls, data and information of Purchaser and its Subsidiaries are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of Purchaser or its Subsidiaries or accountants (including all means of access thereto and therefrom). Purchaser and its Subsidiaries have devised and maintain a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Purchaser has designed and implemented disclosure controls and procedures (within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act) to ensure that material information relating to Purchaser and its Subsidiaries is made known to its management by others within those entities as appropriate to allow timely decisions regarding required disclosure and to make the certifications required by the Exchange Act and Sections 302 and 906 of the Sarbanes-Oxley Act.

(b) Purchaser's management has completed an assessment of the effectiveness of its internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act for the year ended December 31, 2011, and such assessment concluded that such controls were effective. Purchaser has Previously Disclosed, based on its most recent evaluation prior to the date hereof, to its auditors and the audit committee of its board of directors: (A) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in its internal controls over financial reporting.

(c) Since January 1, 2009, (A) neither Purchaser nor any of its Subsidiaries nor, to the Knowledge of Purchaser, any director, officer, auditor, accountant or representative of it or any of its Subsidiaries has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or written claim regarding the accounting or auditing practices, procedures, methodologies or methods (including with respect to loan loss reserves, write-downs, charge-offs and accruals) of Purchaser or any of its Subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or written claim that Purchaser or any of its Subsidiaries has engaged in questionable accounting or auditing practices, and (B) no attorney representing Purchaser or any of its Subsidiaries, whether or not employed by it or any of its Subsidiaries, has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by it or any of its officers or directors to its board of directors or any committee thereof or to any of its directors or officers.

4.21 *Derivatives.* Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Purchaser, all Derivative Contracts, whether entered into for its own account, or for the account of one or more of its Subsidiaries or their respective customers, were entered into (i) in accordance with prudent business practices and all applicable laws, rules, regulations

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and regulatory policies and (ii) with counterparties believed to be financially responsible at the time; and each Derivative Contract constitutes the valid and legally binding obligation of it or one of its Subsidiaries, as the case may be, enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception), and are in full force and effect. Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Purchaser, neither Purchaser nor its Subsidiaries, nor to the Knowledge of Purchaser any other party thereto, is in breach of any of its obligations under any Derivative Contract. The financial position of it and its Subsidiaries on a consolidated basis under or with respect to each such Derivative Contracts has been reflected in its books and records and the books and records of such Subsidiaries, in each case in accordance with GAAP consistently applied.

4.22 *Related Party Transactions.* There are no transactions or series of related transactions, agreements, arrangements or understandings, nor are there any currently proposed transactions or series of related transactions, between Purchaser or any of its Subsidiaries, on the one hand, and any current or former director or executive officer of Purchaser or any of its Subsidiaries or any person who beneficially owns (as defined in Rules 13d-3 and 13d-5 of the Exchange Act) 5% or more of the Purchaser Common Stock (or any of such person's immediate family members or Affiliates) (other than Subsidiaries of Purchaser) on the other hand.

4.23 *Labor.* Neither Purchaser nor any of its Subsidiaries is, nor at any time since January 1, 2008 was, a party to or bound by any labor or collective bargaining agreement and there are no organizational campaigns, petitions or other activities or proceedings of any labor union, workers' council or labor organization seeking recognition of a collective bargaining unit with respect to, or otherwise attempting to represent, any of the employees of Purchaser or any of its Subsidiaries or compel Purchaser or any of its Subsidiaries to bargain with any such labor union, works council or labor organization. There are no material labor related controversies, strikes, slowdowns, walkouts or other work stoppages pending or, to the Knowledge of Purchaser, threatened and neither Purchaser nor any of its Subsidiaries has experienced any such labor related controversy, strike, slowdown, walkout or other work stoppage since January 1, 2008. Neither Purchaser nor any of its Subsidiaries is a party to, or otherwise bound by, any consent decree with, or citation by, any Governmental Entity relating to employees or employment practices. Each of Purchaser and its Subsidiaries are in substantial compliance with all applicable laws relating to labor, employment, termination of employment or similar matters, including but not limited to laws relating to discrimination, disability, labor relations, hours of work, payment of wages and overtime wages, pay equity, immigration, workers compensation, working conditions, employee scheduling, occupational safety and health, family and medical leave, and employee terminations, and have not engaged in any material unfair labor practices or similar material prohibited practices. Except as would not result in any material liability to Purchaser or any of its Subsidiaries, there are no complaints, lawsuits, arbitrations, administrative proceedings, or other proceedings of any nature pending or, to the Knowledge of Purchaser, threatened against Purchaser or any of its Subsidiaries brought by or on behalf of any applicant for employment, any current or former employee, any person alleging to be a current or former employee, any class of the foregoing, or any Governmental Entity, relating to any such law or regulation, or alleging breach of any express or implied contract of employment, wrongful termination of employment, or alleging any other discriminatory, wrongful or tortious conduct in connection with the employment relationship. Purchaser has made available to Company prior to the date of this Agreement a copy of all material written policies and procedures related to Purchaser's and its Subsidiaries' employees and a written description of all material unwritten policies and procedures related to Purchaser's and its Subsidiaries' employees.

4.24 *Purchaser Insurance Companies.*

(a) As used herein, the term "*Statutory Statements*" means the statutory financial statements of each of American Summit Insurance Company and National Lloyds Insurance Corporation (each, a "*Purchaser Insurance Company*") as filed with the insurance regulatory authority of the

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Purchaser Insurance Company's jurisdiction of domicile (the "*Domiciliary Jurisdiction*"). The Statutory Statements (i) were prepared in accordance with the accounting practices and procedures required, permitted or then in effect by the Domiciliary Jurisdiction, applied on a consistent basis during the period presented ("*SAP*"), (ii) present fairly in all material respects the statutory financial position of each Purchaser Insurance Company at the respective dates thereof and the statutory results of operations, capital and surplus and cash flows of each Purchaser Insurance Company for the respective periods then ended, (iii) comply in all material respects with all applicable Laws when filed, and no deficiency has been asserted with respect to any Statutory Statement by any state insurance department or other Governmental Entity, and (iv) were filed with or submitted to the Domiciliary Jurisdiction, in each case, in a timely manner on forms prescribed or permitted by the Domiciliary Jurisdiction. No material deficiency exists that has not otherwise been cured or satisfied which has been asserted by any state insurance department or other Governmental Entity with respect to any of annual Statutory Statement or quarterly Statutory Statement. All assets that are reflected as admitted assets on the Statutory Statements, to the extent applicable, comply in all material respects with all Laws applicable to admitted assets and are in an amount at least equal to the minimum amounts required by applicable insurance Laws. Since the year ended December 31, 2008, the annual balance sheets, statements of income, changes in financial position and cash flow included in the Statutory Statements have been audited by PricewaterhouseCoopers LLP. Complete and correct copies of all financial examination reports, market conduct reports and other examination reports of state insurance departments issued on years ending on or after December 31, 2008 have been provided to Company prior to the date of this Agreement.

(b) The Purchaser Insurance Companies do not conduct any business nor underwrite insurance or reinsurance in any alien jurisdiction that requires any license or approval for such business to be conducted. No insurance regulator in any state has notified a Purchaser Insurance Company that it is commercially domiciled in any jurisdiction, and there are no facts that would result in a Purchaser Insurance Company being commercially domiciled in any state.

(c) (i) All policy forms issued by the Purchaser Insurance Companies, and all policies, binders, slips, certificates and participation agreements and other agreements of insurance, whether individual or group, in effect as of the date hereof (including all applications, supplements, endorsements, riders and ancillary agreements in connection therewith) and all amendments, applications, brochures, illustrations and certificates pertaining thereto, and any and all marketing materials, are, to the extent required under applicable Law, on forms approved by applicable insurance regulatory authorities or which have, where required by applicable Law, been approved by any applicable state insurance department or other Governmental Entities or filed with and not objected to (or such objection has been withdrawn or resolved) by such state insurance department or other Governmental Entities within the period provided by applicable Law for objection, and all such forms comply in all material respects with, and have been administered in all material respects in accordance with, applicable Law, and (ii) all premium rates established by the Purchaser Insurance Companies that are required to be filed with or approved by any state insurance department or other Governmental Entities have been so filed or approved, the premiums charged conform to the premium rating plans and underwriting methodologies so filed or approved and comply (or complied at the relevant time) in all material respects with all applicable anti-discrimination laws, federal or state, and all applicable insurance Laws.

(d) Without limiting the generality of Section 4.9, each Purchaser Insurance Company is, where required, (i) duly licensed or authorized as an insurance company or reinsurer in the Domiciliary Jurisdiction, and (ii) except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Purchaser, duly licensed or authorized as an insurance company and, where applicable, a reinsurer, in each other jurisdiction where it is

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required to be so licensed or authorized. Each Purchaser Insurance Company and its affiliates have made all required notices, submissions, reports or other filings under applicable insurance holding company statutes, and all contracts, agreements, arrangements and transactions in effect between such Purchaser Insurance Company and any affiliate are in material compliance with the requirements of all applicable insurance holding company statutes. Each Purchaser Insurance Company has marketed, administered, sold and issued insurance products in compliance with all applicable Laws in all material respects, including without limitation (i) all applicable prohibitions against withdrawal of business lines and "redlining," (ii) all applicable requirements relating to the disclosure of the nature of insurance products and policies, (iii) all applicable requirements relating to insurance product projections and illustrations, (iv) suitability requirements and (v) all applicable requirements relating to the advertising, sales and marketing of insurance products (including licensing and appointments). No proceeding or customer complaint has been filed with the insurance regulatory authorities which could reasonably be expected to lead to the revocation, failure to renew, limitation, suspension or restriction of any such license or authorization.

(e) Neither Purchaser Insurance Company nor any of their affiliates have engaged in, or colluded with or assisted any other persons with, the paying of contingent commissions to steer business to them or colluded with brokers or agents to "rig bids" or submit false quotes to customers.

(f) There are no unpaid claims and assessments against the Purchaser Insurance Companies, whether or not due, by any state insurance guaranty association (in connection with that association's fund relating to insolvent insurers), joint underwriting association, residual market facility or assigned risk pool. No such claim or assessment is pending, the Purchaser Insurance Companies have not received notice of any such claim or assessment, and, to the Knowledge of Purchaser, there is no basis for the assertion of any such claim or assessment against the Purchaser Insurance Companies by any state insurance guaranty association, joint underwriting association, residual market facility or assigned risk pool.

(g) Purchaser has provided Company with a list of any investment assets (whether or not required by GAAP or SAP to be reflected on a balance sheet), including, without limitation, bonds, notes, debentures, mortgage loans, real estate, collateral loans, derivatives and all other instruments of indebtedness, stocks, partnership or joint venture interests and all other equity interests, certificates issued by or interests in trusts, derivatives and all other assets acquired for investment purposes that are beneficially owned by the Purchaser Insurance Companies as of March 31, 2012 (such investment assets, together with all investment assets acquired by the Purchaser Insurance Companies between March 31, 2012 and the Closing Date are referred to herein as the "*Investment Assets*"). Each Purchaser Insurance Company has good and marketable title to all of the Investment Assets it purports to own, free and clear of all encumbrances. None of the Investment Assets is in default in the payment of principal or interest or dividends and, to the Knowledge of Purchaser, there has occurred no event which (whether with notice or lapse of time or both) will result in a default under, or cause the permanent impairment of, any of the Investment Assets. All of the Investment Assets comply with, and the acquisition thereof complied with, any and all investment restrictions under applicable Law in all material respects.

(h) (i) Purchaser has provided Company a complete and correct list of all reinsurance, coinsurance or retrocession treaties, agreements, slips, binders, cover notes or other arrangements of any kind (each, a "*Reinsurance Agreement*") in effect as of the date of this Agreement to which each Purchaser Insurance Company is a party as a cedent and any terminated or expired treaty or agreement under which there remains any outstanding liability.

(ii) Each Reinsurance Agreement is a valid and legally binding agreement of the applicable Purchaser Insurance Company, and, to the Knowledge of Purchaser, the

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counterparty or counterparties thereto, is enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception) and is in full force and effect. The applicable Purchaser Insurance Company has duly performed all material obligations required to be performed by it prior to the date hereof under each such Reinsurance Agreement. Neither Purchaser Insurance Company nor, to the Knowledge of Purchaser, any counterparty or counterparties, is in breach of any provision of any such Reinsurance Agreement. No event or condition exists that constitutes, after notice or lapse of time or both, will constitute, a breach, violation or default on the part of a Purchaser Insurance Company under any such Reinsurance Agreement or provide any party thereto with the right to terminate such contract. Since January 1, 2011, (A) the Purchaser Insurance Companies have not received any notice from any applicable reinsurer that any amount of reinsurance ceded by a Purchaser Insurance Company will be uncollectible or otherwise defaulted upon, (B) to the Knowledge of Purchaser, none of the reinsurers of the Purchaser Insurance Companies is insolvent or the subject of a rehabilitation, liquidation, conservatorship, receivership, bankruptcy or similar proceeding, (C) to the Knowledge of Purchaser, the financial condition of any such reinsurer is not impaired to the extent that a default thereunder is reasonably anticipated, (D) no notice of intended cancellation has been received by the Purchaser Insurance Companies from any such reinsurer, (E) there are no disputes under any Reinsurance Agreement and (F) each Purchaser Insurance Company is entitled under the law of the Domiciliary Jurisdiction to take full credit in its Statutory Statements for all amounts recoverable by it pursuant to any Reinsurance Agreement, and all such amounts recoverable have been properly recorded in its books and records of account and are properly reflected in its Statutory Statements. No such Reinsurance Agreement contains any provision providing that any such party thereto (other than a Purchaser Insurance Company) may terminate, cancel, or commute the same by reason of the consummation of the Merger.

(iii) With respect to any such Reinsurance Agreement for which a Purchaser Insurance Company is taking credit on its most recent statutory financial statements or has taken credit on any Statutory Statements from and after January 1, 2011, (A) there has been no separate written or oral agreements between the Company and the assuming reinsurer that would under any circumstances reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under any such Reinsurance Agreement, other than inuring contracts that are explicitly defined in any such Reinsurance Agreement, (B) for each such Reinsurance Agreement entered into, renewed, or amended on or after January 1, 2011, for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by SSAP No. 62, is available for review by the state insurance department of the Domiciliary Jurisdiction of such Purchaser Insurance Company, (C) such Purchaser Insurance Company complies and has complied from and after January 1, 2011 in all material respects with all of the requirements set forth in SSAP No. 62 and (D) such Purchaser Insurance Company has and has had from and after January 1, 2011 appropriate controls in place to monitor the use of reinsurance and comply with the provisions of SSAP No. 62.

(i) Complete and correct copies of all analyses, reports and other data prepared by or on behalf of the Purchaser Insurance Companies or submitted to any state insurance department or other Governmental Entity relating to risk-based capital calculations or Insurance Regulatory Information System ratios have been provided to Company prior to the date of this Agreement.

(j) The loss reserves and other actuarial amounts of each Purchaser Insurance Company contained in its Statutory Statements: (i) were determined in accordance with generally accepted actuarial standards consistently applied (except as otherwise noted in such financial statements),

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(ii) were fairly stated in all material respects in accordance with sound actuarial principles, (iii) in all material respects satisfied all applicable Laws and have been computed on the basis of methodologies consistent with those used in computing the corresponding reserves in the prior fiscal years, except as otherwise noted in the financial statements and notes thereto included in such Statutory Statements, and (iv) include provisions for all actuarial reserves and related items which ought to be established in accordance with applicable Law and regulations and in accordance with prudent insurance practices generally followed in the insurance industry. To the Knowledge of Purchaser, no facts or circumstances exist which would necessitate any adverse change in the statutorily required reserves or reserves above those reflected in the most recent balance sheet. Complete and correct copies of all reports and opinions of independent actuaries relating to the reserves of the Company as of any date since January 1, 2011, including all attachments, addenda, supplements and modifications thereto, have been provided to Company prior to the date of this Agreement. The information and data furnished by each Purchaser Insurance Company to its independent actuaries in connection with the preparation of each such report and opinion were accurate in all material respects. Each such report and opinion was based upon an accurate inventory of such Purchaser Insurance Company's policies in force at the relevant time of preparation.

(k) All benefits claimed by, or paid, payable, or credited to, any person under any Insurance Contract have in all material respects been paid or credited (or provision as required under SAP for payment thereof has been made) in accordance with the terms of the applicable Insurance Contract under which they arose and such payments, credits or provisions were not delinquent and were paid or credited (or will be paid or credited) without fines or penalties.

4.25 *Financing.* Purchaser and Merger Sub each have or will have available to it prior to the Closing Date all funds necessary to satisfy all of its obligations hereunder and in connection with the Merger and the other transactions contemplated by this Agreement.

4.26 *Investment in SWS Group, Inc.* Purchaser does not, directly or indirectly, control, and is not deemed to control, SWS Group, Inc., Southwest Securities, FSB or any other Subsidiary of SWS Group, Inc., including, for purposes of Section 2 of the BHC Act, Section 10 of the Home Owners' Loan Act or any regulations, policy statements or interpretations promulgated thereunder by the Federal Reserve or, to the extent not superseded, the Office of Thrift Supervision. Purchaser does not, and as of the Effective Time will not except with respect to PlainsCapital Bank, directly or indirectly control any "insured depository institution" (as defined in Section 3(c)(2) of the Federal Deposit Insurance Act) for purposes of Section 3(w)(5) of the Federal Deposit Insurance Act or for purposes of the cross-guaranty liability provisions of Section 5(e) of the Federal Deposit Insurance Act.

ARTICLE V

COVENANTS RELATING TO CONDUCT OF BUSINESS

5.1 *Conduct of Businesses Prior to the Effective Time.* Except as Previously Disclosed, as expressly contemplated by or permitted by this Agreement, as required by applicable law, or with the prior written consent of the other party, during the period from the date of this Agreement to the Effective Time, (i) Company shall, and shall cause each of its Subsidiaries to, (a) conduct its business in the ordinary course consistent with past practice in all material respects and (b) use commercially reasonable efforts to maintain and preserve intact its business organization and advantageous business relationships, and (ii) each of Company and Purchaser shall, and shall cause each of its respective Subsidiaries to, take no action that is intended to or would reasonably be expected to adversely affect or materially delay the ability of either Company, Merger Sub or Purchaser to obtain any necessary approvals of any Regulatory Agency or other Governmental Entity required for the transactions contemplated hereby or to perform its covenants and agreements under this Agreement or to consummate the transactions contemplated hereby.

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5.2 *Company Forbearances.* During the period from the date of this Agreement to the earlier of the Effective Time and the termination of this Agreement in accordance with Article VIII, except as Previously Disclosed, as expressly contemplated or permitted by this Agreement, or as required by applicable law, Company shall not, and shall not permit any of its Subsidiaries to, without the prior written consent of Purchaser:

(a) (i) issue, sell or otherwise permit to become outstanding, or dispose of or encumber or pledge, or authorize or propose the creation of, any additional shares of its capital stock, or securities convertible or exchangeable into, or exercisable for, any shares of its capital stock, or any options, warrants or other rights of any kind to acquire any shares of such capital stock or such convertible or exchangeable securities or receive a cash payment based on the value of any shares of such capital stock, or (ii) permit any additional shares of its capital stock, or securities convertible or exchangeable into, or exercisable for, any shares of its capital stock, or any options, warrants or other rights of any kind to acquire any shares of such capital stock or such convertible or exchangeable securities or receive a cash payment based on the value of any shares of such capital stock, to become subject to new grants, in each case except for (A) issuances under dividend reinvestment plans, in the ordinary course of business or (B) automatic grants pursuant to existing Company Stock Plans as set forth in Section 5.2(a)(ii) of the Company Disclosure Schedule (*provided* that the foregoing clauses (A) and (B) shall not permit the issuance or grant of any stock options).

(b) (i) Make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on any shares of its stock (other than (A) dividends from its wholly owned Subsidiaries to it or another of its wholly owned Subsidiaries, (B) regular quarterly dividends on the Company Original Common Stock at a rate no greater than $0.06 per share of Company Common Stock or (C) required dividends on any Company Preferred Stock) or (ii) directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its stock (other than repurchases of common shares in the ordinary course of business to satisfy obligations under dividend reinvestment plans or the Employee Benefit Plans).

(c) Amend the material terms of, waive any material rights under, terminate, knowingly violate the terms of or enter into (i) any Material Contract, Regulatory Agreement or other binding obligation that is material to Company and its Subsidiaries, taken as a whole, (ii) any material restriction on the ability of Company or its Subsidiaries to conduct its business as it is presently being conducted or (iii) any contract governing the terms of the Company Common Stock or rights associated therewith or any other outstanding capital stock or any outstanding instrument of indebtedness.

(d) Sell, transfer, mortgage, encumber, license, let lapse, cancel, abandon or otherwise dispose of or discontinue any of its assets, deposits, business or properties, except for sales, transfers, mortgages, encumbrances, licenses, lapses, cancellations, abandonments or other dispositions or discontinuances in the ordinary course of business and in a transaction that, together with other such transactions, is not material to it and its Subsidiaries, taken as a whole.

(e) Acquire (other than by way of foreclosures or acquisitions of control in a fiduciary or similar capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business) all or any portion of the assets, business, deposits or properties of any other entity except in the ordinary course of business and in a transaction that, together with other such transactions, is not material to it and its Subsidiaries, taken as a whole, and would not reasonably be expected to present a material risk that the Closing Date will be materially delayed or that the Requisite Regulatory Approvals will be more difficult to obtain.

(f) Amend the Company Certificate or the Company Bylaws, or similar governing documents of any of its Significant Subsidiaries.

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(g) Implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable regulatory accounting requirements.

(h) Except as required under applicable law or the terms of any Employee Benefit Plan in effect as of the date hereof (i) increase in any manner the compensation or benefits of any of the current or former directors, officers, employees, consultants, independent contractors or other service providers of Company or its Subsidiaries, except for ordinary course merit-based increases in the base salary of employees (other than directors or executive officers of, or individuals who are party to an employment agreement or change of control agreement with, Company or its Subsidiaries) consistent with past practice, (ii) become a party to, establish, amend, alter a prior interpretation of in a manner that enhances rights or increases costs, commence participation in, terminate or commit itself to the adoption of any Employee Benefit Plan or plan that would be an Employee Benefit Plan if in effect as of the date hereof, (iii) grant, pay or increase (or commit to grant, pay or increase) any severance, retirement or termination pay, (iv) accelerate the payment or vesting of, or lapsing of restrictions with respect to, any stock-based compensation, long-term incentive compensation or any bonus or other incentive compensation, (v) cause the funding of any rabbi trust or similar arrangement or take any action to fund or in any other way secure the payment of compensation or benefits under any Employee Benefit Plan, (vi) terminate the employment or services of any officer, employee, independent contractor or consultant other than for cause, or (vii) hire any officer, employee, independent contractor or consultant, except in the ordinary course of business for non-executive officer positions for a base salary not in excess of $250,000.

(i) Notwithstanding anything herein to the contrary, take, or omit to take, any action that would, or is reasonably likely to, prevent or impede the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

(j) (i) incur or guarantee any indebtedness for borrowed money, other than in the ordinary course of business or (ii) increase the size of the warehouse line of credit extended by PlainsCapital Bank to PrimeLending to a total amount in excess of $1 billion.

(k) Enter into any new line of business or materially change its lending, investment, underwriting, risk and asset liability management and other banking and operating policies, except as required by law or requested by a Regulatory Agency.

(l) Other than in consultation with Purchaser, make any material change to (i) its investment securities portfolio, derivatives portfolio or its interest rate exposure, through purchases, sales or otherwise, or (ii) the manner in which the portfolio is classified or reported, except as required by law or requested by a Regulatory Agency.

(m) Settle any action, suit, claim or proceeding against it or any of its Subsidiaries, except for an action, suit, claim or proceeding that is settled in an amount and for consideration not in excess of $2,000,000 and that would not (i) impose any restriction on the business of it or its Subsidiaries or (ii) create precedent for claims that are reasonably likely to be material to it or its Subsidiaries.

(n) Other than as determined to be necessary or advisable by Company in the good faith exercise of its discretion based on changes in market conditions, alter materially its interest rate or pricing fee or fee pricing policies with respect to depository accounts of any of its Subsidiaries or waive any material fees with respect thereto.

(o) Make any material changes in its policies and practices with respect to (i) underwriting, pricing, originating, acquiring, selling, servicing, or buying or selling rights to service, Loans or (ii) its hedging practices and policies, in each case except as required by law or requested by a Regulatory Agency;

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(p) Enter into any securitizations of any Loans or create any special purpose funding or variable interest entity other than on behalf of clients.

(q) Invest in any mortgage-backed or mortgage related securities which would be considered "high-risk" securities under applicable regulatory pronouncements.

(r) (i) Except for Loans or commitments for Loans that have been approved by Company prior to the date of this Agreement, without prior consultation with Purchaser, make or acquire any Loan or issue a commitment (or renew or extend an existing commitment) for any Loan, that would result in total credit exposure to the applicable borrower (and its affiliates) in excess of (A) $30,000,000 (with respect to borrowers with an outstanding Loan from the Company or a Subsidiary of the Company as of the date hereof) or (B) $10,000,000 (with respect to all other borrowers), or (ii) without prior consultation with Purchaser, enter into agreements relating to, or consummate purchases or sales (other than sales by PrimeLending) of, whole loans in excess of $10,000,000 in principal amount or purchase price.

(s) Make application for the opening, relocation or closing of any, or open, relocate or close any, branch office, loan production office or other significant office or operations facility.

(t) Except pursuant to arrangements or agreements in effect on the date of this Agreement which have been Previously Disclosed, pay, loan or advance any amount to, or sell, transfer or lease any properties, rights or assets (real, personal or mixed, tangible or intangible) to, or enter into any arrangement or agreement with, any of its officers or directors or any of their family members, or any affiliates or associates (as defined under the Exchange Act) of any of its officers or directors, other than Loans originated in the ordinary course of business and, in the case of any such arrangements or agreements relating to compensation, fringe benefits, severance or termination pay or related matters, only as otherwise permitted pursuant to this Section 5.2.

(u) Make or change any material Tax elections, change or consent to any change in it or its Subsidiaries' method of accounting for Tax purposes (except as required by applicable Tax law), take any material position on any material Tax Return filed on or after the date of this Agreement, settle or compromise any material Tax liability, claim or assessment, enter into any closing agreement, waive or extend any statute of limitations with respect to a material amount of Taxes, surrender any right to claim a refund for a material amount of Taxes, or file any material amended Tax Return.

(v) Agree to take, make any commitment to take, or adopt any resolutions of its Board of Directors in support of, any of the actions prohibited by this Section 5.2.

5.3 *Purchaser Forbearances.* Except as expressly permitted by this Agreement or with the prior written consent of Company, during the period from the date of this Agreement to the earlier of the Effective Time and the termination of this Agreement in accordance with Article VIII, Purchaser shall not, and shall not permit any of its Subsidiaries to:

(a) Amend the certificate of incorporation or bylaws of Purchaser or similar governing documents of any of its Significant Subsidiaries in a manner that would materially and adversely affect the holders of Company Common Stock or that would materially impede Purchaser's ability to consummate the transactions contemplated by this Agreement.

(b) Notwithstanding anything herein to the contrary, take, or omit to take, any action that would, or is reasonably likely to, prevent or impede the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

(c) Except as may be required by applicable law, regulation or policies imposed by any Governmental Entity, (i) take any action that would reasonably be expected to prevent, materially impede or materially delay the consummation of the transactions contemplated by this Agreement,

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or (ii) take, or omit to take, any action that is reasonably likely to result in any of the conditions to the Merger set forth in Article VII not being satisfied.

(d) (i) issue, sell or otherwise permit to become outstanding, or dispose of or encumber or pledge, or authorize or propose the creation of, any additional shares of its capital stock, or securities convertible or exchangeable into, or exercisable for, any shares of its capital stock, or any options, warrants or other rights of any kind to acquire any shares of such capital stock or such convertible or exchangeable securities or receive a cash payment based on the value of any shares of such capital stock, or (ii) permit any additional shares of its capital stock, or securities convertible or exchangeable into, or exercisable for, any shares of its capital stock, or any options, warrants or other rights of any kind to acquire any shares of such capital stock or such convertible or exchangeable securities or receive a cash payment based on the value of any shares of such capital stock, to become subject to new grants, in each case other than grants to members of Purchaser's board of directors in the ordinary course consistent with past practice as described in Purchaser's definitive proxy statement for its 2012 annual meeting of shareholders.

(e) (i) Make, declare, pay or set aside for payment any dividend on or in respect of, or declare or make any distribution on any shares of its stock or (ii) directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire, any shares of its stock (other than repurchases of common shares in the ordinary course of business to satisfy obligations under dividend reinvestment plans or the Purchaser Employee Benefit Plans).

(f) Sell, transfer, mortgage, encumber, license, let lapse, cancel, abandon or otherwise dispose of or discontinue any of its material assets, deposits, business or properties, except for sales, transfers, mortgages, encumbrances, licenses, lapses, cancellations, abandonments or other dispositions or discontinuances in the ordinary course of business and in a transaction that, together with other such transactions, is not material to it and its Subsidiaries, taken as a whole and would not reasonably be expected to present a material risk that the Closing Date will be materially delayed or that the Requisite Regulatory Approvals will be more difficult to obtain.

(g) Acquire (other than by way of foreclosures or acquisitions of control in a fiduciary or similar capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business) all or any material portion of the assets, business, deposits or properties of any other entity except in the ordinary course of business and in a transaction that, together with other such transactions, is not material to it and its Subsidiaries, taken as a whole, and would not reasonably be expected to present a material risk that the Closing Date will be materially delayed or that the Requisite Regulatory Approvals will be more difficult to obtain.

(h) Amend the material terms of, waive any material rights under, terminate, knowingly violate the terms of or enter into (i) any contract of Purchaser described in Section 4.14(a) or other binding obligation that is material to Purchaser and its Subsidiaries, taken as a whole, (ii) any material restriction on the ability of Purchaser or its Subsidiaries to conduct its business as it is presently being conducted or (iii) any contract governing the terms of the Purchaser Common Stock or rights associated therewith or any other outstanding capital stock or any outstanding instrument of indebtedness.

(i) Implement or adopt any change in its accounting principles, practices or methods, other than as may be required by GAAP or applicable regulatory accounting requirements.

(j) Enter into any new line of business or materially change its lending, investment, underwriting, risk and asset liability management and other banking and operating policies, except as required by law or requested by a Regulatory Agency.

(k) Settle any action, suit, claim or proceeding against it or any of its Subsidiaries, except for an action, suit, claim or proceeding that is settled in an amount and for consideration not in excess of $2,000,000 and that would not (i) impose any restriction on the business of it or its Subsidiaries or (ii) create precedent for claims that are reasonably likely to be material to it or its Subsidiaries.

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(l) Except pursuant to arrangements or agreements in effect on the date of this Agreement which have been Previously Disclosed, pay, loan or advance any amount to, or sell, transfer or lease any properties, rights or assets (real, personal or mixed, tangible or intangible) to, or enter into any arrangement or agreement (other than employment and compensation related arrangements) with, any of its officers or directors or any of their family members, or any affiliates or associates (as defined under the Exchange Act) of any of its officers or directors, other than Loans originated in the ordinary course of business .

(m) Make or change any material Tax elections, change or consent to any change in it or its Subsidiaries' method of accounting for Tax purposes (except as required by applicable Tax law), take any material position on any material Tax Return filed on or after the date of this Agreement, settle or compromise any material Tax liability, claim or assessment, enter into any closing agreement, waive or extend any statute of limitations with respect to a material amount of Taxes, surrender any right to claim a refund for a material amount of Taxes, or file any material amended Tax Return.

(n) Agree to take, make any commitment to take, or adopt any resolutions of its Board of Directors in support of, any of the actions prohibited by this Section 5.3.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 *Regulatory Matters.*

(a) Purchaser and Company shall promptly prepare and file with the SEC the Form S-4, in which the Joint Proxy Statement will be included as a prospectus. Each of Purchaser and Company shall use its reasonable best efforts to have the Form S-4 declared effective under the Securities Act as promptly as practicable after such filing, and each of Company and Purchaser shall thereafter mail or deliver the Joint Proxy Statement to its shareholders. Purchaser shall also use its reasonable best efforts to obtain all necessary state securities law or "blue sky" permits and approvals required to carry out the transactions contemplated by this Agreement, and Company shall furnish all information concerning Company and the holders of Company Common Stock as may be reasonably requested in connection with any such action.

(b) The parties shall cooperate with each other and use their respective reasonable best efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and Governmental Entities that are necessary or advisable to consummate the transactions contemplated by this Agreement (including the Merger and, if requested by Purchaser, a distribution of the shares of First Southwest Holdings, LLC and its subsidiaries to Purchaser or similar regulatory restructuring to be effected following the closing of the Merger, to the extent such distribution or similar restructuring would not reasonably be expected to present a material risk that the Closing Date will be materially delayed or that the Requisite Regulatory Approvals will be more difficult to obtain) as soon as possible, and in any event no later than December 31, 2012, to the extent reasonably practicable, and to comply with the terms and conditions of all such permits, consents, approvals and authorizations of all such third parties or Governmental Entities; *provided, however*, that Purchaser shall file an application under Section 3 of the BHC Act with the Federal Reserve no later than twenty (20) business days following the date of this Agreement. Company and Purchaser shall have the right to review in advance, and, to the extent practicable, each will consult the other on, in each case subject to applicable laws, all the non-confidential information relating to Company or Purchaser (excluding any confidential financial information relating to individuals), as the case may be, and any of their respective Subsidiaries, that appear in any filing made with, or written materials submitted to, any

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third party or any Governmental Entity in connection with the transactions contemplated by this Agreement. In exercising the foregoing right, each of the parties shall act reasonably and as promptly as practicable. The parties shall consult with each other with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and Governmental Entities necessary or advisable to consummate the transactions contemplated by this Agreement and each party will keep the other apprised of the status of matters relating to completion of the transactions contemplated by this Agreement. Each party shall consult with the other in advance of any meeting or conference with any Governmental Entity in connection with the transactions contemplated by this Agreement and to the extent permitted by such Governmental Entity, give the other party and/or its counsel the opportunity to attend and participate in such meetings and conferences.

(c) Each of Purchaser and Company shall, upon request, furnish to the other all information concerning itself, its Subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with the Joint Proxy Statement, the Form S-4 or any other statement, filing, notice or application made by or on behalf of Purchaser, Company or any of their respective Subsidiaries to any Governmental Entity in connection with the Merger and the other transactions contemplated by this Agreement. Each of Purchaser and Company agrees, as to itself and its Subsidiaries, that none of the information supplied or to be supplied by it for inclusion or incorporation by reference in (i) the Form S-4 will, at the time the Form S-4 and each amendment or supplement thereto, if any, becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (ii) the Joint Proxy Statement and any amendment or supplement thereto will, at the date of mailing to shareholders and at the time of Company's meeting of its shareholders to consider and vote upon approval of this Agreement, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such statement was made, not misleading. Each of Purchaser and Company further agrees that if it becomes aware that any information furnished by it would cause any of the statements in the Form S-4 or the Joint Proxy Statement to be false or misleading with respect to any material fact, or to omit to state any material fact necessary to make the statements therein not false or misleading, to promptly inform the other party thereof and to take appropriate steps to correct the Form S-4 or the Joint Proxy Statement.

(d) In furtherance and not in limitation of the foregoing, each of Purchaser and Company shall use its reasonable best efforts to (i) avoid the entry of, or to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that would restrain, prevent or delay the Closing, and (ii) avoid or eliminate each and every impediment under any applicable law so as to enable the Closing to occur as soon as possible, and in any event no later than December 31, 2012 to the extent reasonably practicable, including proposing, negotiating, committing to and effecting, by consent decree, hold separate order, or otherwise, the sale, divestiture or disposition of businesses or assets of Purchaser, Company and their respective Subsidiaries; *provided*, *however*, that nothing contained in this Agreement shall require Purchaser to take any actions specified in this Section 6.1(d) that would reasonably be expected to have a Material Adverse Effect (measured on a scale relative to Company) on Purchaser or Company.

(e) Purchaser agrees to execute and deliver, or cause to be executed and delivered, by or on behalf of the Surviving Company, at or prior to the Effective Time, one or more supplemental indentures, guarantees, and other instruments required for the due assumption of Company's outstanding debt, guarantees, securities, and other agreements to the extent required by the terms of such debt, guarantees, securities, and other agreements.

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(f) Each of Purchaser and Company shall promptly advise the other upon receiving any communication from any Governmental Entity the consent or approval of which is required for consummation of the transactions contemplated by this Agreement that causes such party to believe that there is a reasonable likelihood that any Requisite Regulatory Approval will not be obtained or that the receipt of any such approval may be materially delayed.

6.2 *Access to Information.*

(a) Upon reasonable notice and subject to applicable laws, Company shall, and shall cause each of its Subsidiaries to, afford to the officers, employees, accountants, counsel, advisors, agents and other representatives of Purchaser, reasonable access, during normal business hours during the period prior to the Effective Time, to all its properties, books, contracts, commitments, personnel and records, and, during such period, Company shall, and shall cause its Subsidiaries to, make available to Purchaser (i) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of federal securities laws or federal or state banking or insurance laws (other than reports or documents that Company is not permitted to disclose under applicable law) and (ii) all other information concerning its business, properties and personnel as Purchaser may reasonably request. Upon the reasonable request of Company, Purchaser shall furnish such reasonable information about it and its business as is relevant to Company and its shareholders in connection with the transactions contemplated by this Agreement. Neither Company nor Purchaser, nor any of their Subsidiaries shall be required to provide access to or to disclose information to the extent such access or disclosure would jeopardize the attorney-client privilege of such party or its Subsidiaries (after giving due consideration to the existence of any common interest, joint defense or similar agreement between the parties) or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties shall make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

(b) All nonpublic information and materials provided pursuant to this Agreement shall be subject to the provisions of the Confidentiality Agreement entered into between the parties dated June 10, 2011 (the "*Confidentiality Agreement*").

(c) No investigation by a party hereto or its representatives shall affect or be deemed to modify or waive any representations, warranties or covenants of the other party set forth in this Agreement.

6.3 *Shareholder Approval.*

(a) The Board of Directors of Company has resolved to recommend to Company's shareholders that they approve this Agreement and will submit to its shareholders this Agreement and any other matters required to be approved by its shareholders in order to carry out the intentions of this Agreement. Company shall duly take, in accordance with applicable law and the Company Certificate and Company Bylaws, all action necessary to call, give notice of, convene and hold a meeting of its shareholders, as promptly as reasonably practicable after the Form S-4 is declared effective under the Securities Act by the SEC, for the purpose of obtaining the Company Shareholder Approval (the "*Company Shareholder Meeting*"). The Board of Directors of Company will use all reasonable best efforts to obtain from its shareholders the Company Shareholder Approval. However, if the Board of Directors of Company, after consultation with (and taking account of the advice of) counsel, determines in good faith that, because of the receipt by Company of a Company Acquisition Proposal that the Board of Directors of Company concludes in good faith constitutes a Company Superior Proposal, it would be more likely than not to result in a violation of its fiduciary duties under applicable law to continue to recommend this Agreement, then in submitting this Agreement to Company's shareholders, the Board of Directors

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of Company may submit this Agreement to its shareholders without recommendation (although the resolutions approving this Agreement as of the date hereof may not be rescinded or amended), in which event the Board of Directors of Company may communicate the basis for its lack of a recommendation to its shareholders in the Company Proxy Statement or an appropriate amendment or supplement thereto to the extent required by law; *provided* that Company may not take any actions under this sentence until after giving Purchaser at least three business days' notice. Nothing contained in this Agreement shall be deemed to relieve Company of its obligation to submit this Agreement to its shareholders for a vote. Company shall not submit to the vote of its shareholders any Company Acquisition Proposal other than the Merger.

(b) The Board of Directors of Purchaser has resolved (i) to recommend to Purchaser's shareholders that they approve the issuance of Purchaser Common Stock in connection with the Merger and (ii) that as of the Effective Time, the restrictions in Article VII of the charter of Purchaser will no longer be in the best interests of Purchaser and its shareholders, and that such restrictions shall cease to be effective as of the Effective Time, and will submit to its shareholders the proposed issuance of Purchaser Common Stock and any other matters required to be approved by its shareholders in order to carry out the intentions of this Agreement. Purchaser shall duly take, in accordance with applicable law and the governing organization documents of Purchaser, all action necessary to call, give notice of, convene and hold a meeting of its shareholders, as promptly as reasonably practicable after the Form S-4 is declared effective under the Securities Act by the SEC, for the purpose of obtaining the Purchaser Shareholder Approval (the "*Purchaser Shareholder Meeting*"). The Board of Directors of Purchaser will use all reasonable best efforts to obtain from its shareholders the Purchaser Shareholder Approval. However, if the Board of Directors of Purchaser, after consultation with (and taking account of the advice of) counsel, determines in good faith that it would be more likely than not to result in a violation of its fiduciary duties under applicable law to continue to recommend the issuance proposal, then in submitting the issuance proposal to Purchaser's shareholders, the Board of Directors of Purchaser may submit this Agreement to its shareholders without recommendation (although the resolutions approving this Agreement as of the date hereof may not be rescinded or amended), in which event the Board of Directors of Purchaser may communicate the basis for its lack of a recommendation to its shareholders in the Purchaser Proxy Statement or an appropriate amendment or supplement thereto to the extent required by law; *provided* that Purchaser may not take any actions under this sentence until after giving Company at least three business days' notice. Nothing contained in this Agreement shall be deemed to relieve Purchaser of its obligation to submit this Agreement to its shareholders to a vote.

(c) Company and Purchaser shall cooperate to schedule and convene the Company Shareholder Meeting and the Purchaser Shareholder Meeting on the same date.

(d) If on the date of the Company Shareholder Meeting, Company has not received proxies representing a sufficient number of shares of Company Common Stock to obtain the Company Shareholder Approval, Company shall adjourn the Company Shareholder Meeting until such date as shall be mutually agreed upon by Company and Purchaser, which date shall not be less than 5 days nor more than 10 days after the date of adjournment, and subject to the terms and conditions of this Agreement shall continue to use all reasonable best efforts, together with its proxy solicitor, to assist in the solicitation of proxies from shareholders relating to the Company Shareholder Approval. Company shall only be required to adjourn or postpone the Company Shareholder Meeting one time pursuant to this Section 6.3(d).

(e) If on the date of the Purchaser Shareholder Meeting, Purchaser has not received proxies representing a sufficient number of shares of Purchaser Common Stock to obtain the Purchaser Shareholder Approval, Purchaser shall adjourn the Purchaser Shareholder Meeting until such date as shall be mutually agreed upon by Company and Purchaser, which date shall not be less than

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5 days nor more than 10 days after the date of adjournment, and subject to the terms and conditions of this Agreement shall continue to use all reasonable best efforts, together with its proxy solicitor, to assist in the solicitation of proxies from shareholders relating to the Purchaser Shareholder Approval. Purchaser shall only be required to adjourn or postpone the Purchaser Shareholder Meeting one time pursuant to this Section 6.3(e).

6.4 *NYSE Listing.* Purchaser shall cause the shares of Purchaser Common Stock to be issued in the Merger to have been authorized for listing on the NYSE, subject to official notice of issuance, prior to the Effective Time.

6.5 *Employee Matters.*

(a) For the period beginning on the Closing Date and ending on December 31, 2013, Purchaser shall maintain or cause to be maintained employee benefit plans for the benefit of employees (as a group) who are actively employed by Company and its Subsidiaries on and after the Closing Date (the "*Continuing Employees*") that provide employee benefits, in the aggregate, which are substantially comparable in the aggregate to those generally applicable to employees of Company and/or its Subsidiaries as of immediately prior to the Closing Date (other than the value of the benefits provided under the ESOP prior to the Closing Date which shall not be considered in determining whether benefits are substantially comparable in the aggregate during the period noted above); *provided* that, for the avoidance of doubt, nothing contained herein shall preclude Purchaser or the Surviving Company from implementing a single benefit plan for any type of benefit for the Continuing Employees. For purposes of Sections 6.5(a), (b) and (d), references to Subsidiaries shall include only those Subsidiaries of Company that are majority owned by Company, whether by vote or value.

(b) From and after the Effective Time, Continuing Employees shall be given credit under the employee benefit plans in which they become eligible to participate following the Effective Time for all service with Company or its Subsidiaries (to the extent Company recognized such service for a similar purpose under the applicable Employee Benefit Plan) for the purposes of eligibility, vesting and benefit accrual; *provided* that service credit shall not be recognized (i) (A) for purposes of benefit accruals or levels of credit under any retirement plan, (B) for any purpose under post-retirement welfare plans or (C) for purposes of any Purchaser employee benefit plan under which similarly situated employees of Purchaser or its Subsidiaries do not receive credit for prior service or any frozen or grandfathered plan of Purchaser or its Subsidiaries or (ii) if such recognition of service would duplicate any benefits of a Continuing Employee with respect to the same period of service. Purchaser and Company agree that where applicable with respect to any group health care plan maintained by Purchaser in which any Continuing Employee is eligible to participate, for the plan year in which the Effective Time (or commencement of participation in a plan of Purchaser or any of its Subsidiaries) occurs, Purchaser shall use its reasonable best efforts to (i) waive any pre-existing condition exclusion and actively-at-work requirements and similar limitations, eligibility waiting periods and evidence of insurability, and (ii) provide that any covered expenses incurred on or before the Effective Time by the Continuing Employees or such employees' covered dependents shall be taken into account for purposes of satisfying applicable deductible, coinsurance and maximum out-of-pocket provisions after the Effective Time, to the same extent as such expenses were taken into account under the comparable Employee Benefit Plan, subject to the applicable information being provided to Purchaser in a form that Purchaser reasonably determines is administratively feasible to take into account under its plans. Such expenses shall also count toward any annual or lifetime limits, treatment or visit limits or similar limitations that apply under the terms of the applicable plan.

(c) On the date hereof, the PlainsCapital Financial Supplemental Executive Pension Plan ("*SEPP*") was amended in the manner set forth on Section 6.5(c) of the Company Disclosure

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Schedule subject to and contingent upon the receipt of an acknowledgement from each SEPP participant. Within the thirty (30) day period prior to the Closing Date, Company shall take all necessary steps to cause the SEPP to be terminated, contingent upon the occurrence of the Effective Time, in accordance with Section 1.409A-3(j)(ix)(B) of the regulations under Section 409A of the Code, and all SEPP participants shall receive a payment equal to their accrued benefit under the SEPP (taking into account any additional accrual in respect of 2012 as provided under the SEPP as amended) in a lump sum within thirty (30) days of the Closing Date.

(d) If requested by Purchaser in writing delivered to Company not less than ten (10) business days before the Closing Date, Company and each of its Subsidiaries, as applicable, shall, effective no later than immediately prior to, and contingent upon, the Closing, adopt such resolutions and/or amendments (and take any other required action) to terminate the ESOP (with distributions to occur upon receipt of a favorable determination letter from the IRS in respect of such termination) and to adopt the necessary amendments to the ESOP, the ESOP trust and the ESOP Loan documents to ensure that (i) the Merger Consideration received by the ESOP trustee in connection with the Merger with respect to the unallocated shares of Company Common Stock held in the ESOP trust shall first be applied by the ESOP trustee to the full repayment of the ESOP Loan, (ii) Section 12.06 of the ESOP shall require immediate lump sum distributions of all ESOP account balances upon receipt of the favorable determination letter described above (except to the extent immediate lump sum distribution would not be permitted under applicable law) and the reference to the purchase of deferred annuity contracts shall be deleted in its entirety, and (iii) to the extent permitted by applicable law, the value attributable to the unallocated shares of Company Common Stock currently held in the ESOP trust can be used in the future for the benefit of those persons who are ESOP participants and beneficiaries as of immediately prior to the Effective Time. No later than five (5) business days prior to the Closing Date, Company shall provide Purchaser with (A) certified copies of the resolutions and/or amendments adopted by the Board of Directors (or the appropriate committee thereof) of Company or its Subsidiaries, as applicable, authorizing that the Company ESOP has been terminated, and (B) executed amendments to the ESOP, the ESOP trust and the ESOP Loan, as applicable, in form and substance reasonably satisfactory to Purchaser to effectuate such termination and the other amendments set forth above. In the event of such ESOP termination, the Continuing Employees who were participants in the ESOP as of immediately prior to distributions of ESOP account balances shall be permitted to roll any eligible rollover distributions into another cash or deferred arrangement within the meaning of Section 401(k) sponsored by Company or the Purchaser and in which the Continuing Employees are eligible (the "*Company 401(k) Plan*"), provided that shares of Purchaser Common Stock shall only be permitted to be rolled over into the Company 401(k) Plan if such plan maintains a Purchaser Common Stock fund..

(e) The parties acknowledge and agree that Company shall take all actions set forth on Section 6.5(e) of the Company Disclosure Schedule with respect to the agreements with Company employees set forth on Section 6.5(e) of the Company Disclosure Schedule.

(f) In the event that the Closing Date occurs prior to the payment of the Continuing Employees' annual bonuses in respect of the 2012 year, Purchaser agrees that the Continuing Employees shall be eligible to be awarded annual bonuses in respect of the 2012 year, taking into account Company's performance for the 2012 performance year, the terms of the applicable Employee Benefit Plans and the Company's bonus allocation practice in the ordinary course of business .

(g) Without limiting the generality of Section 9.10, the provisions of this Section 6.5 are solely for the benefit of the parties to this Agreement, and no current or former employee, independent contractor or any other individual associated therewith shall be regarded for any purpose as a third-party beneficiary of this Agreement. In no event shall the terms of this

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Agreement be deemed to (i) establish, amend, or modify any Employee Benefit Plan, Purchaser Benefit Plan or any "employee benefit plan" as defined in Section 3(3) of ERISA, or any other benefit plan, program, agreement or arrangement maintained or sponsored by Purchaser, Company or any of their respective affiliates; (ii) alter or limit the ability of Purchaser or any of its Subsidiaries (including, after the Closing Date, the Surviving Company and its Subsidiaries) to amend, modify or terminate any Employee Benefit Plan, Purchaser Benefit Plan, employment agreement or any other benefit or employment plan, program, agreement or arrangement after the Closing Date; or (iii) confer upon any current or former employee, independent contractor or other service provider any right to employment or continued employment or continued service with Purchaser or any of its Subsidiaries (including, following the Closing Date, the Surviving Company and its Subsidiaries), or constitute or create an employment or other agreement with any employee, independent contractor or other service provider.

6.6 *Indemnification; Directors' and Officers' Insurance.*

(a) From and after the Effective Time, each of Purchaser and the Surviving Company shall indemnify and hold harmless, to the fullest extent permitted under applicable law (and shall also advance expenses as incurred to the fullest extent permitted under applicable law provided the person to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such person is not entitled to indemnification), each present and former director, officer and employee of Company and its Subsidiaries (in each case, when acting in such capacity) (collectively, the "*Indemnified Parties*") against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the Effective Time, including the transactions contemplated by this Agreement; *provided* that the Indemnified Party to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such Indemnified Party is not entitled to indemnification.

(b) Subject to the following sentence, for a period of six years following the Effective Time, Purchaser will provide director's and officer's liability insurance that serves to reimburse the present and former officers and directors of Company or any of its Subsidiaries (determined as of the Effective Time) (providing only for the Side A coverage for Indemnified Parties where the existing policies also include Side B coverage for Company) with respect to claims against such directors and officers arising from facts or events occurring before the Effective Time (including the transactions contemplated by this Agreement), which insurance will contain at least the same coverage and amounts, and contain terms and conditions no less advantageous to the Indemnified Party as that coverage currently provided by Company; *provided* that in no event shall Purchaser be required to expend, on an annual basis, an amount in excess of 300% of the annual premiums paid as of the date hereof by Company for any such insurance (the "*Premium Cap*"); *provided*, *further*, that if any such annual expense at any time would exceed the Premium Cap, then Purchaser will cause to be maintained policies of insurance which provide the maximum coverage available at an annual premium equal to the Premium Cap. At the option of Company, prior to the Effective Time and in lieu of the foregoing, Company may purchase a tail policy for directors' and officers' liability insurance on the terms described in the prior sentence (including subject to the Premium Cap) and fully pay for such policy prior to the Effective Time.

(c) Any Indemnified Party wishing to claim indemnification under Section 6.6(a), upon learning of any claim, action, suit, proceeding or investigation described above, will promptly notify Purchaser; *provided* that failure to so notify will not affect the obligations of Purchaser under Section 6.6(a) unless and to the extent that Purchaser is actually and materially prejudiced as a consequence.

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(d) If Purchaser or any of its successors or assigns consolidates with or merges into any other entity and is not the continuing or surviving entity of such consolidation or merger or transfers all or substantially all of its assets to any other entity, then and in each case, Purchaser will cause proper provision to be made so that the successors and assigns of Purchaser will assume the obligations set forth in this Section 6.6.

6.7 *Exemption from Liability Under Section 16(b).* Prior to the Effective Time, Purchaser and Company shall each take all such steps as may be necessary or appropriate to cause any disposition of shares of Company Common Stock or conversion of any derivative securities in respect of such shares of Company Common Stock in connection with the consummation of the transactions contemplated by this Agreement to be exempt under Rule 16b-3 promulgated under the Exchange Act.

6.8 *No Solicitation.*

(a) Company agrees that it will not, and will cause its Subsidiaries and its Subsidiaries' officers, directors, agents, advisors and affiliates not to, initiate, solicit, encourage or knowingly facilitate inquiries or proposals with respect to, or engage in any negotiations concerning, or provide any confidential or nonpublic information or data to, or have any discussions with, any person relating to, any Company Acquisition Proposal; *provided* that, in the event Company receives an unsolicited *bona fide* Company Acquisition Proposal and the Board of Directors of Company concludes in good faith that such Company Acquisition Proposal constitutes, or is reasonably expected to result in, a Company Superior Proposal, Company may, and may permit its Subsidiaries and its and its Subsidiaries' representatives to, furnish or cause to be furnished nonpublic information and participate in such negotiations or discussions to the extent that the Board of Directors of Company concludes in good faith (and based on the advice of counsel) that failure to take such actions would be more likely than not to result in a violation of its fiduciary duties under applicable law; *provided* that prior to providing any nonpublic information permitted to be provided pursuant to the foregoing proviso or engaging in any negotiations, it shall have entered into a confidentiality agreement with such third party on terms no less favorable to Company than the Confidentiality Agreement and which expressly permits Company to comply with its obligations pursuant to this Section 6.8. Company will immediately cease and cause to be terminated any activities, discussions or negotiations conducted before the date of this Agreement with any persons other than Purchaser with respect to any Company Acquisition Proposal and will use its reasonable best efforts, subject to applicable law, to (i) enforce any confidentiality or similar agreement relating to a Company Acquisition Proposal and (ii) within ten business days after the date hereof, request and confirm the return or destruction of any confidential information provided to any person (other than Purchaser and its affiliates) pursuant to any such confidentiality or similar agreement. Company will promptly (and in any event within 24 hours) advise Purchaser following receipt of any Company Acquisition Proposal or any request for nonpublic information or inquiry that would reasonably be expected to lead to any Company Acquisition Proposal and the substance thereof (including the identity of the person making such Company Acquisition Proposal), and will keep Purchaser promptly apprised of any related developments, discussions and negotiations (including the terms and conditions of any such request, inquiry or Company Acquisition Proposal, or all amendments or proposed amendments thereto) on a current basis. Company agrees that it shall simultaneously provide to Purchaser any confidential or nonpublic information concerning Company or any of its Subsidiaries that may be provided to any other person in connection with any Company Acquisition Proposal which has not previously been provided to Purchaser.

(b) Nothing contained in this Agreement shall prevent Company or its Board of Directors from complying with Rule 14d-9 and Rule 14e-2 under the Exchange Act with respect to a Company Acquisition Proposal; *provided* that such Rules will in no way eliminate or modify the effect that any action pursuant to such Rules would otherwise have under this Agreement. As used

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in this Agreement, "*Company Acquisition Proposal*" means a tender or exchange offer, proposal for a merger, consolidation or other business combination involving Company or any of its Significant Subsidiaries or any proposal or offer to acquire in any manner more than 40% of the voting power in, or more than 40% of the fair market value of the business, assets or deposits of, Company or any of its Significant Subsidiaries, other than the transactions contemplated by this Agreement, any sale of whole loans and securitizations in the ordinary course and any *bona fide* internal reorganization. As used in this Agreement, "*Company Superior Proposal*" means an unsolicited *bona fide* written Company Acquisition Proposal that the Board of Directors of Company concludes in good faith to be more favorable from a financial point of view to its shareholders than the Merger and the other transactions contemplated hereby and to be reasonably capable of being consummated on the terms proposed, (i) after receiving the advice of its financial advisors (who shall be a nationally recognized investment banking firm), (ii) after taking into account the likelihood of consummation of such transaction on the terms set forth therein and (iii) after taking into account all legal (with the advice of counsel), financial (including the financing terms of any such proposal), regulatory and other aspects of such proposal (including any expense reimbursement provisions and conditions to closing) and any other relevant factors permitted under applicable law, and after taking into account any amendment or modification to this Agreement agreed to by Purchaser; *provided* that for purposes of the definition of "Company Superior Proposal," the references to "more than 40%" in the definition of Company Acquisition Proposal shall be deemed to be references to "100%."

(c) Purchaser agrees that it will not, and will cause its Subsidiaries and its Subsidiaries' officers, directors, agents, advisors and affiliates not to, initiate, solicit, encourage or knowingly facilitate inquiries or proposals with respect to, or engage in any negotiations concerning, or provide any confidential or nonpublic information or data to, or have any discussions with, any person relating to, any Purchaser Acquisition Proposal; *provided* that, in the event Purchaser receives an unsolicited *bona fide* Purchaser Acquisition Proposal and the Board of Directors of Purchaser concludes in good faith that such Purchaser Acquisition Proposal constitutes, or is reasonably expected to result in, a Purchaser Superior Proposal, Purchaser may, and may permit its Subsidiaries and its and its Subsidiaries' representatives to, furnish or cause to be furnished nonpublic information and participate in such negotiations or discussions to the extent that the Board of Directors of Purchaser concludes in good faith (and based on the advice of counsel) that failure to take such actions would be more likely than not to result in a violation of its fiduciary duties under applicable law; *provided* that prior to providing any nonpublic information permitted to be provided pursuant to the foregoing proviso or engaging in any negotiations, it shall have entered into a confidentiality agreement with such third party on terms no less favorable to Purchaser than the Confidentiality Agreement and which expressly permits Purchaser to comply with its obligations pursuant to this Section 6.8. Purchaser will immediately cease and cause to be terminated any activities, discussions or negotiations conducted before the date of this Agreement with any persons other than Company with respect to any Purchaser Acquisition Proposal and will use its reasonable best efforts, subject to applicable law, to (i) enforce any confidentiality or similar agreement relating to a Purchaser Acquisition Proposal and (ii) within ten business days after the date hereof, request and confirm the return or destruction of any confidential information provided to any person (other than Company and its affiliates) pursuant to any such confidentiality or similar agreement. Purchaser will promptly (and in any event within 24 hours) advise Company following receipt of any Purchaser Acquisition Proposal or any request for nonpublic information or inquiry that would reasonably be expected to lead to any Purchaser Acquisition Proposal and the substance thereof (including the identity of the person making such Purchaser Acquisition Proposal), and will keep Company promptly apprised of any related developments, discussions and negotiations (including the terms and conditions of any such request, inquiry or Purchaser Acquisition Proposal, or all amendments or proposed amendments thereto) on a current basis.

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Purchaser agrees that it shall simultaneously provide to Company any confidential or nonpublic information concerning Purchaser or any of its Subsidiaries that may be provided to any other person in connection with any Purchaser Acquisition Proposal which has not previously been provided to Company.

(d) Nothing contained in this Agreement shall prevent Purchaser or its Board of Directors from complying with Rule 14d-9 and Rule 14e-2 under the Exchange Act with respect to a Purchaser Acquisition Proposal; *provided* that such Rules will in no way eliminate or modify the effect that any action pursuant to such Rules would otherwise have under this Agreement. As used in this Agreement, "*Purchaser Acquisition Proposal*" means a tender or exchange offer, proposal for a merger, consolidation or other business combination involving Purchaser or any of its Significant Subsidiaries or any proposal or offer to acquire in any manner more than 40% of the voting power in, or more than 40% of the fair market value of the business, assets or deposits of, Purchaser or any of its Significant Subsidiaries, other than the transactions contemplated by this Agreement, any sale of whole loans and securitizations in the ordinary course and any *bona fide* internal reorganization. As used in this Agreement, "*Purchaser Superior Proposal*" means an unsolicited *bona fide* written Purchaser Acquisition Proposal that the Board of Directors of Purchaser concludes in good faith to be more favorable from a financial point of view to its shareholders than the Merger and the other transactions contemplated hereby and to be reasonably capable of being consummated on the terms proposed, (i) after receiving the advice of its financial advisors (who shall be a nationally recognized investment banking firm), (ii) after taking into account the likelihood of consummation of such transaction on the terms set forth therein and (iii) after taking into account all legal (with the advice of counsel), financial (including the financing terms of any such proposal), regulatory and other aspects of such proposal (including any expense reimbursement provisions and conditions to closing) and any other relevant factors permitted under applicable law, and after taking into account any amendment or modification to this Agreement agreed to by Company; *provided* that for purposes of the definition of "Purchaser Superior Proposal," the references to "more than 40%" in the definition of Purchaser Acquisition Proposal shall be deemed to be references to "100%."

6.9 *Takeover Laws.* No party will take any action that would cause the transactions contemplated by this Agreement to be subject to requirements imposed by any Takeover Law and each of them will take all necessary steps within its control to exempt (or ensure the continued exemption of) those transactions from, or if necessary challenge the validity or applicability of, any applicable Takeover Law, as now or hereafter in effect.

6.10 *Financial Statements and Other Current Information.* As soon as reasonably practicable after they become available, but in no event more than 15 days after the end of each calendar month ending after the date hereof, Company will furnish to Purchaser, and Purchaser will furnish to Company, (a) consolidated financial statements (including balance sheets, statements of operations and stockholders' equity) of it or any of its Subsidiaries (to the extent available) as of and for such month then ended, (b) internal management reports showing actual financial performance against plan and previous period, and (c) to the extent permitted by applicable law, any reports provided to its Board of Directors or any committee thereof relating to the financial performance and risk management of it or any of its Subsidiaries.

6.11 *Notification of Certain Matters.* Company and Purchaser will give prompt notice to the other of any fact, event or circumstance known to it that (a) is reasonably likely, individually or taken together with all other facts, events and circumstances known to it, to result in any Material Adverse Effect with respect to it or (b) would cause or constitute a material breach of any of its representations, warranties, covenants or agreements contained herein that reasonably could be expected to give rise, individually or in the aggregate, to the failure of a condition in Article VII.

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6.12 *Shareholder Litigation.* Company shall cooperate and consult with Purchaser in the defense or settlement of any shareholder litigation against Company and/or its directors or affiliates and, as applicable, against Purchaser and/or its directors or affiliates, relating to the transactions contemplated by this Agreement, and no such settlement shall be agreed to without Purchaser's prior written consent. In furtherance of and without in any way limiting the foregoing, Company shall use all reasonable best efforts to prevail in any such litigation so as to permit the consummation of the Merger in the manner contemplated by this Agreement.

6.13 *Governance.*

(a) Purchaser and the Board of Directors of Purchaser shall take all actions necessary so that, as of the Effective Time, the members of the Board of Directors of Purchaser include a number of members selected by the current Board of Directors of Company (who shall be reasonably acceptable to Purchaser, and one of whom shall be Alan B. White) that is one less than the number of members selected by the current Board of Directors of Purchaser. Alan B. White shall serve as the Vice Chairman of the Board of Directors of Purchaser immediately following the Effective Time.

(b) The Board of Directors of Purchaser following the Effective Time shall include, in addition to its existing committees, an Executive Committee which shall initially have 5 members, including (i) 3 individuals to be selected by the current Board of Directors of Purchaser and (ii) 2 individuals to be selected from the current members of the Board of Directors of Company designated to the Board of Directors of Purchaser in accordance with Section 6.13(a), which 2 individuals shall be selected by the current Board of Directors of Company and shall, if other than the current Chairman and Chief Executive Officer of the Company, be reasonably acceptable to Purchaser. The chairman of the Executive Committee of the Board of Directors of Purchaser immediately following the Effective Time shall be Alan B. White.

(c) As of the Effective Time, the Chairman and Chief Executive Officer of the Surviving Company shall be the current Chairman and Chief Executive Officer of Company, and the Board of Directors of the Surviving Company shall initially be comprised of the same individuals who comprise the Board of Directors of Purchaser immediately following the Effective Time.

(d) At the first regularly scheduled meeting of the Board of Directors of Purchaser after the Effective Time, Purchaser shall cause the Board of Directors to consider and, at the discretion of the Board of Directors, approve a policy for the payment of dividends on the Purchaser Common Stock, subject to applicable Law, and taking into account the level of dividends historically paid on the Company Common Stock.

6.14 *Investment Advisory Consents.* Company shall cause its applicable Subsidiaries to use their reasonable best efforts to obtain the consents and approvals necessary to satisfy the consents and approvals required under applicable Law to effect the assignment or continuation of each investment advisory, sub-advisory, investment management, trust or similar agreement with any investment advisory client in connection with the transactions contemplated hereby, including with respect to any change of control of any Person in connection therewith. Without limiting the foregoing, as soon as reasonably practicable after the date of this Agreement, Company shall (or shall cause its applicable Subsidiary to) mail a letter to each relevant client, in a form reasonably acceptable to Purchaser, with respect to such process, and approximately thirty days after the mailing of such letter, to mail a second letter to each such client, in a form reasonably acceptable to Purchaser. Purchaser and Company shall agree on an approach to obtaining such necessary consents and approvals with respect to any investment advisory clients required to give a "positive consent" to assignment, in accordance with applicable Law.

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6.15 *Preferred Stock Held by U.S. Treasury.* Neither Purchaser nor any of its affiliates has any plan or intention to, and prior to the second (2nd) anniversary of the Closing Date will not, redeem or otherwise acquire the New Preferred Stock.

ARTICLE VII

CONDITIONS PRECEDENT

7.1 *Conditions to Each Party's Obligation to Effect the Merger.* The respective obligations of the parties to effect the Merger shall be subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) *Shareholder Approval.* The Company Shareholder Approval and the Purchaser Shareholder Approval shall have been obtained.

(b) *Stock Exchange Listing.* The shares of Purchaser Common Stock to be issued to the holders of Company Common Stock upon consummation of the Merger shall have been authorized for listing on the NYSE, subject to official notice of issuance.

(c) *Form S-4.* The Form S-4 shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Form S-4 shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC.

(d) *No Injunctions or Restraints; Illegality.* No order, injunction or decree issued by any court or agency of competent jurisdiction or other law preventing or making illegal the consummation of the Merger or any of the other transactions contemplated by this Agreement shall be in effect.

(e) *Regulatory Approvals.* (i) The necessary regulatory approval from the Federal Reserve under Section 3 of the BHC Act, and the necessary regulatory approvals from the Texas Department of Banking and under the HSR Act, and (ii) any other regulatory approvals set forth in Sections 3.4 and 4.4 the failure of which to be obtained would reasonably be expected to have a material adverse effect on Purchaser or Company, in each case required to consummate the transactions contemplated by this Agreement, including the Merger, shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired (all such approvals and the expiration of all such waiting periods being referred to as the "*Requisite Regulatory Approvals*"). The Requisite Regulatory Approvals shall not include any election of Purchaser or Merger Sub to become a "financial holding company" under Section 4(k) of the BHC Act.

7.2 *Conditions to Obligations of Purchaser.* The obligation of Purchaser and Merger Sub to effect the Merger is also subject to the satisfaction, or waiver by Purchaser, at or prior to the Effective Time, of the following conditions:

(a) *Representations and Warranties.* The representations and warranties of Company set forth in this Agreement shall be true and correct as of the date of this Agreement and as of the Effective Time as though made on and as of the Effective Time (except that representations and warranties that by their terms speak specifically as of the date of this Agreement or another date shall be true and correct as of such date); *provided*, *however*, that no representation or warranty of Company (other than the representations and warranties set forth in (i) Section 3.2(a), which shall be true and correct except to a *de minimis* extent (relative to Section 3.2(a) taken as a whole), (ii) Sections 3.1(a), 3.2(b); 3.3(a), 3.3(b)(i), 3.7 and 3.10, which shall be true and correct in all material respects, and (iii) Section 3.8, which shall be true and correct in all respects) shall be deemed untrue or incorrect for purposes hereunder as a consequence of the existence of any fact, event or circumstance inconsistent with such representation or warranty, unless such fact, event or circumstance, individually or taken together with all other facts, events or circumstances

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inconsistent with any representation or warranty of Company has had or would reasonably be expected to result in a Material Adverse Effect on Company; *provided*, *further*, that for purposes of determining whether a representation or warranty is true and correct for purposes of this Section 7.2(a), any qualification or exception for, or reference to, materiality (including the terms "material," "materially," "in all material respects," "Material Adverse Effect" or similar terms or phrases) in any such representation or warranty shall be disregarded; and Purchaser shall have received a certificate signed on behalf of Company by the Chief Executive Officer or the Chief Financial Officer of Company to the foregoing effect.

(b) *Performance of Obligations of Company.* Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Effective Time; and Purchaser shall have received a certificate signed on behalf of Company by the Chief Executive Officer or the Chief Financial Officer of Company to such effect.

(c) *Tax Opinion.* Purchaser shall have received an opinion of Wachtell, Lipton, Rosen & Katz, dated the Closing Date and based on facts, representations and assumptions described in such opinion, to the effect that the Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code. In rendering such opinion, Wachtell, Lipton, Rosen & Katz will be entitled to receive and rely upon customary certificates and representations of officers of Purchaser, Merger Sub and Company.

(d) *Regulatory Conditions.* There shall not be any action taken or determination made, or any law enacted, entered, enforced or deemed applicable to the transactions contemplated by this Agreement, by any Governmental Entity, in connection with the grant of a Requisite Regulatory Approval or otherwise, which imposes any restriction, requirement or condition that, individually or in the aggregate, would, after the Effective Time, restrict or burden Purchaser or Surviving Company or any of their respective affiliates in connection with the transactions contemplated by this Agreement or with respect to the business or operations of Purchaser or Surviving Company that would have a Material Adverse Effect on Purchaser, Surviving Company or any of their respective affiliates, in each case measured on a scale relative to Company.

(e) *Consents and Approvals.* Each of the consents and approvals set forth on Section 7.2(e) of the Company Disclosure Schedule shall have been obtained in form and substance reasonably satisfactory to Purchaser and shall be in full force and effect on the Closing Date.

(f) *Merger Agreement Amendment.* The Fourth Amendment to the First Southwest Merger Agreement shall be in full force and effect on the Closing Date and shall not have been superseded or modified by subsequent amendments.

7.3 *Conditions to Obligations of Company.* The obligation of Company to effect the Merger is also subject to the satisfaction or waiver by Company at or prior to the Effective Time of the following conditions:

(a) *Representations and Warranties.* The representations and warranties of Purchaser set forth in this Agreement shall be true and correct as of the date of this Agreement and as of the Effective Time as though made on and as of the Effective Time (except that representations and warranties that by their terms speak specifically as of the date of this Agreement or another date shall be true and correct as of such date); *provided*, *however*, that no representation or warranty of Purchaser (other than the representations and warranties set forth in (i) Section 4.2(a), which shall be true and correct except to a *de minimis* extent (relative to Section 4.2(a) taken as a whole), (ii) Sections 4.3(a), 4.3(b)(i) and 4.7, which shall be true and correct in all material respects, and (iii) Sections 4.8 and 4.26, which shall be true and correct in all respects) shall be deemed untrue or incorrect for purposes hereunder as a consequence of the existence of any fact, event or circumstance inconsistent with such representation or warranty, unless such fact, event or

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circumstance, individually or taken together with all other facts, events or circumstances inconsistent with any representation or warranty of Purchaser has had or would reasonably be expected to result in a Material Adverse Effect on Purchaser; *provided*, *further*, that for purposes of determining whether a representation or warranty is true and correct for purposes of this Section 7.3(a), any qualification or exception for, or reference to, materiality (including the terms "material," "materially," "in all material respects," "Material Adverse Effect" or similar terms or phrases) in any such representation or warranty shall be disregarded; and Company shall have received a certificate signed on behalf of Purchaser by the Chief Executive Officer or the Chief Financial Officer of Purchaser to the foregoing effect.

(b) *Performance of Obligations of Purchaser.* Purchaser shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Effective Time, and Company shall have received a certificate signed on behalf of Purchaser by the Chief Executive Officer or the Chief Financial Officer of Purchaser to such effect.

(c) *Tax Opinion.* Company shall have received an opinion of Sullivan & Cromwell LLP, dated the Closing Date and based on facts, representations and assumptions described in such opinion, to the effect that the Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code. In rendering such opinion, Sullivan & Cromwell LLP will be entitled to receive and rely upon customary certificates and representations of officers of Purchaser, Merger Sub, and Company.

ARTICLE VIII

TERMINATION AND AMENDMENT

8.1 *Termination.* This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the matters presented in connection with the Merger by the shareholders of Company or Purchaser:

(a) by mutual consent of Company and Purchaser in a written instrument authorized by the Boards of Directors of Company and Purchaser;

(b) by either Company or Purchaser;

(i) if any Governmental Entity that must grant a Requisite Regulatory Approval has denied approval of the Merger and such denial has become final and nonappealable or any Governmental Entity of competent jurisdiction shall have issued a final and nonappealable order, injunction or decree permanently enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by this Agreement;

(ii) if the Merger shall not have been consummated on or before December 31, 2012, unless the failure of the Closing to occur by such date shall be due to the failure of the party seeking to terminate this Agreement to perform or observe the covenants and agreements of such party set forth in this Agreement;

(iii) if there shall have been a breach of any of the covenants or agreements or any of the representations or warranties set forth in this Agreement on the part of Company, in the case of a termination by Purchaser, or on the part of the Purchaser, in the case of a termination by Company, which breach, either individually or in the aggregate with other breaches by such party, would result in, if occurring or continuing on the Closing Date, the failure of the conditions set forth in Section 7.2 or 7.3, as the case may be, and which is not cured within the earlier of December 31, 2012 and 30 days following written notice to the party committing such breach or by its nature or timing cannot be cured within such time period (*provided* that

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the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein);

(iv) if the Company Shareholder Approval shall not have been obtained at the Company Shareholder Meeting or at any adjournment or postponement thereof at which a vote on the adoption of this Agreement was taken;

(v) if the Purchaser Shareholder Approval shall not have been obtained at the Purchaser Shareholder Meeting or at any adjournment or postponement thereof at which a vote on the adoption of this Agreement was taken;

(c) by Purchaser, prior to such time as the Company Shareholder Approval is obtained, if Company or the Board of Directors of Company submits this Agreement to its shareholders without a recommendation for approval, or otherwise withdraws or materially and adversely modifies (or discloses its intention to withdraw or materially and adversely modify) its recommendation as contemplated by Section 6.3(a), or recommends to its shareholders a Company Acquisition Proposal other than the Merger; or

(d) by Company, prior to such time as the Purchaser Shareholder Approval is obtained, if Purchaser or the Board of Directors of Purchaser submits this Agreement to its shareholders without a recommendation for approval, or otherwise withdraws or materially and adversely modifies (or discloses its intention to withdraw or materially and adversely modify) its recommendation as contemplated by Section 6.3(b), or recommends to its shareholders a Purchaser Acquisition Proposal other than the Merger.

8.2 *Effect of Termination.* In the event of termination of this Agreement by either Company or Purchaser as provided in Section 8.1, this Agreement shall forthwith become void and have no effect, and none of Company, Purchaser, any of their respective Subsidiaries or any of the officers or directors of any of them shall have any liability of any nature whatsoever under this Agreement, or in connection with the transactions contemplated by this Agreement, except that (i) Sections 6.2(b), 8.2, 8.3, 9.3, 9.4, 9.5, 9.6, 9.7, 9.8, 9.9, 9.10 and 9.11 shall survive any termination of this Agreement, and (ii) neither Company nor Purchaser shall be relieved or released from any liabilities or damages arising out of its knowing breach of any provision of this Agreement.

8.3 *Fees and Expenses.*

(a) Except with respect to costs and expenses of printing and mailing the Joint Proxy Statement, the Form S-4 and all filing and other fees paid to the SEC in connection with the Merger and all filing and other fees in connection with any filing under the HSR Act, which shall be borne equally by Company and Purchaser, all fees and expenses incurred in connection with the Merger, this Agreement, and the transactions contemplated by this Agreement shall be paid by the party incurring such fees or expenses, whether or not the Merger is consummated, except as otherwise provided in Section 8.3(b) or 8.3(c) hereof.

(b) In the event that:

(i) (x) prior to the Effective Time and after the date hereof, any person shall have made a Company Acquisition Proposal, which proposal has been publicly disclosed and not withdrawn or has been made known to management of Company, or any person shall have publicly announced or made known to management of Company an intention (whether or not conditional) to make a Company Acquisition Proposal, (y) thereafter this Agreement is terminated by either party pursuant to Section 8.1(b)(ii) without the Company Shareholder Approval having been obtained or Section 8.1(b)(iv) or by Purchaser pursuant to Section 8.1(b)(iii) and (z) within twelve months after the termination of this Agreement, a Company Acquisition Proposal shall have been consummated or any definitive agreement with

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respect to a Company Acquisition Proposal shall have been entered into; (provided that for purposes of the foregoing, the term "Company Acquisition Proposal" shall have the meaning assigned to such term in Section 6.8(b) except that the references to "40%" in the definition of a "Company Acquisition Proposal" in Section 6.8(b) shall be deemed to be references to "50%"); or

(ii) this Agreement is terminated by Purchaser pursuant to Section 8.1(c);

then Company shall pay Purchaser a fee, in immediately available funds, in the amount of $17,500,000 (the "*Company Termination Fee*") immediately following the earlier of the execution of a definitive agreement with respect to, or the consummation of, any Company Acquisition Proposal. In no event shall Company be obligated to pay Purchaser the Company Termination Fee on more than one occasion.

(c) In the event that:

(i) this Agreement is terminated by either party pursuant to Section 8.1(b)(v); or

(ii) this Agreement is terminated by Company pursuant to Section 8.1(d);

then Purchaser shall pay Company a fee, in immediately available funds, in the amount of $17,500,000 (the "*Purchaser Termination Fee*"). In no event shall Purchaser be obligated to pay Company the Purchaser Termination Fee on more than one occasion.

(d) In the event that this Agreement is terminated by Purchaser pursuant to Section 8.1(b)(iv) (other than in the event of a termination in connection with which the Company Termination Fee is payable pursuant to Section 8.3(b)), then Company shall pay to Purchaser, in immediately available funds on the date of such termination, an amount equal to $5,000,000 in respect of the other party's expenses in connection with this Agreement.

(e) Company and Purchaser acknowledge that the agreements contained in this Section 8.3 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, neither party would enter into this Agreement. The amounts payable by Company pursuant to Section 8.3(b) constitute liquidated damages and not a penalty and shall be the sole monetary remedy of Purchaser in the event of termination of this Agreement specified in such section. In the event that either party fails to pay when due any amounts payable under this Section 8.3, then (i) such party shall reimburse the other party for all costs and expenses (including disbursements and reasonable fees of counsel) incurred in connection with the collection of such overdue amount, and (ii) such party shall pay to the other party interest on such overdue amount (for the period commencing as of the date that such overdue amount was originally required to be paid and ending on the date that such overdue amount is actually paid in full) at a rate per annum equal to the prime rate published in The Wall Street Journal on the date such payment was required to be made.

8.4 *Amendment.* This Agreement may be amended by the parties, by action taken or authorized by their respective Boards of Directors, at any time before or after approval of the matters presented in connection with the Merger by the shareholders of Company; *provided*, *however*, that after any approval of the transactions contemplated by this Agreement by the shareholders of Company or the shareholders of Purchaser, there may not be, without further approval of such shareholders, any amendment of this Agreement that requires further approval under applicable law. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

8.5 *Extension; Waiver.* At any time prior to the Effective Time, the parties, by action taken or authorized by their respective Boards of Directors, may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other party, (b) waive any inaccuracies in the representations and warranties contained in this Agreement or (c) waive compliance

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with any of the agreements or conditions contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

ARTICLE IX

GENERAL PROVISIONS

9.1 *Closing.* On the terms and subject to conditions set forth in this Agreement, the closing of the Merger (the "*Closing*") shall take place at 10:00 a.m., New York City time, at the offices of Wachtell, Lipton, Rosen & Katz, counsel to Purchaser, on the first business day of the first calendar month that follows the month in which the last to be satisfied of the conditions set forth in Article VII is satisfied (other than those conditions that by their nature are to be satisfied or waived at the Closing but subject to the satisfaction or waiver of those conditions), unless extended by mutual agreement of the parties (the "*Closing Date*"); *provided* that if such conditions are satisfied on or after December 1, 2012 and before December 31, 2012, the Closing shall take place on December 31, 2012.

9.2 *Nonsurvival of Representations, Warranties and Agreements.* None of the representations, warranties, covenants and agreements set forth in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time, except for Section 6.6 and for those other covenants and agreements contained in this Agreement that by their terms apply or are to be performed in whole or in part after the Effective Time.

9.3 *Notices.* All notices and other communications in connection with this Agreement shall be in writing and shall be deemed given if delivered personally, sent via facsimile (with confirmation), mailed by registered or certified mail (return receipt requested) or delivered by an express courier (with confirmation) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Purchaser or Merger Sub, to:

Hilltop Holdings Inc.
200 Crescent Court, Suite 1330
Dallas, Texas 75201
Attention: Corey Prestidge
Facsimile: (214) 580-5722

with a copy (which shall not constitute notice) to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Edward D. Herlihy
David E. Shapiro
Facsimile: (212) 403-2000

(b) if to Company, to:

PlainsCapital Corporation
2323 Victory Ave., Suite 1400
Dallas, Texas 75219
Attention: Scott J. Luedke
Facsimile: (877) 425-4246

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with a copy (which shall not constitute notice) to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attention: Mitchell S. Eitel
Facsimile: (212) 558-3588

9.4 *Interpretation.* When a reference is made in this Agreement to Articles, Sections, Exhibits or Schedules, such reference shall be to an Article or Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." As used in this Agreement, the phrase "*to the Knowledge of Company*" means the actual knowledge of any of Company's officers listed on Section 9.4 of the Company Disclosure Schedule, and the phrase "*to the Knowledge of Purchaser*" means the actual knowledge of any of Purchaser's officers listed on Section 9.4 of the Purchaser Disclosure Schedule. All schedules and exhibits hereto shall be deemed part of this Agreement and included in any reference to this Agreement. If any term, provision, covenant or restriction contained in this Agreement is held by a court or a federal or state regulatory agency of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions and covenants and restrictions contained in this Agreement shall remain in full force and effect, and shall in no way be affected, impaired or invalidated. If for any reason such court or regulatory agency determines that any provision, covenant or restriction is invalid, void or unenforceable, it is the express intention of the parties that such provision, covenant or restriction be enforced to the maximum extent permitted.

9.5 *Counterparts.* This Agreement may be executed in two or more counterparts (including by facsimile or other electronic means), all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other party, it being understood that each party need not sign the same counterpart.

9.6 *Entire Agreement.* This Agreement (including the documents and the instruments referred to in this Agreement), together with the Confidentiality Agreement, constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter of this Agreement, other than the Confidentiality Agreement.

9.7 *Governing Law; Jurisdiction.* This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed entirely within such state, without giving effect to its principles of conflicts of laws. The parties hereto agree that any suit, action or proceeding brought by either party to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in any federal or state court located in the State of Texas. Each of the parties hereto submits to the jurisdiction of any such court in any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of, or in connection with, this Agreement or the transactions contemplated hereby and hereby irrevocably waives the benefit of jurisdiction derived from present or future domicile or otherwise in such action or proceeding. Each party hereto irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

9.8 *Waiver of Jury Trial.* Each party hereto acknowledges and agrees that any controversy that may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each party hereby irrevocably and unconditionally waives any right such party may have to a trial by jury in respect of any litigation, directly or indirectly, arising out of, or relating to, this Agreement, or the

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transactions contemplated by this Agreement. Each party certifies and acknowledges that (a) no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver, (b) each party understands and has considered the implications of this waiver, (c) each party makes this waiver voluntarily, and (d) each party has been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 9.8.

9.9 *Publicity.* Neither Company nor Purchaser shall, and neither Company nor Purchaser shall permit any of its Subsidiaries to, issue or cause the publication of any press release or other public announcement with respect to, or otherwise make any public statement, or, except as otherwise specifically provided in this Agreement, any disclosure of nonpublic information to a third party, concerning, the transactions contemplated by this Agreement without the prior consent (which shall not be unreasonably withheld or delayed) of Purchaser, in the case of a proposed announcement, statement or disclosure by Company, or Company, in the case of a proposed announcement, statement or disclosure by Purchaser; *provided*, *however*, that either party may, without the prior consent of the other party (but after prior consultation with the other party to the extent practicable under the circumstances) issue or cause the publication of any press release or other public announcement to the extent required by law or by the rules and regulations of the NYSE.

9.10 *Assignment; Third-Party Beneficiaries.* Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned by either of the parties (whether by operation of law or otherwise) without the prior written consent of the other party (which shall not be unreasonably withheld or delayed). Any purported assignment in contravention hereof shall be null and void. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by each of the parties and their respective successors and permitted assigns. Except for Section 6.6, which is intended to benefit each Indemnified Party and his or her heirs and representatives, this Agreement (including the documents and instruments referred to in this Agreement) is not intended to and does not confer upon any person other than the parties hereto any rights or remedies under this Agreement.

9.11 *Specific Performance.* The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms. It is accordingly agreed that the parties shall be entitled to seek specific performance of the terms hereof, this being in addition to any other remedies to which they are entitled at law or equity.

9.12 *Disclosure Schedule.*

(a) Before entry into this Agreement, Company delivered to Purchaser a schedule (a "*Company Disclosure Schedule*") and Purchaser delivered to Company a schedule a ("*Purchaser Disclosure Schedule*"), each of which sets forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in Article III or Article IV, respectively, or to one or more covenants contained herein; *provided*, *however*, that notwithstanding anything in this Agreement to the contrary, (i) no such item is required to be set forth as an exception to a representation or warranty if its absence would not result in the related representation or warranty being deemed untrue or incorrect and (ii) the mere inclusion of an item as an exception to a representation or warranty shall not be deemed an admission that such item represents a material exception or material fact, event or circumstance or that such item has had or would be reasonably likely to have a Material Adverse Effect.

(b) For purposes of this Agreement, "*Previously Disclosed*" means information set forth by Company or Purchaser in the applicable paragraph of its Company Disclosure Schedule or Purchaser Disclosure Schedule, as applicable, or any other paragraph of its Company Disclosure Schedule or Purchaser Disclosure Schedule, as applicable (so long as it is reasonably clear from the context that the disclosure in such other paragraph of its Company Disclosure Schedule or Purchaser Disclosure Schedule is also applicable to the section of this Agreement in question).

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

HILLTOP HOLDINGS INC.

By: /s/ JEREMY B. FORD

Name: Jeremy B. Ford
Title: *President and CEO*

MEADOW CORPORATION

By: /s/ JEREMY B. FORD

Name: Jeremy B. Ford
Title: *President*

PLAINSCAPITAL CORPORATION

By: /s/ ALAN B. WHITE

Name: Alan B. White
Title: *Chairman and CEO*

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Annex B

May 8, 2012

The Board of Directors
PlainsCapital Corporation
2323 Victory Avenue, Suite 1400
Dallas, Texas 75219

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of view, to the holders of common stock, par value $0.001 per share (the "Company Common Stock"), of PlainsCapital Corporation (the "Company") of the consideration to be paid to such holders in the proposed merger (the "Transaction") of the Company with a wholly-owned subsidiary of Hilltop Holdings Inc. (the "Acquiror"). Pursuant to the Agreement and Plan of Merger (the "Agreement"), dated as of May 8, 2012, by and among the Company, the Acquiror and its subsidiary, Meadow Corporation ("Merger Sub"), the Company will become a wholly-owned subsidiary of the Acquiror, and each outstanding share of Company Common Stock, other than (i) shares of Company Common Stock owned, directly or indirectly, by the Company, the Acquiror and Merger Sub (other than Trust Account Common Shares (as defined in the Agreement) and DPC Common Shares (as defined in the Agreement)) and (ii) Dissenting Shares (as defined in the Agreement), will be converted into the right to receive, without interest, consideration per share equal to the Per Share Cash Consideration (as defined in the Agreement) (the "Cash Consideration") and the Exchange Ratio (as defined in the Agreement) (the "Stock Consideration", and, together with the Cash Consideration, the "Consideration").

In connection with preparing our opinion, we have (i) reviewed the Agreement; (ii) reviewed certain publicly available business and financial information concerning the Company and the Acquiror and the industries in which they operate; (iii) compared the proposed financial terms of the Transaction with the publicly available financial terms of certain transactions involving companies we deemed relevant and the consideration paid for such companies; (iv) compared the financial and operating performance of the Company and the Acquiror with publicly available information concerning certain other companies we deemed relevant and reviewed the current and historical market prices of the Acquiror's common stock, par value $0.01 per share (the "Acquiror Common Stock"), and certain publicly traded securities of such other companies; (v) reviewed certain internal financial analyses and forecasts prepared by the managements of the Company and the Acquiror relating to their respective businesses; and (vi) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purposes of this opinion.

In addition, we have held discussions with certain members of the management of the Company and the Acquiror with respect to certain aspects of the Transaction, and the past and current business operations of the Company and the Acquiror, the financial condition and future prospects and operations of the Company and the Acquiror, the effects of the Transaction on the financial condition and future prospects of the Company and the Acquiror, and certain other matters we believed necessary or appropriate to our inquiry.

In giving our opinion, we have relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with us by the Company and the Acquiror or otherwise reviewed by or for us, and we have not independently verified (nor have we assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. We have not conducted or been provided with any valuation or appraisal of any assets or

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liabilities, nor have we evaluated the solvency of the Company or the Acquiror under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to us or derived therefrom, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of the Company and the Acquiror to which such analyses or forecasts relate. We express no view as to such analyses or forecasts or the assumptions on which they were based. We have also assumed that the Transaction and the other transactions contemplated by the Agreement will qualify as a tax-free reorganization for United States federal income tax purposes, and will be consummated as described in the Agreement. We have also assumed that the representations and warranties made by the Company and the Acquiror in the Agreement and the related agreements are and will be true and correct in all respects material to our analysis. In addition, we have assumed that there will be no issuances of additional shares of Company Common Stock or other securities following the date hereof that will cause the Per Share Cash Consideration and the Exchange Ratio to be less than $9 and .776, respectively. We are not legal, regulatory or tax experts and have relied on the assessments made by advisors to the Company with respect to such issues. We have further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the Company or the Acquiror or on the contemplated benefits of the Transaction.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, or reaffirm this opinion. Our opinion is limited to the fairness, from a financial point of view, of the Consideration to be paid to the holders of the Company Common Stock in the proposed Transaction and we express no opinion as to the fairness of any consideration paid in connection with the Transaction to the holders of any other class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Transaction. Furthermore, we express no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the Transaction, or any class of such persons relative to the Consideration to be paid to the holders of the Company Common Stock in the Transaction or with respect to the fairness of any such compensation. We are expressing no opinion herein as to the price at which the Acquiror Common Stock will trade at any future time.

We note that we were not authorized to and did not solicit any expressions of interest from any other parties with respect to the sale of all or any part of the Company or any other alternative transaction.

We have acted as financial advisor to the Company with respect to the proposed Transaction and will receive a fee from the Company for our services, a substantial portion of which will become payable only if the proposed Transaction is consummated. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. Please be advised that during the two years preceding the date of this letter, neither we nor our affiliates have had any other material financial advisory or other material commercial or investment banking relationships with the Acquiror or the Company other than that our commercial banking affiliate provides treasury and cash management services to the Company and is a lender under outstanding credit facilities of the Company and certain of its subsidiaries, for which it receives customary compensation or other financial benefits. In the past, we and our affiliates have had commercial or investment banking relationships with certain funds or companies in which Gerald J. Ford, the beneficial owner of 26.7% of the Acquiror Common Stock as of April 11, 2012, as reported by the Acquiror in its Schedule 14A filed on April 30, 2012, has a significant ownership stake. In the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of the Acquiror for our own account or

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for the accounts of customers and, accordingly, we may at any time hold long or short positions in such securities.

On the basis of and subject to the foregoing, it is our opinion as of the date hereof that the Consideration to be paid to the holders of the Company Common Stock in the proposed Transaction is fair, from a financial point of view, to such holders.

The issuance of this opinion has been approved by a fairness opinion committee of J.P. Morgan Securities LLC. This letter is provided to the Board of Directors of the Company (in its capacity as such) in connection with and for the purposes of its evaluation of the Transaction. This opinion does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote with respect to the Transaction or any other matter. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval. This opinion may be reproduced in full in any proxy or information statement mailed to shareholders of the Company but may not otherwise be disclosed publicly in any manner without our prior written approval.

Very truly yours,

J.P. MORGAN SECURITIES LLC

/s/ J.P. MORGAN SECURITIES LLC

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Annex C

May 8, 2012

Board of Directors
Hilltop Holdings Inc.
200 Crescent Court
Suite 1330
Dallas, TX 75201

Gentlemen:

We understand that PlainsCapital Corporation ("PlainsCapital") and Hilltop Holdings Inc. ("Hilltop") propose to enter into an Agreement and Plan of Merger dated May 8, 2012 (the "Merger Agreement") which provides among other things, for the merger (the "Merger") of PlainsCapital with and into a wholly owned, direct subsidiary of Hilltop. In accordance with the terms of the Merger Agreement, each outstanding share of PlainsCapital common stock and each outstanding restricted stock unit and restricted stock award of PlainsCapital except for shares owned, directly or indirectly, by Hilltop and PlainsCapital, will be converted into the right to receive, without interest, (i) shares of common stock and (ii) an amount in cash. The cash and stock consideration per share for each outstanding share of PlainsCapital common stock will be determined on the closing date, as the aggregate cash and stock consideration is fixed at $318,452,850 and 27,457,712 shares of Hilltop common stock, subject to adjustment with respect to certain equity awards. The terms and conditions of the Merger are more fully set forth in the Merger Agreement.

You have requested our opinion as to whether the consideration to be paid by Hilltop in the Merger is fair to Hilltop from a financial point of view. In connection with rendering our opinion we have:

1. reviewed certain publicly available financial statements, reports and other business and financial information regarding Hilltop and PlainsCapital;

2. reviewed certain internal financial statements and other financial and operating data (including financial projections) concerning Hilltop and PlainsCapital prepared by the managements of Hilltop and PlainsCapital, respectively;

3. reviewed the reported prices and trading activity for the common stock of Hilltop;

4. compared the financial performance of PlainsCapital and Hilltop's operating businesses with the performance and pricing of the stock of certain other publicly-traded companies that we deemed relevant;

5. reviewed the financial terms, to the extent publicly available, of certain transactions that we deemed relevant;

6. reviewed with management of Hilltop the projections prepared by Hilltop of the potential future financial performance of PlainsCapital and Hilltop;

7. reviewed with management of PlainsCapital the projections prepared by PlainsCapital of the potential future financial performance of PlainsCapital;

8. reviewed the pro forma impact of the merger on Hilltop's earnings per share, book value per share, and tangible book value per share, as projected by Hilltop;

9. discussed with management of Hilltop and PlainsCapital the past and current business operations, financial condition and future business prospects of Hilltop and PlainsCapital;

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10. reviewed the financial terms and conditions of the Merger Agreement dated May 8, 2012;

11. assisted in your deliberations regarding the material terms of the Merger; and

12. performed such other analyses, reviewed such other information, considered such other factors, and provided such other services as we have deemed appropriate.

For purposes of rendering this opinion, we have relied on and assumed the accuracy and completeness of the information and financial data that was publicly available or was provided to, or discussed with, us by Hilltop and PlainsCapital and of the other information reviewed by us in connection with the preparation of our opinion, and our opinion is based upon such information. We have not assumed any responsibility for independent verification of the accuracy or completeness of any of such information or financial data. We have further relied on the assurances of the managements of Hilltop and PlainsCapital that they are not aware of any information that would make any of such information inaccurate or misleading in any material respect. We have not made or undertaken, nor have we assumed any responsibility for making or undertaking, an independent evaluation or appraisal of any of the assets or liabilities of Hilltop or of PlainsCapital; nor have we evaluated the solvency or fair value of Hilltop or of PlainsCapital under any laws relating to bankruptcy, insolvency or similar matters. We have not conducted, nor have we assumed any obligation to conduct, any physical inspection of the properties or facilities of Hilltop or of PlainsCapital. With respect to the financial forecasts prepared by the managements of Hilltop and PlainsCapital, we have assumed that such financial forecasts have been reasonably prepared and reflect the best currently available estimates and judgments of the managements of Hilltop and PlainsCapital as to the potential future financial performance of Hilltop and PlainsCapital and that the financial results reflected by such projections will be realized as predicted. We express no view as to such forecasts or the assumptions on which they were based. We have also assumed that the representations and warranties contained in the Merger Agreement and all related documents are true and correct in all material respects.

As part of our investment banking business, we regularly issue fairness opinions and are continually engaged in the valuation of companies and their securities in connection with business reorganizations, private placements, negotiated underwritings, mergers and acquisitions and valuations for estate, corporate and other purposes. We are familiar with Hilltop and PlainsCapital and, in the past, have provided investment banking services to both Hilltop and PlainsCapital for which we and our affiliates have received customary compensation, and we expect to provide similar services in the future. During the past two years, such services have included (i) acting as an underwriter in a proposed public offering of shares of common stock of PlainsCapital, which offering was not completed, (ii) performing an independent valuation of shares owned by the PlainsCapital Employee Stock Ownership Plan as amended and (iii) providing financial advisory services to Hilltop in connection with an investment in SWS Group, Inc. pursuant to a funding agreement dated March 20, 2011. We serve as financial adviser to Hilltop in connection with the Merger, and we are entitled to receive from Hilltop reimbursement of our expenses, including fees and expenses of outside counsel to us, and a fee for our services as financial adviser to Hilltop, a significant portion of which is contingent upon the consummation of the Merger. We are also entitled to receive a fee from Hilltop for providing our fairness opinion to Hilltop, which fee is not contingent upon consummation of the Merger. Hilltop has also agreed to indemnify us for certain liabilities arising out of our engagement, including certain liabilities that could arise out of our providing this opinion letter. We expect to pursue future investment banking services assignments from participants in this Merger, including Hilltop. In the ordinary course of business, we and our affiliates at any time may hold long or short positions, and may trade or otherwise effect transactions as principal or for the accounts of customers, in debt, equity or other securities or financial instruments or options on securities of Hilltop or of any other participant in the Merger.

We are not legal, accounting, regulatory or tax experts, and we have relied solely, and without independent verification, on the assessments of Hilltop and its other advisers with respect to such matters. We have assumed, with your consent, that the Merger and the other transactions contemplated by the Merger Agreement will have the tax consequences described in discussions with, and materials furnished to us by, representatives of Hilltop and that the Merger will not result in adverse tax consequences for Hilltop or PlainsCapital.

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Our opinion is necessarily based upon market, economic, regulatory and other conditions as they exist and can be evaluated on, and on the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise or reaffirm this opinion. We have assumed that the Merger will be consummated on the terms of the Merger Agreement dated May 8, 2012, without material waiver or modification. We have assumed all necessary regulatory, lending or other consents or approvals (contractual or otherwise) for the Merger will be obtained and that no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on Hilltop or PlainsCapital or on the contemplated benefits of the Merger to Hilltop. We are not expressing any opinion herein as to the price at which the common stock or any other securities of Hilltop will trade following the announcement of the Merger or as to the impact of the Merger on the solvency or viability of Hilltop or PlainsCapital or the ability of Hilltop or PlainsCapital to pay their respective obligations when they come due.

This opinion is for the use and benefit of the Board of Directors of Hilltop for purposes of its evaluation of the Merger. Our opinion does not address the merits of the underlying decision by Hilltop to engage in the Merger, the relative merits of the Merger as compared to other alternatives potentially available to Hilltop or the relative effects of any alternative transaction in which Hilltop might engage, nor is it intended to be a recommendation to any person as to how to vote or of any specific action that should be taken in connection with the Merger. This opinion is not intended to confer any rights or remedies upon any other person. Our opinion is limited to the fairness, from a financial point of view to Hilltop of the consideration to be paid by Hilltop in connection with the Merger, and this opinion does not address the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of Hilltop. We have not been asked to express any opinion, and do not express any opinion, as to the fairness of the amount or nature of any compensation to any officers, directors or employees of any party to the Merger, or to any group of such officers, directors or employees, relative to the compensation to be received by other stockholders in the Merger or with respect to the fairness of any such compensation. Our fairness opinion committee has approved the opinion set forth in this letter. Neither this opinion nor its substance may be disclosed by you to anyone other than your advisers without our written permission. Notwithstanding the foregoing, this opinion and a summary discussion of our underlying analyses and role as financial adviser to Hilltop may be included in any joint proxy or information statement relating to the Merger mailed to shareholders of Hilltop and PlainsCapital, provided that we approve of the content of such disclosures prior to any filing or publication of such statement.

Based on the foregoing and our general experience as investment bankers, and subject to the assumptions and qualifications stated herein, we are of the opinion on the date hereof that the consideration to be paid by Hilltop in the Merger is fair to Hilltop from a financial point of view.

Very truly yours,

STEPHENS INC.

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Annex D

VOTING AND SUPPORT AGREEMENT

This Voting and Support Agreement (this "*Agreement*") is made and entered into as of [ ], among [ ], a [ ] corporation ("*Purchaser*"), and [ ] ("*Shareholder*").

R E C I T A L S:

WHEREAS, Purchaser, [ ], a [ ] corporation and direct, wholly owned subsidiary of Purchaser ('*Merger Sub*"), and [ ] Corporation, a [ ] corporation ("*Company*"), are entering into an Agreement and Plan of Merger, dated as of the date hereof (as the same may be amended or supplemented, the "*Merger Agreement*") providing for the merger of Company with and into Merger Sub (the "*Merger*"), upon the terms and subject to the conditions set forth in the Merger Agreement. Capitalized terms used but not defined herein shall have the meanings set forth in the Merger Agreement;

WHEREAS, as of the date hereof, Shareholder is the record and beneficial owner of the number of shares of Company Common Stock set forth, and in the manner reflected, on *Attachment A* hereto (the "*Owned Shares*"); and

WHEREAS, as an inducement and a condition to Purchaser entering into and consummating the Merger Agreement, Purchaser has required that Shareholder enter into this Agreement;

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
AGREEMENT TO VOTE; IRREVOCABLE PROXY

Section 1.01 *Agreement to Vote.* Shareholder hereby agrees that, during the time this Agreement is in effect, at the Company Shareholder Meeting (as defined in the Merger Agreement) or any meeting of the shareholders of the Company, however called, or any adjournment or postponement thereof, Shareholder shall be present (in person or by proxy) and vote (or cause to be voted) all of its Owned Shares (a) in favor of approval of (1) the Merger Agreement and the transactions contemplated thereby, (2) any other matter that is required to facilitate the transactions contemplated by the Merger Agreement and (3) any proposal to adjourn or postpone such meeting to a later date if there are not sufficient votes to approve the Merger Agreement; and (b) against any Company Acquisition Proposal and against any action or agreement that would impair the ability of the Purchaser and the Merger Sub to complete the Merger, the ability of the Company to consummate the Merger, or that would otherwise be inconsistent with, prevent, impede or delay the consummation of the transactions contemplated by the Merger Agreement.

Section 1.02 *Irrevocable Proxy.* Shareholder hereby irrevocably appoints the Purchaser as its attorney and proxy with full power of substitution and resubstitution, to the full extent of Shareholder's voting rights with respect to the Owned Shares (which proxy is irrevocable and which appointment is coupled with an interest) to vote all such Owned Shares solely on the matters described in Section 1.01, and in accordance therewith. Shareholder agrees to execute any further agreement or form reasonably necessary or appropriate to confirm and effectuate the grant of the proxy contained herein. Such proxy shall automatically terminate upon the valid termination of this Agreement in accordance with Section 4.01 of this Agreement.

Section 1.03 *Transfer Restrictions.* Shareholder agrees that it will not, prior to termination of this Agreement, (i) sell, transfer, assign, tender in any tender or exchange offer, pledge, encumber, hypothecate or similarly dispose of (by merger, by testamentary disposition, by operation of law or

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otherwise), either voluntarily or involuntarily, enter into any swap or other arrangements that transfers to another, in whole or in part, any of the economic consequences of ownership of, enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, Lien, hypothecation or other disposition of (by merger, by testamentary disposition, by operation of law or otherwise) or otherwise convey or dispose of, any of the Owned Shares, or any interest therein, including the right to vote any Owned Shares, as applicable (a "*Transfer*"), or (ii) grant any proxies, or enter into any contract, arrangement or understanding with respect to a Transfer of the Owned Shares, as applicable; provided that Shareholder may Transfer the Shares for estate planning or philanthropic purposes so long as the transferee agrees in a signed writing to be bound by the provisions of this Agreement.

Section 1.04 *Inconsistent Agreements.* Shareholder hereby covenants and agrees that, except for this Agreement, it (a) has not entered into, and shall not enter into at any time while this Agreement remains in effect, any voting agreement or voting trust with respect to the Owned Shares and (b) has not granted, and shall not grant at any time while this Agreement remains in effect, a proxy, consent or power of attorney with respect to the Owned Shares.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.01 *Shareholder Representations and Warranties.* Shareholder hereby represents and warrants to Purchaser as follows:

(a) Shareholder has full legal right and capacity to execute and deliver this Agreement, to perform Shareholder's obligations hereunder and to consummate the transactions contemplated hereby.

(b) This Agreement has been duly executed and delivered by Shareholder and the execution, delivery and performance of this Agreement by Shareholder and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of Shareholder and no other actions or proceedings on the part of Shareholder are necessary to authorize this Agreement or to consummate the transactions contemplated hereby.

(c) Assuming due execution and delivery by Purchaser, this Agreement constitutes the valid and binding agreement of Shareholder, enforceable against Shareholder in accordance with its terms.

(d) The execution and delivery of this Agreement by Shareholder does not, and the consummation of the transactions contemplated hereby and the compliance with the provisions hereof will not (i) require Shareholder to obtain the consent or approval of, or make any filing with or notification to, any governmental or regulatory authority, domestic or foreign, (b) require the consent or approval of any other person pursuant to any agreement, obligation or instrument binding on Shareholder or its properties and assets, (c) conflict with or violate any organizational document or law, rule, regulation, order, judgment or decree applicable to Shareholder or pursuant to which any of its or its affiliates' respective properties or assets are bound or (d) violate any other agreement to which Shareholder or any of its affiliates is a party including, without limitation, any voting agreement, Shareholders agreement, irrevocable proxy or voting trust. The Owned Shares are not, with respect to the voting or transfer thereof, subject to any other agreement, including any voting agreement, shareholders agreement, irrevocable proxy or voting trust.

(e) On the date hereof, the Owned Shares set forth on *Attachment A* hereto are owned of record or beneficially by Shareholder in the manner reflected thereon, include all of the shares of Company Common Stock owned of record or beneficially by Shareholder and are free and clear of

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any proxy or voting restriction, claims, liens, encumbrances and security interests, except (if applicable) as set forth on *Attachment A* hereto, which encumbrances or other items do not affect in any respect the ability of Shareholder to perform Shareholder's obligations hereunder. As of the date hereof Shareholder has, and at the Company Shareholder Meeting or any other shareholder meeting of the Company in connection with the Merger Agreement and the transactions contemplated thereby, Shareholder (together with any such entity) will have (except as otherwise permitted by this Agreement), sole voting power (to the extent such securities have voting power) and sole dispositive power with respect to all of the Owned Shares, except as otherwise reflected on *Attachment A*.

(f) Shareholder understands and acknowledges that each of Purchaser and Merger Sub is entering into the Merger Agreement in reliance upon Shareholder's execution, delivery and performance of this Agreement.

Section 2.02 *Purchaser Representations and Warranties.* Purchaser hereby represents and warrants to Shareholder as follows:

(a) Purchaser has full legal right and capacity to execute and deliver this Agreement, to perform Purchaser's obligations hereunder and to consummate the transactions contemplated hereby.

(b) This Agreement has been duly executed and delivered by Purchaser and the execution, delivery and performance of this Agreement by Purchaser and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of Purchaser and no other actions or proceedings on the part of Purchaser are necessary to authorize this Agreement or to consummate the transactions contemplated hereby.

(c) Assuming due execution and delivery of this Agreement by Shareholder, this Agreement constitutes the valid and binding agreement of Purchaser, enforceable against Purchaser in accordance with its terms.

(d) The execution and delivery of this Agreement by Purchaser does not, and the consummation of the transactions contemplated hereby and the compliance with the provisions hereof will not (i) require Purchaser to obtain the consent or approval of, or make any filing with or notification to, any governmental or regulatory authority, domestic or foreign (except for filings with the Securities and Exchange Commission by Purchaser), (b) require the consent or approval of any other person pursuant to any agreement, obligation or instrument binding on Purchaser or its properties and assets, (c) conflict with or violate any organizational document or law, rule, regulation, order, judgment or decree applicable to Purchaser or pursuant to which any of its or its affiliates' respective properties or assets are bound or (d) violate any other material agreement to which Purchaser or any of its affiliates is a party.

ARTICLE III
COVENANTS

Section 3.01 *Shareholder Covenants.* Shareholder hereby covenants and agrees with Purchaser as follows:

(a) Shareholder agrees, prior to the consummation of the Merger, not to take any action that would make any representation or warranty of Shareholder contained herein untrue or incorrect or have or would reasonably be expected to have the effect of preventing, impeding or interfering with or adversely affecting the performance by Shareholder of its obligations under this Agreement.

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(b) Shareholder agrees to permit Purchaser to publish and disclose in the Joint Proxy Statement Shareholder's identity and ownership of shares of Company Common Stock and the nature of Shareholder's commitments, arrangements and understandings under this Agreement.

(c) In furtherance of this Agreement, and concurrently herewith, Shareholder shall and hereby does authorize the Company or the Company's counsel to notify the Company's transfer agent that there is a stop transfer order with respect to all of the Owned Shares. At the request of Purchaser, Shareholder shall cause to be provided to Purchaser evidence of such stop transfer order.

(d) From time to time, at the request of Purchaser and without further consideration, Shareholder shall execute and deliver such additional documents and take all such further action as may be necessary or desirable to consummate and make effective the transactions contemplated by this Agreement.

(e) The parties hereto acknowledge that Shareholder is entering into this Agreement solely in its capacity as the beneficial owner of the Owned Shares and this Agreement shall not limit or otherwise affect the actions or fiduciary duties of Shareholder in its capacity, if applicable, as an officer or director of the Company or any Subsidiary.

ARTICLE IV
TERMINATION

Section 4.01 *Termination of Agreement.* This Agreement shall terminate upon the earlier to occur of (i) the termination of the Merger Agreement in accordance with its terms and (ii) the consummation of the Merger.

Section 4.02 *Effect of Termination.* In the event of termination of this Agreement pursuant to Section 4.01, this Agreement shall become void and of no effect with no liability on the part of any party hereto; *provided*, *however*, no such termination shall relieve any party hereto from any liability for any breach of this Agreement occurring prior to such termination or any obligations under.

ARTICLE V
MISCELLANEOUS

Section 5.01 *Expenses.* Except as otherwise may be agreed in writing, all costs, fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring or required to incur such costs, fees and expenses.

Section 5.02 *Entire Agreement; Assignment.* This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. This Agreement shall not be assigned by operation of law or otherwise and shall be binding upon and inure solely to the benefit of each party hereto.

Section 5.03 *Notices.* All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and if served by personal delivery upon the party for whom it is intended, delivered by registered or certified mail, return receipt requested, or by a national courier service, or sent by email or facsimile, provided that the email facsimile is promptly confirmed by

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telephone confirmation thereof, to the Person at the address set forth below, or such other address as may be designated in writing hereafter, in the same manner, by such Person:

To Purchaser:

[ ]
Attention: [ ]
Facsimile: [ ]

With copies to:

[ ]
Attention: [ ]
Facsimile: [ ]
Email: [ ]

To Shareholder:

[ ]
Attention: [ ]
Facsimile: [ ]
Email: [ ]

With copies to:

[ ]
Attention: [ ]
Facsimile: [ ]
Email: [ ]

Section 5.04 *Amendments; Waivers.* Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed (i) in the case of an amendment, by Purchaser and Shareholder, and (ii) in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 5.05 *Assignment.* No party to this Agreement may assign any of its rights or obligations under this Agreement, including by sale of stock, operation of Law in connection with a merger or sale of substantially all the assets of the respective party to this Agreement, without the prior written consent of the other party hereto; provided that Purchaser may assign its rights and obligations under this Agreement to a Subsidiary of Purchaser, so long as Purchaser remains liable for its obligations hereunder.

Section 5.06 *Governing Law; Venue.* This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed entirely within such state, without giving effect to its principles of conflicts of laws. The parties hereto agree that any suit, action or proceeding brought by either party to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in any federal or state court located in the State of Texas. Each of the parties hereto submits to the jurisdiction of any such court in any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of, or in connection with, this Agreement or the transactions contemplated hereby and hereby irrevocably waives the benefit of jurisdiction derived from present or future domicile or otherwise in such action or proceeding. Each party hereto irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the

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laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

SECTION 5.07 *WAIVER OF JURY TRIAL.* EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION, DIRECTLY OR INDIRECTLY, ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 5.07.

Section 5.08 *Specific Performance.* Each of the parties hereto agrees that this Agreement is intended to be legally binding and specifically enforceable pursuant to its terms and that Purchaser would be irreparably harmed if any of the provisions of this Agreement are not performed in accordance with their specific terms and that monetary damages would not provide adequate remedy in such event. Accordingly, in the event of any breach or threatened breach by Shareholder of any covenant or obligation contained in this Agreement, in addition to any other remedy to which Purchaser may be entitled (including monetary damages), Purchaser shall be entitled to injunctive relief to prevent breaches of this Agreement and to specifically enforce the terms and provisions hereof. Shareholder further agrees that neither Purchaser, Merger Sub nor any other person shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 5.08, and Shareholder irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument.

Section 5.09 *Counterparts.* This Agreement may be executed by facsimile and in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

Section 5.10 *Severability.* Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 5.11 *No Ownership Interest.* Nothing contained in this Agreement shall be deemed to vest in Purchaser any direct or indirect ownership or incidence of ownership of or with respect to any Owned Shares. All rights, ownership and economic benefits of and relating to the Owned Shares shall remain vested in and belong to the Shareholder, and Purchaser shall have no authority to manage, direct, superintend, restrict, regulate, govern or administer any of the policies or operations of the Company or exercise any power or authority to direct the Shareholder in the voting of any of the Owned Shares, except as otherwise provided herein.

[Signature Pages to Follow]

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IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date and year first written above.

[ ]
By: _____
Name:
Title:

[ ]
By: _____
Name:
Title:

[Signature Page to Voting Agreement]

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Attachment A

Owned Shares

[ ]

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Annex E

VOTING AND SUPPORT AGREEMENT

This Voting and Support Agreement (this "*Agreement*") is made and entered into as of May 8, 2012, among PlainsCapital Corporation ("*Company*"), and Diamond A Financial L.P. ("*Shareholder*").

R E C I T A L S:

WHEREAS, Company, Hilltop Holdings, Inc. ("*Purchaser*") and Meadow Corporation ("*Merger Sub*"), are entering into an Agreement and Plan of Merger, dated as of the date hereof (as the same may be amended or supplemented, the "*Merger Agreement*") providing for the merger of Company with and into Merger Sub (the "*Merger*"), upon the terms and subject to the conditions set forth in the Merger Agreement. Capitalized terms used but not defined herein shall have the meanings set forth in the Merger Agreement;

WHEREAS, as of the date hereof, Shareholder is the record and beneficial owner of the number of shares of Purchaser Common Stock set forth, and in the manner reflected, on *Attachment A* hereto (the "*Owned Shares*"); and

WHEREAS, as an inducement and a condition to Company entering into and consummating the Merger Agreement, Company has required that Shareholder enter into this Agreement;

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
AGREEMENT TO VOTE; IRREVOCABLE PROXY

Section 1.01 *Agreement to Vote.* Shareholder hereby agrees that, during the time this Agreement is in effect, at the Purchaser Shareholder Meeting (as defined in the Merger Agreement) or any meeting of the shareholders of the Purchaser, however called, or any adjournment or postponement thereof, Shareholder shall be present (in person or by proxy) and vote (or cause to be voted) all of its Owned Shares (a) in favor of approval of (1) the Merger Agreement and the transactions contemplated thereby, (2) any other matter that is required to facilitate the transactions contemplated by the Merger Agreement and (3) any proposal to adjourn or postpone such meeting to a later date if there are not sufficient votes to approve the Merger Agreement; and (b) against any Purchaser Acquisition Proposal and against any action or agreement that would impair the ability of the Company and the Merger Sub to complete the Merger, the ability of the Purchaser to consummate the Merger, or that would otherwise be inconsistent with, prevent, impede or delay the consummation of the transactions contemplated by the Merger Agreement.

Section 1.02 *Irrevocable Proxy.* Shareholder hereby irrevocably appoints the Company as its attorney and proxy with full power of substitution and resubstitution, to the full extent of Shareholder's voting rights with respect to the Owned Shares (which proxy is irrevocable and which appointment is coupled with an interest) to vote all such Owned Shares solely on the matters described in Section 1.01, and in accordance therewith. Shareholder agrees to execute any further agreement or form reasonably necessary or appropriate to confirm and effectuate the grant of the proxy contained herein. Such proxy shall automatically terminate upon the valid termination of this Agreement in accordance with Section 4.01 of this Agreement.

Section 1.03 *Transfer Restrictions.* Shareholder agrees that it will not, prior to termination of this Agreement, (i) sell, transfer, assign, tender in any tender or exchange offer, pledge, encumber, hypothecate or similarly dispose of (by merger, by testamentary disposition, by operation of law or

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otherwise), either voluntarily or involuntarily, enter into any swap or other arrangements that transfers to another, in whole or in part, any of the economic consequences of ownership of, enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, Lien, hypothecation or other disposition of (by merger, by testamentary disposition, by operation of law or otherwise) or otherwise convey or dispose of, any of the Owned Shares, or any interest therein, including the right to vote any Owned Shares, as applicable (a "*Transfer*"), or (ii) grant any proxies, or enter into any contract, arrangement or understanding with respect to a Transfer of the Owned Shares, as applicable; provided that Shareholder may Transfer the Shares for estate planning or philanthropic purposes so long as the transferee agrees in a signed writing to be bound by the provisions of this Agreement.

Section 1.04 *Inconsistent Agreements.* Shareholder hereby covenants and agrees that, except for this Agreement, it (a) has not entered into, and shall not enter into at any time while this Agreement remains in effect, any voting agreement or voting trust with respect to the Owned Shares and (b) has not granted, and shall not grant at any time while this Agreement remains in effect, a proxy, consent or power of attorney with respect to the Owned Shares.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.01 *Shareholder Representations and Warranties.* Shareholder hereby represents and warrants to Company as follows:

(a) Shareholder has full legal right and capacity to execute and deliver this Agreement, to perform Shareholder's obligations hereunder and to consummate the transactions contemplated hereby.

(b) This Agreement has been duly executed and delivered by Shareholder and the execution, delivery and performance of this Agreement by Shareholder and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of Shareholder and no other actions or proceedings on the part of Shareholder are necessary to authorize this Agreement or to consummate the transactions contemplated hereby.

(c) Assuming due execution and delivery by Company, this Agreement constitutes the valid and binding agreement of Shareholder, enforceable against Shareholder in accordance with its terms.

(d) The execution and delivery of this Agreement by Shareholder does not, and the consummation of the transactions contemplated hereby and the compliance with the provisions hereof will not (i) require Shareholder to obtain the consent or approval of, or make any filing with or notification to, any governmental or regulatory authority, domestic or foreign, (b) require the consent or approval of any other person pursuant to any agreement, obligation or instrument binding on Shareholder or its properties and assets, (c) conflict with or violate any organizational document or law, rule, regulation, order, judgment or decree applicable to Shareholder or pursuant to which any of its or its affiliates' respective properties or assets are bound or (d) violate any other agreement to which Shareholder or any of its affiliates is a party including, without limitation, any voting agreement, Shareholders agreement, irrevocable proxy or voting trust. The Owned Shares are not, with respect to the voting or transfer thereof, subject to any other agreement, including any voting agreement, shareholders agreement, irrevocable proxy or voting trust.

(e) On the date hereof, the Owned Shares set forth on *Attachment A* hereto are owned of record or beneficially by Shareholder in the manner reflected thereon, include all of the shares of Purchaser Common Stock owned of record or beneficially by Shareholder and are free and clear of

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any proxy or voting restriction, claims, liens, encumbrances and security interests, except (if applicable) as set forth on *Attachment A* hereto, which encumbrances or other items do not affect in any respect the ability of Shareholder to perform Shareholder's obligations hereunder. As of the date hereof Shareholder has, and at the Purchaser Shareholder Meeting or any other shareholder meeting of the Purchaser in connection with the Merger Agreement and the transactions contemplated thereby, Shareholder (together with any such entity) will have (except as otherwise permitted by this Agreement), sole voting power (to the extent such securities have voting power) and sole dispositive power with respect to all of the Owned Shares, except as otherwise reflected on *Attachment A*.

(f) Shareholder understands and acknowledges that Company is entering into the Merger Agreement in reliance upon Shareholder's execution, delivery and performance of this Agreement.

Section 2.02 *Company Representations and Warranties.* Company hereby represents and warrants to Shareholder as follows:

(a) Company has full legal right and capacity to execute and deliver this Agreement, to perform Company's obligations hereunder and to consummate the transactions contemplated hereby.

(b) This Agreement has been duly executed and delivered by Company and the execution, delivery and performance of this Agreement by Company and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of Company and no other actions or proceedings on the part of Company are necessary to authorize this Agreement or to consummate the transactions contemplated hereby.

(c) Assuming due execution and delivery of this Agreement by Shareholder, this Agreement constitutes the valid and binding agreement of Company, enforceable against Company in accordance with its terms.

(d) The execution and delivery of this Agreement by Company does not, and the consummation of the transactions contemplated hereby and the compliance with the provisions hereof will not (i) require Company to obtain the consent or approval of, or make any filing with or notification to, any governmental or regulatory authority, domestic or foreign (except for filings with the Securities and Exchange Commission by Company), (b) require the consent or approval of any other person pursuant to any agreement, obligation or instrument binding on Company or its properties and assets, (c) conflict with or violate any organizational document or law, rule, regulation, order, judgment or decree applicable to Company or pursuant to which any of its or its affiliates' respective properties or assets are bound or (d) violate any other material agreement to which Company or any of its affiliates is a party.

ARTICLE III
COVENANTS

Section 3.01 *Shareholder Covenants.* Shareholder hereby covenants and agrees with Company as follows:

(a) Shareholder agrees, prior to the consummation of the Merger, not to take any action that would make any representation or warranty of Shareholder contained herein untrue or incorrect or have or would reasonably be expected to have the effect of preventing, impeding or interfering with or adversely affecting the performance by Shareholder of its obligations under this Agreement.

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(b) Shareholder agrees to permit Company to publish and disclose in the Joint Proxy Statement Shareholder's identity and ownership of shares of Purchaser Common Stock and the nature of Shareholder's commitments, arrangements and understandings under this Agreement.

(c) In furtherance of this Agreement, and concurrently herewith, Shareholder shall and hereby does authorize the Purchaser or the Purchaser's counsel to notify Purchaser's transfer agent that there is a stop transfer order with respect to all of the Owned Shares. At the request of Company, Shareholder shall cause to be provided to Company evidence of such stop transfer order.

(d) From time to time, at the request of Company and without further consideration, Shareholder shall execute and deliver such additional documents and take all such further action as may be necessary or desirable to consummate and make effective the transactions contemplated by this Agreement.

(e) The parties hereto acknowledge that Shareholder is entering into this Agreement solely in its capacity as the beneficial owner of the Owned Shares and this Agreement shall not limit or otherwise affect the actions or fiduciary duties of Shareholder in its capacity, if applicable, as an officer or director of the Purchaser or any Subsidiary.

ARTICLE IV
TERMINATION

Section 4.01 *Termination of Agreement.* This Agreement shall terminate upon the earlier to occur of (i) the termination of the Merger Agreement in accordance with its terms and (iii) the consummation of the Merger.

Section 4.02 *Effect of Termination.* In the event of termination of this Agreement pursuant to Section 4.01, this Agreement shall become void and of no effect with no liability on the part of any party hereto; *provided*, *however*, no such termination shall relieve any party hereto from any liability for any breach of this Agreement occurring prior to such termination or any obligations under.

ARTICLE V
MISCELLANEOUS

Section 5.01 *Expenses.* Except as otherwise may be agreed in writing, all costs, fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring or required to incur such costs, fees and expenses.

Section 5.02 *Entire Agreement; Assignment.* This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. This Agreement shall not be assigned by operation of law or otherwise and shall be binding upon and inure solely to the benefit of each party hereto.

Section 5.03 *Notices.* All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and if served by personal delivery upon the party for whom it is intended, delivered by registered or certified mail, return receipt requested, or by a national courier service, or sent by email or facsimile, provided that the email facsimile is promptly confirmed by

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telephone confirmation thereof, to the Person at the address set forth below, or such other address as may be designated in writing hereafter, in the same manner, by such Person:

To Company:

PlainsCapital Corporation
2323 Victory Ave., Suite 1400
Dallas, Texas 75219
Attention: Scott J. Luedke
Facsimile: (877) 425-4246

with copies to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attention: Mitchell S. Eitel
Facsimile: (212) 558-3588

To Shareholder:

Diamond A Financial, L.P.
200 Crescent Court
Suite 1350
Dallas, TX 75201
Attention: Gerald J. Ford
Facsimile: (214) 871-5199

With copies to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: David E. Shapiro
Facsimile: 212-403-2000

Section 5.04 *Amendments; Waivers.* Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed (i) in the case of an amendment, by Company and Shareholder, and (ii) in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 5.05 *Assignment.* No party to this Agreement may assign any of its rights or obligations under this Agreement, including by sale of stock, operation of Law in connection with a merger or sale of substantially all the assets of the respective party to this Agreement, without the prior written consent of the other party hereto; provided that Company may assign its rights and obligations under this Agreement to a Subsidiary of Company, so long as Company remains liable for its obligations hereunder.

Section 5.06 *Governing Law; Venue.* This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed entirely within such state, without giving effect to its principles of conflicts of laws. The parties hereto agree that any suit, action or proceeding brought by either party to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in any federal or state court located in the State of Texas. Each of the parties hereto

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submits to the jurisdiction of any such court in any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of, or in connection with, this Agreement or the transactions contemplated hereby and hereby irrevocably waives the benefit of jurisdiction derived from present or future domicile or otherwise in such action or proceeding. Each party hereto irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum..

SECTION 5.07 *WAIVER OF JURY TRIAL.* EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION, DIRECTLY OR INDIRECTLY, ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 5.07.

Section 5.08 *Specific Performance.* Each of the parties hereto agrees that this Agreement is intended to be legally binding and specifically enforceable pursuant to its terms and that Company would be irreparably harmed if any of the provisions of this Agreement are not performed in accordance with their specific terms and that monetary damages would not provide adequate remedy in such event. Accordingly, in the event of any breach or threatened breach by Shareholder of any covenant or obligation contained in this Agreement, in addition to any other remedy to which Company may be entitled (including monetary damages), Company shall be entitled to injunctive relief to prevent breaches of this Agreement and to specifically enforce the terms and provisions hereof. Shareholder further agrees that neither Company nor any other person shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 5.08, and Shareholder irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument.

Section 5.09 *Counterparts.* This Agreement may be executed by facsimile and in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

Section 5.10 *Severability.* Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 5.11 *No Ownership Interest.* Nothing contained in this Agreement shall be deemed to vest in Company any direct or indirect ownership or incidence of ownership of or with respect to any Owned Shares. All rights, ownership and economic benefits of and relating to the Owned Shares shall remain vested in and belong to the Shareholder, and Company shall have no authority to manage,

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direct, superintend, restrict, regulate, govern or administer any of the policies or operations of Purchaser or exercise any power or authority to direct the Shareholder in the voting of any of the Owned Shares, except as otherwise provided herein.

[Signature Pages to Follow]

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IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date and year first written above.

PLAINSCAPITAL CORPORATION
By: /s/ ALAN B. WHITE

Name: Alan B. White
Title: *Chairman and CEO*

DIAMOND A FINANCIAL L.P.
By: /s/ GERALD J. FORD

Name: Gerald J. Ford
Title: *General Partner*

[Signature Page to Voting and Support Agreement]

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Attachment A

Owned Shares

15,044,616

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Annex F

HILLTOP HOLDINGS INC.
2012 EQUITY INCENTIVE PLAN

SECTION 1. Purposes; Definitions

The purposes of this Plan are to focus directors, officers and other employees and consultants on business performance that creates stockholder value, to encourage innovative approaches to the business of the Company and to encourage ownership of Company Common Stock by directors, officers and other employees and consultants.

For purposes of this Plan, the following terms are defined as set forth below:

(a) "*Affiliate*" means a corporation or other entity controlled by, controlling or under common control with the Company.

(b) "*Applicable Exchange*" means the New York Stock Exchange or such other securities exchange as may at the applicable time be the principal market for the Common Stock.

(c) "*Award*" means a Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Unit or Other Stock-Based Award granted pursuant to the terms of this Plan.

(d) "*Award Agreement*" means a written document or agreement setting forth the terms and conditions of a specific Award.

(e) "*Board*" means the Board of Directors of the Company.

(f) "*Change in Control*" has the meaning set forth in Section 10(b).

(g) "*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor provision of the Code.

(h) "*Commission*" means the Securities and Exchange Commission or any successor agency.

(i) "*Committee*" means the Committee referred to in Section 2.

(j) "*Common Stock*" means common stock, par value $0.01 per share, of the Company.

(k) "*Company*" means Hilltop Holdings Inc., a Maryland corporation.

(l) "*Disaffiliation*" means a Subsidiary's or Affiliate's ceasing to be a Subsidiary or Affiliate for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary or Affiliate) or a sale of a division of the Company and its Affiliates.

(m) "*Eligible Individuals*" means directors, officers, employees and consultants of the Company or any of its Subsidiaries or Affiliates, and prospective directors, officers, employees and consultants who have accepted offers of employment or consultancy from the Company or its Subsidiaries or Affiliates.

(n) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

(o) "*Fair Market Value*" means, except as otherwise provided by the Committee, with respect to any given date, the closing reported sales price on such date (or, if there are no reported sales on such date, on the last date prior to such date on which there were sales) of a Share on the Applicable Exchange. If there is no regular public trading market for such Common Stock, the Fair Market Value

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of the Common Stock shall be determined by the Committee in good faith and, to the extent applicable, such determination shall be made in a manner that satisfies Section 409A and Section 422(c)(1) of the Code.

(p) "*Free-Standing SAR*" has the meaning set forth in Section 5(b).

(q) "*Full-Value Award*" means any Award other than a Stock Option or Stock Appreciation Right.

(r) *"Grant Date"* means (i) the date on which the Committee by resolution selects an Eligible Individual to receive a grant of an Award and determines the number of Shares to be subject to such Award, or (ii) such later date as the Committee shall provide in such resolution.

(s) "*Incentive Stock Option*" means any Stock Option designated as, and qualified as, an "incentive stock option" within the meaning of Section 422 of the Code.

(t) "*Nonqualified Stock Option*" means any Stock Option that is not an Incentive Stock Option.

(u) "*Other Stock-Based Award*" means Awards of Common Stock and other Awards that are valued in whole or in part by reference to, or are otherwise based upon, Common Stock, including (without limitation) unrestricted stock, dividend equivalents, and convertible debentures.

(v) "*Participant*" means an Eligible Individual to whom an Award is or has been granted.

(w) "*Performance Goals*" means the performance goals established by the Committee in connection with the grant of Awards. In the case of Qualified Performance-Based Awards, (i) such goals shall be based on the attainment of specified levels of one or more of the following measures: stock price, earnings (including earnings before taxes, earnings before interest and taxes or earnings before interest, taxes, depreciation and amortization), earnings per share (whether on pre-tax, after-tax, operations or other basis), operating earnings, total return to stockholders, ratio of debt to debt plus equity, net borrowing, credit quality or debt ratings, return on assets or operating assets, asset quality, net interest margin, loan portfolio growth, efficiency ratio, deposit portfolio growth, liquidity, market share, objective customer service measures or indices, stockholder value added, embedded value added, loss ratio, expense ratio, combined ratio, premiums, pre- or after-tax income, net income, cash flow (before or after dividends), expense or expense levels, economic value added, cash flow per share (before or after dividends), free cash flow, gross margin, risk-based capital, revenues, revenue growth, sales growth, return on capital (including return on total capital or return on invested capital), capital expenditures, cash flow return on investment, cost, cost control, gross profit, operating profit, economic profit, profit before tax, net profit, cash generation, unit volume, sales, net asset value per share, asset quality, cost saving levels, market-spending efficiency, core non-interest income or change in working capital, in each case with respect to the Company or any one or more Subsidiaries, divisions, business units or business segments thereof, either in absolute terms or relative to the performance of one or more other companies (including an index covering multiple companies), (ii) the Performance Goals may be adjusted as determined by the Committee in a manner consistent with Section 3(d) and (iii) such Performance Goals shall be set by the Committee within the time period prescribed by Section 162(m) of the Code.

(x) "*Performance Period*" means the time period established by the Committee during which the achievement of the applicable Performance Goals is to be measured.

(y) "*Performance Unit*" means any Award granted under Section 8 of a unit valued by reference to a designated amount of cash or other property other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such Performance Goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

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(z) "*Plan*" means the Hilltop Holdings Inc. 2012 Equity Incentive Plan, as set forth herein and as hereinafter amended from time to time.

(aa) "*Prior Plan*" means the 2003 Equity Incentive Plan.

(bb) "*Qualified Performance-Based Award*" means an Award intended to qualify for the Section 162(m) Exemption, as provided in Section 11.

(cc) "*Restriction Period*" has the meaning set forth in Section 6(d).

(dd) "*Restricted Stock*" means an Award granted under Section 6.

(ee) "*Restricted Stock Unit*" has the meaning set forth in Section 7.

(ff) "*Section 162(m) Exemption*" means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.

(gg) "*Share*" means a share of Common Stock.

(hh) "*Stock Appreciation Right*" has the meaning set forth in Section 5(b).

(ii) "*Stock Option*" means an Award granted under Section 5(a).

(jj) "*Subsidiary*" means any corporation, partnership, joint venture, limited liability company or other entity during any period in which at least a 50% voting or profits interest is owned, directly or indirectly, by the Company or any successor to the Company.

(kk) "*Tandem SAR*" has the meaning set forth in Section 5(c).

(ll) "*Term*" means the maximum period during which a Stock Option or Stock Appreciation Right may remain outstanding, subject to earlier termination upon Termination of Employment or otherwise, as provided in the Plan or specified in the applicable Award Agreement.

(mm) "*Termination of Employment*" means the termination of the applicable Participant's employment with, or performance of services for, the Company and any of its Subsidiaries or Affiliates. Unless otherwise determined by the Committee, (i) if a Participant's employment with the Company and its Affiliates terminates but such Participant continues to provide services to the Company and its Affiliates in a non-employee capacity, such change in status shall not be deemed a Termination of Employment and (ii) a Participant employed by, or performing services for, a Subsidiary or an Affiliate or a division of the Company and its Affiliates shall also be deemed to incur a Termination of Employment if, as a result of a Disaffiliation, such Subsidiary, Affiliate or division ceases to be a Subsidiary, Affiliate or division, as the case may be, and the Participant does not immediately thereafter become an employee of, or service provider for, the Company or another Subsidiary or Affiliate. Temporary absences from employment because of illness, vacation or leave of absence and transfers among the Company and its Subsidiaries and Affiliates shall not be considered Terminations of Employment. Notwithstanding the foregoing provisions of this definition, with respect to any Award that constitutes a "non-qualified deferred compensation plan" within the meaning of Section 409A of the Code, a Participant shall not be considered to have experienced a "*Termination of Employment*" unless the Participant has experienced a "separation from service" within the meaning of Section 409A of the Code (a "*Separation from Service*").

In addition, certain other terms used herein have definitions given to them in the first place in which they are used.

SECTION 2. Administration

(a) *Committee.* This Plan shall be administered by the Board directly, or if the Board elects, by the Compensation Committee of the Board or such other committee of the Board as the Board may

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from time to time designate, which committee shall be composed of not less than two directors, and shall be appointed by and serve at the pleasure of the Board. All references in this Plan to the "*Committee*" refer to the Board as a whole, unless a separate committee has been designated or authorized consistent with the foregoing.

Subject to the terms and conditions of this Plan, the Committee shall have absolute authority:

(i) to select the Eligible Individuals to whom Awards may from time to time be granted;

(ii) to determine whether and to what extent Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Other Stock-Based Awards or any combination thereof are to be granted hereunder;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to approve the form of any Award Agreement and determine the terms and conditions of any Award granted hereunder, including, but not limited to, the exercise price (subject to Section 5(a)), any vesting condition, restriction or limitation (which may be related to the performance of the Participant, the Company or any Subsidiary or Affiliate) and any acceleration of vesting or forfeiture waiver regarding any Award and the shares of Common Stock relating thereto, based on such factors as the Committee shall determine;

(v) to modify, amend or adjust the terms and conditions of any Award (subject to Sections 5(a) and 5(b)), at any time or from time to time, including, but not limited to, Performance Goals; *provided*, *however*, that the Committee may not adjust upwards the amount payable with respect to any Qualified Performance-Based Award;

(vi) to determine under what circumstances an Award may be settled in cash, Shares, other property or a combination of the foregoing;

(vii) to determine whether, to what extent and under what circumstances cash, Shares and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant;

(viii) to adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan as it shall from time to time deem advisable;

(ix) to establish any "blackout" period that the Committee in its sole discretion deems necessary or advisable;

(x) to interpret the terms and provisions of this Plan and any Award issued under this Plan (and any Award Agreement relating thereto); and

(xi) to otherwise administer this Plan.

(b) *Procedures.*

(i) The Committee may act only by a majority of its members then in office, except that the Committee may, except to the extent prohibited by applicable law or the listing standards of the Applicable Exchange and subject to Section 11, allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

(ii) Subject to Section 11(c), any authority granted to the Committee may be exercised by the full Board. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

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(c) *Discretion of the Committee.* Any determination made by the Committee or pursuant to delegated authority under the provisions of this Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegated authority at the time of the grant of the Award or, unless in contravention of any express term of this Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegate individual pursuant to the provisions of this Plan shall be final, binding and conclusive on all persons, including the Company, Participants and Eligible Individuals.

(d) *Cancellation or Suspension.* Subject to Section 5(e), the Committee shall have full power and authority to determine whether, to what extent and under what circumstances any Award shall be canceled or suspended.

(e) *Award Agreements.* The terms and conditions of each Award, as determined by the Committee, shall be set forth in a written (or electronic) Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. The effectiveness of an Award shall be subject to the Award Agreement being signed (or acknowledged electronically) by the Company and the Participant receiving the Award unless otherwise provided in the Award Agreement. Award Agreements may be amended only in accordance with Section 12.

SECTION 3. Common Stock Subject to Plan

(a) *Plan Maximums.* The maximum number of Shares that may be granted pursuant to Awards under this Plan shall be four million (4,000,000) Shares. The maximum number of Shares that may be granted pursuant to Stock Options intended to be Incentive Stock Options shall be two million (2,000,000) Shares. Shares subject to an Award under this Plan may be authorized and unissued Shares. On and after the Effective Date (as defined in Section 12(a)), no new awards may be granted under the Prior Plan, it being understood that awards outstanding under the Prior Plan as of the Effective Date shall remain in full force and effect under such plan according to their respective terms; *provided*, *however*, that dividend equivalents may continue to be issued under the Prior Plan in respect of awards granted under the Prior Plan which are outstanding as of the Effective Date.

(b) *Individual Limits.* No Participant may be granted Awards intended to be Qualified Performance-Based Awards (other than Stock Options and Stock Appreciation Rights) covering in excess of five hundred thousand (500,000) Shares during any calendar year. No Participant may be granted Stock Options and Stock Appreciation Rights covering in excess of seven hundred and fifty thousand (750,000) Shares during any calendar year.

(c) *Rules for Calculating Shares Delivered.* To the extent that any Award is forfeited, terminates, expires or lapses instead of being exercised, or any Award is settled for cash, the Shares subject to such Awards not delivered as a result thereof shall again be available for Awards under this Plan. If the exercise price of any Stock Option or Stock Appreciation Right and/or the tax withholding obligations relating to any Award are satisfied by delivering Shares (either actually or through a signed document affirming the Participant's ownership and delivery of such Shares) or withholding Shares relating to such Award, the gross number of Shares subject to the Award after payment of the exercise price and/or tax withholding obligations shall be deemed to have been granted for purposes of the first sentence of Section 3(a).

(d) *Adjustment Provision.* In the event of a merger, consolidation, acquisition of property or shares, stock rights offering, liquidation, disposition for consideration of the Company's direct or indirect ownership of a Subsidiary or Affiliate (including by reason of a Disaffiliation), or similar event affecting the Company or any of its Subsidiaries (each, a "*Corporate Transaction*"), the Committee or the Board may in its discretion make such substitutions or adjustments as it deems appropriate and equitable to (i) the aggregate number and kind of Shares or other securities reserved for issuance and

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delivery under this Plan, (ii) the various maximum limitations set forth in Sections 3(a) and 3(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, (iii) the number and kind of Shares or other securities subject to outstanding Awards, and (iv) the exercise price of outstanding Awards. In the event of a stock dividend, stock split, reverse stock split, reorganization, share combination, or recapitalization or similar event affecting the capital structure of the Company, or a Disaffiliation, separation or spinoff, in each case without consideration, or other extraordinary dividend of cash or other property to the Company's stockholders (each, a "*Share Change*"), the Committee or the Board shall make such substitutions or adjustments as it deems appropriate and equitable to (A) the aggregate number and kind of Shares or other securities reserved for issuance and delivery under this Plan, (B) the various maximum limitations set forth in Sections 3(a) and 3(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, (C) the number and kind of Shares or other securities subject to outstanding Awards, and (D) the exercise price of outstanding Awards. In the case of Corporate Transactions, such adjustments may include, without limitation, (1) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Committee or the Board in its sole discretion (it being understood that in the case of a Corporate Transaction with respect to which stockholders of Common Stock receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Committee that the value of a Stock Option or Stock Appreciation Right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Transaction over the exercise price of such Stock Option or Stock Appreciation Right shall conclusively be deemed valid); (2) the substitution of other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the Shares subject to outstanding Awards; and (3) in connection with any Disaffiliation, arranging for the assumption of Awards, or replacement of Awards with new awards based on other property or other securities (including, without limitation, other securities of the Company and securities of entities other than the Company), by the affected Subsidiary, Affiliate, or division or by the entity that controls such Subsidiary, Affiliate, or division following such Disaffiliation (as well as any corresponding adjustments to Awards that remain based upon Company securities). The Committee may adjust the Performance Goals applicable to any Awards to reflect any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations, and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in the Company's financial statements, notes to the financial statements, management's discussion and analysis or other the Company's filings with the Commission, *provided* that in the case of Performance Goals applicable to any Qualified Performance-Based Awards, such adjustment does not violate Section 162(m) of the Code.

(e) *Section 409A.* Notwithstanding Section 3(d): (i) any adjustments made pursuant to Section 3(d) to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; and (ii) any adjustments made pursuant to Section 3(d) to Awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustments, either (A) the Awards continue not to be subject to Section 409A of the Code or (B) there is no resulting imposition of any penalty taxes under Section 409A of the Code in respect of such Awards.

SECTION 4. Eligibility

Awards may be granted under this Plan to Eligible Individuals.

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SECTION 5. Stock Options and Stock Appreciation Rights

(a) *Types of Stock Options.* Stock Options may be granted alone or in addition to other Awards granted under this Plan and may be of two types: Incentive Stock Options and Nonqualified Stock Options. The Award Agreement for a Stock Option shall indicate whether the Stock Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option.

(b) *Types and Nature of Stock Appreciation Rights.* Stock Appreciation Rights may be "Tandem SARs," which are granted in conjunction with a Stock Option, or "Free-Standing SARs," which are not granted in conjunction with a Stock Option. Upon the exercise of a Stock Appreciation Right, the Participant shall be entitled to receive an amount in cash, Shares, or both, in value equal to the product of (i) the excess of the Fair Market Value of one Share over the exercise price of the applicable Stock Appreciation Right, multiplied by (ii) the number of Shares in respect of which the Stock Appreciation Right has been exercised. The applicable Award Agreement shall specify whether such payment is to be made in cash or Common Stock or a combination thereof, or shall reserve to the Committee or the Participant the right to make that determination prior to or upon the exercise of the Stock Appreciation Right.

(c) *Tandem SARs.* A Tandem SAR may be granted at the Grant Date of the related Stock Option. A Tandem SAR shall be exercisable only at such time or times and to the extent that the related Stock Option is exercisable in accordance with the provisions of this Section 5, and shall have the same exercise price as the related Stock Option. A Tandem SAR shall terminate or be forfeited upon the exercise or forfeiture of the related Stock Option, and the related Stock Option shall terminate or be forfeited upon the exercise or forfeiture of the Tandem SAR.

(d) *Exercise Price.* The exercise price per Share subject to a Stock Option or Free-Standing SAR shall be determined by the Committee and set forth in the applicable Award Agreement, and shall not be less than the Fair Market Value of a Share on the applicable Grant Date.

(e) *No Repricing.* In no event may any Stock Option or Stock Appreciation Right granted under this Plan be amended, other than pursuant to Section 3(d), to decrease the exercise price thereof, be cancelled in exchange for cash or other Awards or in conjunction with the grant of any new Stock Option or Free-Standing SAR with a lower exercise price, or otherwise be subject to any action that would be treated, under the Applicable Exchange listing standards or for accounting purposes, as a "repricing" of such Stock Option or Free-Standing SAR, unless such amendment, cancellation, or action is approved by the Company's stockholders.

(f) *Term.* The Term of each Stock Option and each Free-Standing SAR shall be fixed by the Committee, but no Stock Option or Free-Standing SAR shall be exercisable more than ten years after its Grant Date.

(g) *Exercisability.* Except as otherwise provided herein, Stock Options and Free-Standing SARs shall be exercisable at such time or times as shall be determined by the Committee and set forth in the applicable Award Agreement. The Award Agreement may also include any provisions as to continued employment or continued service as consideration for the grant or exercise of such Stock Option or Free-Standing SAR, as well as provisions as to performance conditions, and any other provisions that may be advisable to comply with applicable laws, regulations or the rulings of any governmental authority.

(h) *Method of Exercise.* Subject to the provisions of this Section 5, Stock Options and Free-Standing SARs may be exercised, in whole or in part, at any time during the Term thereof by giving written notice of exercise to the Company specifying the number of shares of Common Stock subject to the Stock Option or Free-Standing SAR to be purchased. In the case of the exercise of a Stock Option, such notice shall be accompanied by payment in full of the aggregate purchase price (which shall equal the product of such number of Shares subject to such Stock Options multiplied by

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the applicable exercise price). The exercise price for Stock Options may be paid upon such terms as shall be set forth in the applicable Award Agreement. Without limiting the foregoing, the Committee may establish payment terms for the exercise of Stock Options pursuant to which the Company may withhold a number of Shares that otherwise would be issued to the Participant in connection with the exercise of the Stock Option having a Fair Market Value on the date of exercise equal to the exercise price, or that permit the Participant to deliver Shares (or other evidence of ownership of Shares satisfactory to the Company) with a Fair Market Value equal to the exercise price as payment.

(i) *Delivery; Rights of Stockholders.* A Participant shall not be entitled to delivery of Shares pursuant to the exercise of a Stock Option or Stock Appreciation Right until the exercise price therefor has been fully paid and applicable taxes have been withheld. A Participant shall have all of the rights of a stockholder of the Company holding the class or series of Common Stock that is subject to such Stock Option or Stock Appreciation Right (including, if applicable, the right to vote the applicable Shares received upon exercise), when the Participant (i) has given written notice of exercise, (ii) if requested, has given the representation described in Section 14(a) and (iii) in the case of a Stock Option, has paid the exercise price for such Stock Options and applicable taxes in full.

(j) *Non-Transferability of Stock Options and Stock Appreciation Rights.* No Stock Option or Free-Standing SAR shall be transferable by a Participant other than, for no value or consideration, (i) by will or by the laws of descent and distribution; or (ii) in the case of a Nonqualified Stock Option or Free-Standing SAR, as otherwise expressly permitted by the Committee including, if so permitted, pursuant to a transfer to such Participant's family members, whether directly or indirectly or by means of a trust or partnership or otherwise (for purposes of this Plan, unless otherwise determined by the Committee, "family member" shall have the meaning given to such term in General Instructions A.1(a)(5) to Form S-8 under the Securities Act of 1933, as amended, and any successor thereto). A Tandem SAR shall be transferable only with the related Stock Option as permitted by the preceding sentence. Any Stock Option or Stock Appreciation Right shall be exercisable, subject to the terms of this Plan, only by the Participant, the guardian or legal representative of the Participant, or any person to whom such Stock Option is transferred pursuant to this Section 5(j), it being understood that the term "holder" and "Participant" include such guardian, legal representative and other transferee; *provided*, *however*, that the term "Termination of Employment" shall continue to refer to the Termination of Employment of the original Participant.

(k) *Additional Rules for Incentive Stock Options.* Notwithstanding any other provision of this Plan to the contrary, no Stock Option which is intended to qualify as an Incentive Stock Option may be granted to any Eligible Employee who at the time of such grant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any Subsidiary, unless at the time such Stock Option is granted the exercise price is at least 110% of the Fair Market Value of a Share and such Stock Option by its terms is not exercisable after the expiration of five years from the date such Stock Option is granted. In addition, the aggregate Fair Market Value of the Common Stock (determined at the time a Stock Option for the Common Stock is granted) for which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year, under all of the incentive stock option plans of the Company and of any Subsidiary, may not exceed $100,000. To the extent a Stock Option that by its terms was intended to be an Incentive Stock Option exceeds this $100,000 limit, the portion of the Stock Option in excess of such limit shall be treated as a Nonqualified Stock Option.

(l) *Dividends and Dividend Equivalents.* Dividends (whether paid in cash or Shares) and dividend equivalents may not be paid or accrued on Stock Options or Stock Appreciation Rights, *provided* that Stock Options and Stock Appreciation Rights may be adjusted under certain circumstances in accordance with the terms of Section 3(d).

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SECTION 6. Restricted Stock

(a) *Administration.* Shares of Restricted Stock are actual Shares issued to a Participant and may be awarded either alone or in addition to other Awards granted under this Plan. The Committee shall determine the Eligible Individuals to whom and the time or times at which grants of Restricted Stock will be awarded, the number of Shares to be awarded to any Eligible Individual, the conditions for vesting, the time or times within which such Awards may be subject to forfeiture and any other terms and conditions of the Awards, including those contained in Section 6(c).

(b) *Book-Entry Registration.* Shares of Restricted Stock shall be evidenced through book-entry registration. If any certificate is issued in respect of Shares of Restricted Stock, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Hilltop Holdings Inc. 2012 Equity Incentive Plan and an Award Agreement. Copies of such Plan and Agreement are on file at the offices of Hilltop Holdings Inc., 200 Crescent Court, Suite 1330, Dallas, Texas 75201."

(c) *Terms and Conditions.* An Award of Restricted Stock shall be subject to such terms and conditions, and to such restrictions against sale, transfer or other disposition, as may be set forth in the applicable Award Agreement. The Committee may remove, modify or accelerate the removal of forfeiture conditions and other restrictions on any Restricted Stock for such reasons as the Committee may deem appropriate, except to the extent that such action would cause a Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption. In the event of the death of a Participant following the transfer of Shares of Restricted Stock to him or her, the legal representative of the Participant, the beneficiary designated in writing by the Participant during his or her lifetime, or the person receiving such Shares under the Participant's will or under the laws of descent and distribution shall take such Shares, subject to the same restrictions, conditions and provisions in effect at the time of the Participant's death, to the extent applicable, unless otherwise set forth in the applicable Award Agreement.

(d) *Non-Transferability of Restricted Stock.* Subject to the provisions of this Plan and the applicable Award Agreement, during the period, if any, set by the Committee, commencing with the date of such award of Restricted Stock for which such vesting restrictions apply (the "*Restriction Period*"), and until the expiration of the Restriction Period, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Shares of Restricted Stock.

(e) *Stockholder Rights.* Except as provided in this Section 6 or the applicable Award Agreement, the applicable Participant shall have, with respect to the Shares of Restricted Stock, all of the rights of a stockholder of the Company holding the class or series of Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the Shares and the right to receive any dividends (subject to Section 14(d)); *provided* that, the Award Agreement shall specify on what terms and conditions the applicable Participant shall be entitled to dividends payable on the Common Stock.

SECTION 7. Restricted Stock Units

(a) *Nature of Awards.* Restricted stock units are Awards denominated in Shares that shall be settled, subject to the terms and conditions of the Award Agreement evidencing the Restricted Stock Units, in an amount in cash, Shares, or a combination thereof, based upon the Fair Market Value of a specified number of Shares ("*Restricted Stock Units*").

(b) *Terms and Conditions.* An Award of Restricted Stock Units shall be subject to such terms and conditions, including vesting and forfeiture, as may be set forth in the applicable Award Agreement. The Committee may accelerate the vesting of any Restricted Stock Units for such reasons

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as the Committee may deem appropriate, except to the extent that such action would cause a Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption. An Award of Restricted Stock Units shall be settled as and when the Restricted Stock Units vest, at a later time specified by the Committee in the applicable Award Agreement, or, if the Committee so permits, in accordance with an election of the Participant.

(c) *Non-Transferability of Restricted Stock Units.* Subject to the provisions of this Plan and the applicable Award Agreement, during the Restricted Period, if any, set by the Committee, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Restricted Stock Units.

(d) *Dividend Equivalents.* The Award Agreement for Restricted Stock Units shall specify whether, to what extent and on what terms and conditions the applicable Participant shall be entitled to receive payments of cash, Common Stock or other property corresponding to the dividends payable on the Common Stock (subject to Section 14(d)).

SECTION 8. Performance Units.

Performance Units may be issued hereunder to Eligible Individuals, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under this Plan. The Performance Goals to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Unit. The Committee may, in connection with the grant of Performance Units, designate them as Qualified Performance-Based Awards. The conditions for grant or vesting and the other provisions of Performance Units (including, without limitation, any applicable Performance Goals) need not be the same with respect to each recipient. Performance Units may be paid in cash, Shares, other property or any combination thereof, in the sole discretion of the Committee as set forth in the applicable Award Agreement. The maximum value of the property, including cash, that may be paid or distributed to any Participant pursuant to a grant of Performance Units intended to be a Qualified Performance-Based Award granted in any one calendar year shall be ten million dollars ($10,000,000).

SECTION 9. Other Stock-Based Awards

Other Stock-Based Awards may be granted either alone or in conjunction with other Awards granted under this Plan.

SECTION 10. Change in Control Provisions

(a) *Change in Control.* Unless otherwise determined by the Committee , (i) all outstanding Stock Options and Stock Appreciation Rights shall become fully vested and exercisable, (ii) all restrictions on any Restricted Stock, Restricted Stock Units or Other Stock-Based Awards that are not subject to Performance Goals shall lapse, and such Awards shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant, and (iii) restrictions on any Restricted Stock, Restricted Stock Units, Performance Units or Other Stock-Based Awards that are subject to Performance Goals shall lapse and be deemed to be achieved at the level set forth in the applicable Award Agreement, and such Awards shall become free of restrictions and become fully vested and transferable, in each case, to the extent set forth in the applicable Award Agreement. The Committee shall, in its sole and absolute discretion, establish such terms and conditions as may be required to permit a Participant to exercise a Stock Option or Stock Appreciation Right that shall terminate in connection with a Change in Control or certain terminations of employment following Change in Control.

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(b) *Definition of Change in Control.* For purposes of this Plan, a "*Change in Control*" shall mean the happening of any of the following events:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "*Person*") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 33% or more of either (1) the then outstanding shares of common stock of the Company (the "*Outstanding Company Common Stock*") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "*Outstanding Company Voting Securities*"); *provided*, *however*, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company, (4) any acquisition by a Person who holds or controls entities that, in the aggregate (including the holdings of such Person), hold or control 10% or more of the Outstanding Company Common Stock or the Outstanding Company Voting Securities on the Effective Date or (5) any acquisition by any entity pursuant to a transaction which complies with clauses (1), (2) and (3) of subsection (iii) of this Section 10(b); or

(ii) Individuals who, as of the Effective Date, constitute the Board (the "*Incumbent Board*") cease for any reason to constitute at least a majority of the Board; *provided*, *however*, that any individual becoming a director subsequent to the Effective Date of this Plan whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries with a third party or sale or other disposition of all or substantially all of the assets of the Company to a third party, or the acquisition of assets or securities of another entity by the Company or any of its subsidiaries to a third party (a "*Business Combination*"), in each case, unless, following such Business Combination, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent securities), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination, or any Person who holds or controls entities that, in the aggregate (including the holdings of such Person), hold or control 10% or more of the Outstanding Company Common Stock or the Outstanding Company Voting Securities on the Effective Date) beneficially owns, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the

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entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

SECTION 11. Qualified Performance-Based Awards; Section 16(b); Section 409A

(a) The provisions of this Plan are intended to ensure that all Stock Options and Stock Appreciation Rights granted hereunder to any Participant who is or is reasonably expected to be a "covered employee" (within the meaning of Section 162(m)(3) of the Code) in the tax year in which such Stock Option or Stock Appreciation Right is expected to be deductible to the Company qualify for the Section 162(m) Exemption, and, unless otherwise determined by the Committee, all such Awards shall therefore be considered Qualified Performance-Based Awards and this Plan shall be interpreted and operated consistent with that intention (including, without limitation, to require that all such Awards be granted by a committee composed solely of members who satisfy the requirements for being "outside directors" for purposes of the Section 162(m) Exemption ("*Outside Directors*")). When granting any Award other than a Stock Option or Stock Appreciation Right, the Committee may designate such Award as a Qualified Performance-Based Award, based upon a determination that (i) the recipient is or is reasonably expected to be a "covered employee" (within the meaning of Section 162(m)(3) of the Code) with respect to such Award and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption, and the terms of any such Award (and of the grant thereof) shall be consistent with such designation (including, without limitation, that all such Awards be granted by a committee composed solely of Outside Directors). To the extent required to comply with the Section 162(m) Exemption, no later than 90 days following the commencement of a Performance Period or, if earlier, by the expiration of 25% of a Performance Period, the Committee will designate one or more Performance Periods, determine the Participants for the Performance Periods and establish the Performance Goals for the Performance Periods.

(b) Each Qualified Performance-Based Award (other than a Stock Option or Stock Appreciation Right) shall be earned, vested and/or payable (as applicable) upon the achievement of one or more Performance Goals, together with the satisfaction of any other conditions, such as continued employment, as the Committee may determine to be appropriate and shall be set forth in the applicable Award Agreement.

(c) The full Board shall not be permitted to exercise authority granted to the Committee to the extent that the grant or exercise of such authority would cause an Award designated as a Qualified Performance-Based Award not to qualify for, or to cease to qualify for, the Section 162(m) Exemption.

(d) The provisions of this Plan are intended to ensure that no transaction under this Plan is subject to (and not exempt from) the short-swing recovery rules of Section 16(b) of the Exchange Act ("*Section 16(b)*"). Accordingly, the composition of the Committee shall be subject to such limitations as the Board deems appropriate to permit transactions pursuant to this Plan to be exempt (pursuant to Rule 16b-3 promulgated under the Exchange Act) from Section 16(b), and no delegation of authority by the Committee shall be permitted if such delegation would cause any such transaction to be subject to (and not exempt from) Section 16(b).

(e) This Plan is intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, it is intended that this Plan be administered in all respects in accordance with Section 409A of

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the Code. Each payment under any Award that constitutes non-qualified deferred compensation subject to Section 409A of the Code shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment to be made under any Award that constitutes nonqualified deferred compensation subject to Section 409A of the Code. Notwithstanding any other provision of this Plan or any Award Agreement to the contrary, in the event that a Participant is a "specified employee" within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company), amounts in respect of Awards that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code that would otherwise be payable during the six-month period immediately following a Participant's Separation from Service by reason of such Separation from Service shall instead be paid or provided on the first business day following the date that is six months following the Participant's Separation from Service. If the Participant dies following the Separation from Service and prior to the payment of any amounts delayed on account of Section 409A of the Code, such amounts shall be paid to the personal representative of the Participant's estate within 30 days following the date of the Participant's death.

SECTION 12. Term, Amendment and Termination

(a) *Effectiveness.* This Plan was approved by the Board on August 2, 2012, subject to and contingent upon approval by the Company's stockholders. This Plan will be effective as of the date of such approval by the Company's stockholders (the "*Effective Date*").

(b) *Termination.* This Plan will terminate on the tenth anniversary of the Effective Date. Awards outstanding as of such date shall not be affected or impaired by the termination of this Plan.

(c) *Amendment of the Plan.* The Board or the Committee may amend, alter or discontinue this Plan, but no amendment, alteration or discontinuation shall be made which would materially impair the rights of the Participant with respect to a previously granted Award without such Participant's consent, except such an amendment made to comply with applicable law, including without limitation, Section 409A of the Code, Applicable Exchange listing standards or accounting rules. In addition, no amendment shall be made without the approval of the Company's stockholders to the extent such approval is required by applicable law or the listing standards of the Applicable Exchange.

(d) *Amendment of Awards.* Subject to Section 5(e), the Committee may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall cause a Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption or without the Participant's consent materially impair the rights of any Participant with respect to an Award, except such an amendment made to cause this Plan or Award to comply with applicable law (including tax law), Applicable Exchange listing standards or accounting rules.

SECTION 13. Unfunded Status of Plan

It is presently intended that this Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under this Plan to deliver Common Stock or make payments; *provided*, *however*, that unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of this Plan.

SECTION 14. General Provisions

(a) *Conditions for Issuance.* The Committee may, in its discretion, require each person purchasing or receiving Shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the Shares without a view to the distribution thereof. The certificates for such Shares may include any legend which the Committee deems appropriate to reflect

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any restrictions on transfer. Notwithstanding any other provision of this Plan or Award Agreements hereunder, the Company shall not be required to issue or deliver any certificate or certificates for Shares under this Plan prior to fulfillment of all of the following conditions: (i) listing or approval for listing upon notice of issuance, of such Shares on the Applicable Exchange; (ii) any registration or other qualification of such Shares of the Company under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification which the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable; and (iii) obtaining any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

(b) *No Contract of Employment.* This Plan and the Award Agreements hereunder shall not constitute a contract of employment, and the adoption of this Plan shall not confer upon any employee any right to continued employment, nor shall it interfere in any way with the right of the Company or any Subsidiary or Affiliate to terminate the employment of any employee at any time.

(c) *Required Taxes.* No later than the date as of which an amount with respect to any Award under this Plan first becomes includible in the gross income of a Participant or subject to withholding for federal, state, local or foreign income or employment or other tax purposes, such Participant shall pay to the Company or the applicable Affiliate, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Company, withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement, having a Fair Market Value on the date of withholding equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes. The obligations of the Company under this Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise payable to such Participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock.

(d) *Limitation on Dividend Reinvestment and Dividend Equivalents.* Reinvestment of dividends in additional Shares and the payment of Shares with respect to dividends to Participants holding Awards under this Plan shall only be permissible if sufficient Shares are available under Section 3 for such reinvestment or payment (taking into account then-outstanding Awards). In the event that sufficient Shares are not available for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of Restricted Stock Units equal in number to the Shares that would have been obtained by such payment or reinvestment, the terms of which Restricted Stock Units shall provide for settlement in cash and for dividend equivalent reinvestment in further Restricted Stock Units on the terms contemplated by this Section 14(d).

(e) *Designation of Death Beneficiary.* The Committee shall establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom any amounts payable in the event of such Participant's death are to be paid or by whom any rights of such Eligible Individual, after such Participant's death, may be exercised.

(f) *Subsidiary Employees.* In the case of a grant of an Award to any employee of a Subsidiary, the Company may, if the Committee so directs, issue or transfer the Shares, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Subsidiary will transfer the Shares to the employee in accordance with the terms of the Award specified by the Committee pursuant to the provisions of this Plan. All Shares underlying Awards that are forfeited or canceled shall revert to the Company.

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(g) *Governing Law and Interpretation.* This Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Maryland, without reference to principles of conflict of laws. The captions of this Plan are not part of the provisions hereof and shall have no force or effect.

(h) *Non-Transferability.* Except as otherwise provided in Sections 5(j), 6(d) and 7(c) or as determined by the Committee, Awards under this Plan are not transferable except by will or by laws of descent and distribution.

(i) *Clawback.* All Awards under the Plan shall be subject to any clawback, recoupment or forfeiture provisions required by law and applicable to the Company or its Subsidiaries or Affiliates as in effect from time to time.

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Annex G

HILLTOP HOLDINGS INC. ANNUAL INCENTIVE PLAN
(Effective [ ], 2012)

The Hilltop Holdings Inc. Annual Incentive Plan ("Plan") was adopted by the Board of Directors of Hilltop Holdings Inc. on August 2, 2012. The Plan is an annual incentive program designed to reward Executives whose performance during the fiscal year enabled the Company to achieve favorable business results and to assist the Company in attracting and retaining Executives. The Plan focuses the Executives' efforts on the achievement of specific goals in support of the Company's business strategy and provides for an opportunity to receive annual payouts based on individual and corporate performance. The Plan is intended to permit the payment of amounts that constitute "performance-based compensation" within the meaning of Section 162(m) of the Code.

Section 1: **DEFINITIONS**

1.1

Award: means an award of incentive compensation pursuant to the Plan.

1.2

Code: means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor provision of the Code.

1.3

Committee: means the Compensation Committee of the Company's Board of Directors, which shall, with respect to payments hereunder intended to qualify as Performance-Based Compensation, consist solely of two or more members of the Company's Board of Directors who are not Executives of the Company and who otherwise qualify as "outside directors" within the meaning of Section 162(m) of the Code.

1.4

Company: means Hilltop Holdings Inc.

1.5

Executive: means any officer of the Company (as such term is used in Section 16 of the Securities Exchange Act of 1934, as amended) and any other executive of the Company or any of its subsidiaries as determined by the Committee.

1.6

Maximum Award: means ten million dollars ($10,000,000) per Plan Year.

1.7

Participant: means an Executive who is selected by the Committee to participate in the Plan.

1.8

Performance-Based Compensation: means "performance-based compensation" within the meaning of Section 162(m) of the Code.

1.9

Performance Goals: means the goal(s) (or combined goal(s)) determined by the Committee (in its discretion) to be applicable to a Participant with respect to Awards hereunder. As determined by the Committee, the Performance Goals applicable to Awards hereunder may provide for a targeted level or levels of achievement using one or more of the following measures: stock price, earnings (including earnings before interest, taxes, depreciation and amortization), earnings per share (whether on pre-tax, after-tax, operations or other basis), operating earnings, total return to shareholders, ratio of debt to debt plus equity, net borrowing, credit quality or debt ratings, return on assets or operating assets, asset quality, net interest margin, loan portfolio growth, efficiency ratio, deposit portfolio growth, liquidity, market share, objective customer service measures or indices, shareholder value added, embedded value added, loss ratio, expense ratio, combined ratio, premiums, premium growth, investment income, pre- or after-tax income, net income, cash flow (before or after dividends), expense or expense levels, economic value added, cash flow per share (before or after dividends), free cash flow, gross margin, risk-based capital, revenues, revenue

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growth, sales growth, return on capital (including return on total capital or return on invested capital), capital expenditures, cash flow return on investment, cost, cost control, gross profit, operating profit, economic profit, profit before tax, net profit, cash generation, unit volume, sales, net asset value per share, asset quality, cost saving levels, market-spending efficiency, core non-interest income or change in working capital, in each case, with respect to the Company or any one or more of its subsidiaries, divisions, business units or business segments. The Performance Goals may be based on (i) absolute target numbers or (ii) relative results in one or more such categories compared to a prior period or to the performance of one or more other companies (including an index covering multiple companies). The Committee may adjust the Performance Goals applicable to any Awards to reflect any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations, and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in the Company's financial statements, notes to the financial statements, management's discussion and analysis or the Company's other filings with the Securities and Exchange Commission; *provided* that such adjustment does not violate Section 162(m) of the Code.

1.10

Performance Period: means the fiscal year beginning January 1 and ending December 31, which shall also be the Plan Year.

1.11

Plan: means the Hilltop Holdings Inc. Annual Incentive Plan.

1.12

Plan Year: means the fiscal year beginning January 1 and ending December 31.

Section 2: **ELIGIBILITY AND PARTICIPATION**

The Committee shall select the Executives who are eligible to receive Awards under the Plan and who shall be Participants in the Plan during any Performance Period in which they may earn an Award.

Section 3: **TERMS OF AWARDS**

3.1

The Committee may establish with respect to each Performance Period, an annual maximum opportunity for each Participant, subject to the achievement of one or more Performance Goal(s), as applicable; *provided*, that notwithstanding any other provision in the Plan, the incentive award amount to be paid out to any Participant with respect to any Performance Period shall not exceed the Maximum Award. The Performance Goal(s), as applicable, shall be established by the Committee within 90 days of the commencement of the Performance Period or, if earlier, by the expiration of 25% of the applicable Performance Period.

3.2

The Committee may not increase the amount payable under the Plan or with respect to an Award granted pursuant to the Plan and determined based on the attainment of the Performance Goal(s), as applicable, but retains the discretionary authority to reduce such amount. The Committee may establish factors to take into consideration in implementing its discretion, including, but not limited to, corporate or business unit performance against budgeted goals, objective business goals, achievement of non-financial goals, economic and relative performance considerations and assessments of individual performance.

3.3

Any Awards for Participants who begin participating in the Plan after the commencement of the Plan Year and who meet the eligibility requirements above will be prorated to reflect the portion of the Plan Year during which the Participant was eligible to participate in the Plan, subject to compliance with Section 162(m) to the extent an Awards is intended to qualify as Performance-Based Compensation.

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Section 4: **PAYOUT DETERMINATION**

Following the Performance Period, the Committee will determine the amount of individual Awards based on the achievement of the applicable previously designated Performance Goal(s), as applicable; *provided* that the Award amount to be paid out to any Participant with respect to any Performance Period shall not exceed the Maximum Award. Awards intended to constitute Performance-Based Compensation shall be based on the extent to which the Performance Goal(s), as applicable, have been attained (subject to Section 3.2) and shall be paid only upon certification by the Committee of the extent to which the Performance Goal(s), as applicable, and any other material terms for the applicable Plan Year have been satisfied, in accordance with Treasury Regulations Section 1.162-27(e)(5).

Section 5: **AWARD ADMINISTRATION**

5.1

Awards are paid as soon as practical after the end of the Plan Year, but in no event more than two and a half months after the end of the calendar year with respect to which an Award was earned, unless the Participant has timely submitted an election to defer receipt of the Award in accordance with a deferred compensation plan approved by the Committee or the Committee has determined to defer payment of the Award, in either case, consistent with Section 409A of the Code.

5.2

Award payments shall be made to Participants in cash; *provided* that the Committee may, in its discretion, with respect to any Performance Period and with respect to one or more Participants, provide that all or any portion of Awards to such Participants shall be paid in Company common stock or awards in respect of Company common stock pursuant to an equity plan maintained by the Company to the extent permitted by the terms of such plan.

5.3

Participation in the Plan does not guarantee the Participant the payment of an Award. All Awards under the Plan are discretionary and subject to approval by the Committee; *provided* that, as set forth in Section 3.2, any discretion with respect to amounts intended to constitute Performance-Based Compensation shall be exercised only in a manner which reduces the amount otherwise payable as a result of the attainment of the Performance Goal(s), as applicable.

5.4

Except as would result in amounts intended to constitute Performance-Based Compensation ceasing to be Performance-Based Compensation and subject to the limitation on discretion set forth in Section 5.4, extraordinary occurrences may be considered by the Committee when assessing performance results, and adjustments may be made to the performance measures at the discretion of the Committee to ensure that the objectives of the Plan are served.

5.5

Awards payable under the Plan may not be assigned, transferred or subjected to liens except as otherwise provided by law.

5.6

Except as otherwise provided by the Committee, if a Participant's employment terminates prior to the date of Committee approval as required in Section 4, the Participant shall not be paid any Award for the Plan Year in which employment terminates.

5.7

Neither the adoption of the Plan, eligibility of any person to participate, nor payment of an Award to a Participant shall be construed to confer upon any person a right to be continued in the employ of the Company or any of its subsidiaries. The Company expressly reserves the right to discharge any Participant whenever in the sole discretion of the Company its interest may so require.

Section 6: **FUNDING; NO CREATION OF TRUST**

Amounts paid under the Plan shall be paid from the general funds of the Company, and each Participant shall be no more than an unsecured general creditor of the Company and its subsidiaries

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with no special or prior right to any assets of the Company or its subsidiaries for payment of any obligations hereunder. Nothing contained in the Plan shall be deemed to create a trust of any kind for the benefit of any Participant, or create any fiduciary relationship between the Company or its subsidiaries and any Participant with respect to any assets of the Company or its subsidiaries.

Section 7: **GENERAL**

7.1

The Committee has the sole responsibility for interpreting and administering the Plan as necessary. The decisions of the Committee regarding the interpretation and administration of the Plan are final and binding on all parties.

7.2

All Awards under the Plan will be subject to any clawback, recoupment or forfeiture provisions required by law and applicable to the Company or its subsidiaries as in effect from time to time.

7.3

All Awards to be paid under the Plan shall be subject to all applicable withholding taxes, including federal and state income and employment taxes. The Participant's employer shall withhold such taxes in accordance with applicable tax law.

7.4

The Plan shall be interpreted and construed in a manner as to cause payments intended to constitute Performance-Based Compensation to qualify as Performance-Based Compensation. The Plan may be amended or terminated at any time for any reason by the Committee. In particular and without limitation, the Committee may at any time amend or add to the provisions of the Plan and the terms of participation in the Plan as it considers necessary or desirable to take account of or to comply with relevant law or regulation or for any other reason. Notwithstanding the foregoing, stockholder approval shall be obtained in connection with an amendment for which stockholder approval is necessary to ensure that payments hereunder may constitute Performance-Based Compensation.

7.5

Neither the adoption of the Plan by the Company's Board of Directors nor the submission of the Plan to stockholders of the Company for approval shall be construed as creating any limitations on the power of the Company's Board of Directors or the Committee to adopt such other incentive arrangements as either may deem desirable, including, without limitation, cash or equity-based compensation arrangements, either tied to performance or otherwise.

7.6

If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision will be stricken as to such jurisdiction, and the remainder of the Plan or Award shall remain in full force and effect.

7.7

The effective date of the Plan is August 2, 2012, subject to approval by the Company's stockholders, in accordance with Section 162(m) of the Code. No amount shall be paid to any Participant under this Plan unless such stockholder approval has been obtained.

7.8

The laws of the State of Maryland shall control all matters relating to the Plan.

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ANNEX H: CHAPTER 10, SUBCHAPTER H OF THE TEXAS BUSINESS ORGANIZATIONS CODE

Sec. 10.351. APPLICABILITY OF SUBCHAPTER.

(a) This subchapter does not apply to a fundamental business transaction of a domestic entity if, immediately before the effective date of the fundamental business transaction, all of the ownership interests of the entity otherwise entitled to rights to dissent and appraisal under this code are held by one owner or only by the owners who approved the fundamental business transaction.

(b) This subchapter applies only to a "domestic entity subject to dissenters' rights," as defined in Section 1.002. That term includes a domestic for-profit corporation, professional corporation, professional association, and real estate investment trust. Except as provided in Subsection (c), that term does not include a partnership or limited liability company.

(c) The governing documents of a partnership or a limited liability company may provide that its owners are entitled to the rights of dissent and appraisal provided by this subchapter, subject to any modification to those rights as provided by the entity's governing documents.

Sec. 10.352. DEFINITIONS. In this subchapter:

(1) "Dissenting owner" means an owner of an ownership interest in a domestic entity subject to dissenters' rights who:

(A) provides notice under Section 10.356; and

(B) complies with the requirements for perfecting that owner's right to dissent under this subchapter.

(2) "Responsible organization" means:

(A) the organization responsible for:

(i) the provision of notices under this subchapter; and

(ii) the primary obligation of paying the fair value for an ownership interest held by a dissenting owner;

(B) with respect to a merger or conversion:

(i) for matters occurring before the merger or conversion, the organization that is merging or converting; and

(ii) for matters occurring after the merger or conversion, the surviving or new organization that is primarily obligated for the payment of the fair value of the dissenting owner's ownership interest in the merger or conversion;

(C) with respect to an interest exchange, the organization the ownership interests of which are being acquired in the interest exchange; and

(D)

with respect to the sale of all or substantially all of the assets of an organization, the organization the assets of which are to be transferred by sale or in another manner.

Sec. 10.353. FORM AND VALIDITY OF NOTICE.

(a)

Notice required under this subchapter:

(1)

must be in writing; and

(2)

may be mailed, hand-delivered, or delivered by courier or electronic transmission.

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(b)

Failure to provide notice as required by this subchapter does not invalidate any action taken.

Sec. 10.354. RIGHTS OF DISSENT AND APPRAISAL.

(a)

Subject to Subsection (b), an owner of an ownership interest in a domestic entity subject to dissenters' rights is entitled to:

(1)

dissent from:

(A)

a plan of merger to which the domestic entity is a party if owner approval is required by this code and the owner owns in the domestic entity an ownership interest that was entitled to vote on the plan of merger;

(B)

a sale of all or substantially all of the assets of the domestic entity if owner approval is required by this code and the owner owns in the domestic entity an ownership interest that was entitled to vote on the sale;

(C)

a plan of exchange in which the ownership interest of the owner is to be acquired;

(D)

a plan of conversion in which the domestic entity is the converting entity if owner approval is required by this code and the owner owns in the domestic entity an ownership interest that was entitled to vote on the plan of conversion; or

(E)

a merger effected under Section 10.006 in which:

(i)

the owner is entitled to vote on the merger; or

(ii)

the ownership interest of the owner is converted or exchanged; and

(2)

subject to compliance with the procedures set forth in this subchapter, obtain the fair value of that ownership interest through an appraisal.

(b)

Notwithstanding Subsection (a), subject to Subsection (c), an owner may not dissent from a plan of merger or conversion in which there is a single surviving or new domestic entity or non-code organization, or from a plan of exchange, if:

(1)

the ownership interest, or a depository receipt in respect of the ownership interest, held by the owner is part of a class or series of ownership interests, or depository receipts in respect of ownership interests, that are, on the record date set for purposes of determining which owners are entitled to vote on the plan of merger, conversion, or exchange, as appropriate:

(A)

listed on a national securities exchange; or

(B)

held of record by at least 2,000 owners;

(2)

the owner is not required by the terms of the plan of merger, conversion, or exchange, as appropriate, to accept for the owner's ownership interest any consideration that is different from the consideration to be provided to any other holder of an ownership interest of the same class or series as the ownership interest held by the owner, other than cash instead of

fractional shares or interests the owner would otherwise be entitled to receive; and

(3)

the owner is not required by the terms of the plan of merger, conversion, or exchange, as appropriate, to accept for the owner's ownership interest any consideration other than:

(A)

ownership interests, or depository receipts in respect of ownership interests, of a domestic entity or non-code organization of the same general organizational type that, immediately after the effective date of the merger, conversion, or exchange, as appropriate, will be

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part of a class or series of ownership interests, or depository receipts in respect of ownership interests, that are:

(i) listed on a national securities exchange or authorized for listing on the exchange on official notice of issuance; or

(ii) held of record by at least 2,000 owners;

(B) cash instead of fractional ownership interests the owner would otherwise be entitled to receive; or

(C) any combination of the ownership interests and cash described by Paragraphs (A) and (B).

(c) Subsection (b) shall not apply to a domestic entity that is a subsidiary with respect to a merger under Section 10.006.

Sec. 10.355. NOTICE OF RIGHT OF DISSENT AND APPRAISAL.

(a) A domestic entity subject to dissenters' rights that takes or proposes to take an action regarding which an owner has a right to dissent and obtain an appraisal under Section 10.354 shall notify each affected owner of the owner's rights under that section if:

(1) the action or proposed action is submitted to a vote of the owners at a meeting; or

(2) approval of the action or proposed action is obtained by written consent of the owners instead of being submitted to a vote of the owners.

(b) If a parent organization effects a merger under Section 10.006 and a subsidiary organization that is a party to the merger is a domestic entity subject to dissenters' rights, the responsible organization shall notify the owners of that subsidiary organization who have a right to dissent to the merger under Section 10.354 of their rights under this subchapter not later than the 10th day after the effective date of the merger. The notice must also include a copy of the certificate of merger and a statement that the merger has become effective.

(c) A notice required to be provided under Subsection (a) or (b) must:

(1) be accompanied by a copy of this subchapter; and

(2) advise the owner of the location of the responsible organization's principal executive offices to which a notice required under Section 10.356(b)(1) or (3) may be provided.

(d) In addition to the requirements prescribed by Subsection (c), a notice required to be provided under Subsection (a)(1) must accompany the notice of the meeting to consider the action, and a notice required under Subsection (a)(2) must be provided to:

(1) each owner who consents in writing to the action before the owner delivers the written consent; and

(2) each owner who is entitled to vote on the action and does not consent in writing to the action before the 11th day after the date the action takes effect.

(e)

Not later than the 10th day after the date an action described by Subsection (a)(1) takes effect, the responsible organization shall give notice that the action has been effected to each owner who voted against the action and sent notice under Section 10.356(b)(1).

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Sec. 10.356. PROCEDURE FOR DISSENT BY OWNERS AS TO ACTIONS; PERFECTION OF RIGHT OF DISSENT AND APPRAISAL.

(a)

An owner of an ownership interest of a domestic entity subject to dissenters' rights who has the right to dissent and appraisal from any of the actions referred to in Section 10.354 may exercise that right to dissent and appraisal only by complying with the procedures specified in this subchapter. An owner's right of dissent and appraisal under Section 10.354 may be exercised by an owner only with respect to an ownership interest that is not voted in favor of the action.

(b)

To perfect the owner's rights of dissent and appraisal under Section 10.354, an owner:

(1)

if the proposed action is to be submitted to a vote of the owners at a meeting, must give to the domestic entity a written notice of objection to the action that:

(A)

is addressed to the entity's president and secretary;

(B)

states that the owner's right to dissent will be exercised if the action takes effect;

(C)

provides an address to which notice of effectiveness of the action should be delivered or mailed; and

(D)

is delivered to the entity's principal executive offices before the meeting;

(2)

with respect to the ownership interest for which the rights of dissent and appraisal are sought:

(A)

must vote against the action if the owner is entitled to vote on the action and the action is approved at a meeting of the owners; and

(B)

may not consent to the action if the action is approved by written consent; and

(3)

must give to the responsible organization a demand in writing that:

(A)

is addressed to the president and secretary of the responsible organization;

(B)

demands payment of the fair value of the ownership interests for which the rights of dissent and appraisal are sought;

(C)

provides to the responsible organization an address to which a notice relating to the dissent and appraisal procedures under this subchapter may be sent;

(D)

states the number and class of the ownership interests of the domestic entity owned by the owner and the fair value of the ownership interests as estimated by the owner; and

(E)

is delivered to the responsible organization at its principal executive offices at the following time:

(i)

not later than the 20th day after the date the responsible organization sends to the owner the notice required by Section 10.355(e) that the action has taken effect, if the action was approved by a vote of the owners at a meeting;

(ii) not later than the 20th day after the date the responsible organization sends to the owner the notice required by Section 10.355(d)(2) that the action has taken effect, if the action was approved by the written consent of the owners; or

(iii) not later than the 20th day after the date the responsible organization sends to the owner a notice that the merger was effected, if the action is a merger effected under Section 10.006.

(c) An owner who does not make a demand within the period required by Subsection (b)(3)(E) or, if Subsection (b)(1) is applicable, does not give the notice of objection before the meeting of the

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owners is bound by the action and is not entitled to exercise the rights of dissent and appraisal under Section 10.354.

(d)

Not later than the 20th day after the date an owner makes a demand under Subsection (b)(3), the owner must submit to the responsible organization any certificates representing the ownership interest to which the demand relates for purposes of making a notation on the certificates that a demand for the payment of the fair value of an ownership interest has been made under this section. An owner's failure to submit the certificates within the required period has the effect of terminating, at the option of the responsible organization, the owner's rights to dissent and appraisal under Section 10.354 unless a court, for good cause shown, directs otherwise.

(e)

If a domestic entity and responsible organization satisfy the requirements of this subchapter relating to the rights of owners of ownership interests in the entity to dissent to an action and seek appraisal of those ownership interests, an owner of an ownership interest who fails to perfect that owner's right of dissent in accordance with this subchapter may not bring suit to recover the value of the ownership interest or money damages relating to the action.

Sec. 10.357. WITHDRAWAL OF DEMAND FOR FAIR VALUE OF OWNERSHIP INTEREST.

(a)

An owner may withdraw a demand for the payment of the fair value of an ownership interest made under Section 10.356 before:

(1)

payment for the ownership interest has been made under Sections 10.358 and 10.361; or

(2)

a petition has been filed under Section 10.361.

(b)

Unless the responsible organization consents to the withdrawal of the demand, an owner may not withdraw a demand for payment under Subsection (a) after either of the events specified in Subsections (a)(1) and (2).

Sec. 10.358. RESPONSE BY ORGANIZATION TO NOTICE OF DISSENT AND DEMAND FOR FAIR VALUE BY DISSENTING OWNER.

(a)

Not later than the 20th day after the date a responsible organization receives a demand for payment made by a dissenting owner in accordance with Section 10.356(b)(3), the responsible organization shall respond to the dissenting owner in writing by:

(1)

accepting the amount claimed in the demand as the fair value of the ownership interests specified in the notice; or

(2)

rejecting the demand and including in the response the requirements prescribed by Subsection (c).

(b)

If the responsible organization accepts the amount claimed in the demand, the responsible organization shall pay the amount not later than the 90th day after the date the action that is the subject of the demand was effected if the owner delivers to the responsible organization:

(1)

endorsed certificates representing the ownership interests if the ownership interests are certificated; or

(2)

signed assignments of the ownership interests if the ownership interests are uncertificated.

(c)

If the responsible organization rejects the amount claimed in the demand, the responsible organization shall provide to the owner:

(1)

an estimate by the responsible organization of the fair value of the ownership interests; and

(2) an offer to pay the amount of the estimate provided under Subdivision (1).

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(d)

If the dissenting owner decides to accept the offer made by the responsible organization under Subsection (c)(2), the owner must provide to the responsible organization notice of the acceptance of the offer not later than the 90th day after the date the action that is the subject of the demand took effect.

(e)

If, not later than the 90th day after the date the action that is the subject of the demand took effect, a dissenting owner accepts an offer made by a responsible organization under Subsection (c)(2) or a dissenting owner and a responsible organization reach an agreement on the fair value of the ownership interests, the responsible organization shall pay the agreed amount not later than the 120th day after the date the action that is the subject of the demand took effect, if the dissenting owner delivers to the responsible organization:

(1)

endorsed certificates representing the ownership interests if the ownership interests are certificated; or

(2)

signed assignments of the ownership interests if the ownership interests are uncertificated.

Sec. 10.359. RECORD OF DEMAND FOR FAIR VALUE OF OWNERSHIP INTEREST.

(a)

A responsible organization shall note in the organization's ownership interest records maintained under Section 3.151 the receipt of a demand for payment from any dissenting owner made under Section 10.356.

(b)

If an ownership interest that is the subject of a demand for payment made under Section 10.356 is transferred, a new certificate representing that ownership interest must contain:

(1)

a reference to the demand; and

(2)

the name of the original dissenting owner of the ownership interest.

Sec. 10.360. RIGHTS OF TRANSFEREE OF CERTAIN OWNERSHIP INTEREST. A transferee of an ownership interest that is the subject of a demand for payment made under Section 10.356 does not acquire additional rights with respect to the responsible organization following the transfer. The transferee has only the rights the original dissenting owner had with respect to the responsible organization after making the demand.

Sec. 10.361. PROCEEDING TO DETERMINE FAIR VALUE OF OWNERSHIP INTEREST AND OWNERS ENTITLED TO PAYMENT; APPOINTMENT OF APPRAISERS.

(a)

If a responsible organization rejects the amount demanded by a dissenting owner under Section 10.358 and the dissenting owner and responsible organization are unable to reach an agreement relating to the fair value of the ownership interests within the period prescribed by Section 10.358(d), the dissenting owner or responsible organization may file a petition requesting a finding and determination of the fair value of the owner's ownership interests in a court in:

(1)

the county in which the organization's principal office is located in this state; or

(2)

the county in which the organization's registered office is located in this state, if the organization does not have a business office in this state.

(b)

A petition described by Subsection (a) must be filed not later than the 60th day after the expiration of the period required by Section 10.358(d).

(c)

On the filing of a petition by an owner under Subsection (a), service of a copy of the petition shall be made to the responsible organization. Not later than the 10th day after the date a responsible organization receives service under this subsection, the responsible organization shall file with the clerk of the court in which the petition was filed a list containing the names and addresses of each

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owner of the organization who has demanded payment for ownership interests under Section 10.356 and with whom agreement as to the value of the ownership interests has not been reached with the responsible organization. If the responsible organization files a petition under Subsection (a), the petition must be accompanied by this list.

(d)

The clerk of the court in which a petition is filed under this section shall provide by registered mail notice of the time and place set for the hearing to:

(1)

the responsible organization; and

(2)

each owner named on the list described by Subsection (c) at the address shown for the owner on the list.

(e)

The court shall:

(1)

determine which owners have:

(A)

perfected their rights by complying with this subchapter; and

(B)

become subsequently entitled to receive payment for the fair value of their ownership interests; and

(2)

appoint one or more qualified appraisers to determine the fair value of the ownership interests of the owners described by Subdivision (1).

(f)

The court shall approve the form of a notice required to be provided under this section. The judgment of the court is final and binding on the responsible organization, any other organization obligated to make payment under this subchapter for an ownership interest, and each owner who is notified as required by this section.

(g)

The beneficial owner of an ownership interest subject to dissenters' rights held in a voting trust or by a nominee on the beneficial owner's behalf may file a petition described by Subsection (a) if no agreement between the dissenting owner of the ownership interest and the responsible organization has been reached within the period prescribed by Section 10.358(d). When the beneficial owner files a petition described by Subsection (a):

(1)

the beneficial owner shall at that time be considered, for purposes of this subchapter, the owner, the dissenting owner, and the holder of the ownership interest subject to the petition; and

(2)

the dissenting owner who demanded payment under Section 10.356 has no further rights regarding the ownership interest subject to the petition.

Sec. 10.362. COMPUTATION AND DETERMINATION OF FAIR VALUE OF OWNERSHIP INTEREST.

(a)

For purposes of this subchapter, the fair value of an ownership interest of a domestic entity subject to dissenters' rights is the value of the ownership interest on the date preceding the date of the action that is the subject of the appraisal. Any appreciation or depreciation in the value of the ownership interest occurring in anticipation of the proposed action or as a result of the action must be specifically excluded from the computation of the fair value of the ownership interest.

(b)

In computing the fair value of an ownership interest under this subchapter, consideration must be given to the value of the domestic entity as a going concern without including in the computation of value any control premium, any minority ownership discount, or any discount for lack of marketability. If the domestic entity has different classes or series of ownership interests, the relative rights and preferences of and limitations placed on the class or series of ownership

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interests, other than relative voting rights, held by the dissenting owner must be taken into account in the computation of value.

(c)

The determination of the fair value of an ownership interest made for purposes of this subchapter may not be used for purposes of making a determination of the fair value of that ownership interest for another purpose or of the fair value of another ownership interest, including for purposes of determining any minority or liquidity discount that might apply to a sale of an ownership interest.

Sec. 10.363. POWERS AND DUTIES OF APPRAISER; APPRAISAL PROCEDURES.

(a)

An appraiser appointed under Section 10.361 has the power and authority that:

(1)

is granted by the court in the order appointing the appraiser; and

(2)

may be conferred by a court to a master in chancery as provided by Rule 171, Texas Rules of Civil Procedure.

(b)

The appraiser shall:

(1)

determine the fair value of an ownership interest of an owner adjudged by the court to be entitled to payment for the ownership interest; and

(2)

file with the court a report of that determination.

(c)

The appraiser is entitled to examine the books and records of a responsible organization and may conduct investigations as the appraiser considers appropriate. A dissenting owner or responsible organization may submit to an appraiser evidence or other information relevant to the determination of the fair value of the ownership interest required by Subsection (b)(1).

(d)

The clerk of the court appointing the appraiser shall provide notice of the filing of the report under Subsection (b) to each dissenting owner named in the list filed under Section 10.361 and the responsible organization.

Sec. 10.364. OBJECTION TO APPRAISAL; HEARING.

(a)

A dissenting owner or responsible organization may object, based on the law or the facts, to all or part of an appraisal report containing the fair value of an ownership interest determined under Section 10.363(b).

(b)

If an objection to a report is raised under Subsection (a), the court shall hold a hearing to determine the fair value of the ownership interest that is the subject of the report. After the hearing, the court shall require the responsible organization to pay to the holders of the ownership interest the amount of the determined value with interest, accruing from the 91st day after the date the applicable action for which the owner elected to dissent was effected until the date of the judgment.

(c)

Interest under Subsection (b) accrues at the same rate as is provided for the accrual of prejudgment interest in civil cases.

(d)

The responsible organization shall:

(1)

immediately pay the amount of the judgment to a holder of an uncertificated ownership interest; and

(2)

pay the amount of the judgment to a holder of a certificated ownership interest immediately after the certificate holder surrenders to the responsible organization an endorsed certificate representing the ownership interest.

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(e)

On payment of the judgment, the dissenting owner does not have an interest in the:

(1)

ownership interest for which the payment is made; or

(2)

responsible organization with respect to that ownership interest.

Sec. 10.365. COURT COSTS; COMPENSATION FOR APPRAISER.

(a)

An appraiser appointed under Section 10.361 is entitled to a reasonable fee payable from court costs.

(b)

All court costs shall be allocated between the responsible organization and the dissenting owners in the manner that the court determines to be fair and equitable.

Sec. 10.366. STATUS OF OWNERSHIP INTEREST HELD OR FORMERLY HELD BY DISSENTING OWNER.

(a)

An ownership interest of an organization acquired by a responsible organization under this subchapter:

(1)

in the case of a merger, conversion, or interest exchange, shall be held or disposed of as provided in the plan of merger, conversion, or interest exchange; and

(2)

in any other case, may be held or disposed of by the responsible organization in the same manner as other ownership interests acquired by the organization or held in its treasury.

(b)

An owner who has demanded payment for the owner's ownership interest under Section 10.356 is not entitled to vote or exercise any other rights of an owner with respect to the ownership interest except the right to:

(1)

receive payment for the ownership interest under this subchapter; and

(2)

bring an appropriate action to obtain relief on the ground that the action to which the demand relates would be or was fraudulent.

(c)

An ownership interest for which payment has been demanded under Section 10.356 may not be considered outstanding for purposes of any subsequent vote or action.

Sec. 10.367. RIGHTS OF OWNERS FOLLOWING TERMINATION OF RIGHT OF DISSENT.

(a)

The rights of a dissenting owner terminate if:

(1)

the owner withdraws the demand under Section 10.356;

(2)

the owner's right of dissent is terminated under Section 10.356;

(3)

a petition is not filed within the period required by Section 10.361; or

(4)

after a hearing held under Section 10.361, the court adjudges that the owner is not entitled to elect to dissent from an action under this subchapter.

(b)

On termination of the right of dissent under this section:

(1)

the dissenting owner and all persons claiming a right under the owner are conclusively presumed to have approved and ratified the action to which the owner dissented and are bound by that action;

(2)

the owner's right to be paid the fair value of the owner's ownership interests ceases;

(3)

the owner's status as an owner of those ownership interests is restored, as if the owner's demand for payment of the fair value of the ownership interests had not been made under

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Section 10.356, if the owner's ownership interests were not canceled, converted, or exchanged as a result of the action or a subsequent action;

(4) the dissenting owner is entitled to receive the same cash, property, rights, and other consideration received by owners of the same class and series of ownership interests held by the owner, as if the owner's demand for payment of the fair value of the ownership interests had not been made under Section 10.356, if the owner's ownership interests were canceled, converted, or exchanged as a result of the action or a subsequent action;

(5) any action of the domestic entity taken after the date of the demand for payment by the owner under Section 10.356 will not be considered ineffective or invalid because of the restoration of the owner's ownership interests or the other rights or entitlements of the owner under this subsection; and

(6) the dissenting owner is entitled to receive dividends or other distributions made after the date of the owner's payment demand under Section 10.356, to owners of the same class and series of ownership interests held by the owner as if the demand had not been made, subject to any change in or adjustment to the ownership interests because of an action taken by the domestic entity after the date of the demand.

Sec. 10.368. EXCLUSIVITY OF REMEDY OF DISSENT AND APPRAISAL. In the absence of fraud in the transaction, any right of an owner of an ownership interest to dissent from an action and obtain the fair value of the ownership interest under this subchapter is the exclusive remedy for recovery of:

(1) the value of the ownership interest; or

(2) money damages to the owner with respect to the action.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers.

The Hilltop bylaws provide for indemnification and advancement of expenses by Hilltop, to the fullest extent permitted by Maryland law, of Hilltop directors and officers who are made or threatened to be made a party to a proceeding by reason of his or her service in that capacity.

Under Maryland law, directors' and officers' liability to the corporation or its shareholders for money damages may be expanded or limited, except that liability of a director or officer may not be limited: (1) to the extent that it is proved that the person actually received an improper benefit or profit in money, property or services for the amount of the benefit or profit in money, property or services actually received; or (2) to the extent that a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

Under Maryland law, a corporation may not indemnify a director or officer if it is established that: (1) the act or omission of the director or officer was material to the matter giving rise to the proceeding; and (A) was committed in bad faith or (B) was the result of active and deliberate dishonesty; or (2) the director or officer actually received an improper personal benefit in money, property or services; or (3) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

Under Maryland law, a corporation may not indemnify a director or officer who has been adjudged liable in a suit by or in the right of the corporation or in which the director or officer was adjudged liable to the corporation or on the basis that a personal benefit was improperly received. A court may order indemnification if it determines that the director is fairly and reasonably entitled to indemnification, even though the director did not meet the prescribed standard of conduct, was adjudged liable to the corporation or was adjudged liable on the basis that personal benefit was improperly received; however, indemnification for an adverse judgment in a suit by or in the right of the corporation, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses. Except for a proceeding brought to enforce indemnification or where a resolution of the board of directors or an agreement approved by the board expressly provides otherwise, a corporation may not indemnify a director for a proceeding brought by the director against the corporation.

Item 21. Exhibits and Financial Statement Schedules

2.1 Agreement and Plan of Merger by and among PlainsCapital Corporation, Hilltop Holdings Inc. and Meadow Corporation, dated May 8, 2012 (attached as Annex A to the joint proxy statement/prospectus contained in this Registration Statement).

3.1 Articles of Amendment and Restatement of Affordable Residential Communities Inc., dated February 16, 2004, as amended or supplemented by: Articles Supplementary, dated February 16, 2004; Corporate Charter Certificate of Notice, dated June 6, 2005; Articles of Amendment, dated January 23, 2007; Articles of Amendment, dated July 31, 2007; Corporate Charter Certificate of Notice, dated September 23, 2008; and Articles Supplementary, dated December 15, 2010 (filed as Exhibit 3.1 to Hilltop Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010, and incorporated herein by reference).

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3.2	Second Amended and Restated Bylaws of Hilltop Holdings Inc. (filed as Exhibit 3.2 to Hilltop Holdings Inc.'s Current Report on Form 8-K filed on March 16, 2009, and incorporated herein by reference).
3.3	Form of Articles Supplementary of Fixed Rate Cumulative Perpetual Preferred Stock, Series B
4.1	Form of Certificate of Common Stock of Hilltop Holdings Inc. (filed as Exhibit 4.1 to Hilltop Holdings Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference).
5.1	Opinion of Wachtell, Lipton, Rosen & Katz as to the validity of the shares of Hilltop Holdings Inc. common stock to be issued in the merger.
8.1	Tax opinion of Wachtell, Lipton, Rosen & Katz.
8.2	Tax opinion of Sullivan & Cromwell LLP.
10.1	Form of Voting and Support Agreement, dated as of May 8, 2012, among Hilltop Holdings Inc. and the PlainsCapital supporting shareholders (included as Annex D to the joint proxy statement/prospectus forming a part of this Registration Statement and incorporated herein by reference).
10.2	Voting and Support Agreement, dated as of May 8, 2012, between PlainsCapital Corporation and Diamond A Financial, L.P. (included as Annex E to the joint proxy statement/prospectus forming a part of this Registration Statement and incorporated herein by reference).
23.1	Consent of Wachtell, Lipton, Rosen & Katz for legality opinion (included in Exhibit 5.1).
23.2	Consent of Wachtell, Lipton, Rosen & Katz for tax opinion (included in Exhibit 8.1).
23.3	Consent of Sullivan & Cromwell for tax opinion (included in Exhibit 8.1).
23.4	Consent of Independent Registered Public Accounting Firm of Hilltop, PricewaterhouseCoopers LLP.
23.5	Consent of Independent Registered Public Accounting Firm of PlainsCapital, Ernst & Young LLP.
24.1	Power of Attorney.+
99.1	Consent of J.P. Morgan Securities LLC.
99.2	Consent of Stephens Inc.
99.3	Form of Proxy Card of Hilltop.
99.4	Form of Proxy Card of PlainsCapital.
99.5	Consent of Alan B. White to be named as a director.+

+ Previously filed.

Item 22. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1)

To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

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(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan or distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(3) To remove from registration by means of post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, when applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) (1) The undersigned Registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this Registration Statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) The Registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (1) immediately preceding or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the Registration Statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(d) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to

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a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(e) The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

(f) The undersigned Registrant hereby undertakes to supply by means of post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, State of Texas, this 3rd day of August, 2012.

HILLTOP HOLDINGS INC.

By: /s/ JEREMY B. FORD

Jeremy B. Ford
Chief Executive Officer
Director

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JEREMY B. FORD Jeremy B. Ford	President, Chief Executive Officer and Director (Principal Executive Officer)	August 3, 2012
/s/ DARREN PARMENTER Darren Parmenter	Senior Vice President (Principal Financial and Accounting Officer)	August 3, 2012
* Rhodes R. Bobbitt	Director	August 3, 2012
W. Joris Brinkerhoff	Director	
* Charles R. Cummings	Director	August 3, 2012
* Gerald J. Ford	Director	August 3, 2012
J. Markham Green	Director	

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Signature	Title