



PlainsCapital Corporation.

EXCESSIVE OR LUXURY EXPENDITURES POLICY

**Adopted August 17, 2009
(To be effective September 13, 2009)**

1. Introduction:

On June 15, 2009, the U.S. Department of Treasury (“Treasury”) announced an interim final rule (the “Interim Rule”) that includes standards for excessive compensation and corporate governance practices for those entities receiving funding under the Treasury’s Troubled Asset Relief Program (“TARP”). The Interim Rule contains many new standards for TARP recipients, including that TARP recipients adopt an Excessive or Luxury Expenditures Policy. As a TARP participant, PlainsCapital Corporation (the “Corporation”) and its wholly owned subsidiaries (together, with the Corporation, the “Company”) are subject to the requirements of the Interim Rule.

This Excessive or Luxury Expenditures Policy (this “Policy”) is designed to satisfy the requirements of the Interim Rule and shall govern expenditures by the Company and its officers, directors and employees. This Policy affirms the Company’s obligation that any excessive or luxury expenditures (as defined below) must comply with the requirements of the Emergency Economic Stabilization Act of 2008, as amended (“EESA”), and the Interim Rule, and sets forth procedures to ensure compliance.

2. Identification of the Types and Categories of Expenses Subject to this Policy:

The requirements of this Policy are applicable to “excessive or luxury expenditures”. For the purpose of this Policy, “excessive or luxury expenditures” means excessive expenditures on any of the following activities:

- A. Entertainment or events;
- B. Office and facility renovations;
- C. Aviation or other transportation services; and
- D. Other similar items, activities, or events for which the Company may reasonably anticipate incurring expenses, or reimbursing an employee for incurring expenses.

These categories of activities were identified by Treasury in the Interim Rule as having the potential for excessive spending and are not intended to be exhaustive.

3. General Standards:

To the extent that an expenditure is not reasonable for staff development, reasonable for performance incentives, or other similar reasonable measures conducted in the normal course of the Company’s business operations, certain expenditures may be deemed excessive.

Subject to the following, the determination of whether a proposed expense in any of the above-described categories constitutes an “excessive or luxury expenditure” will be made by the Corporation’s Board of Directors, or by the Corporation’s Chief Executive Officer (“CEO”) or Chief Financial Officer (“CFO”), as the Board’s designees pursuant to the procedures set forth herein. This Policy is intended to

supplement and not to replace or supersede the Company's Code of Business Conduct or other similar policies that may be in effect from time to time.

A. Prohibitions

The following expenditures are prohibited under this Policy:

1. The reimbursement of any non-business related expenses incurred by an employee;
2. The reimbursement of any non-business related expenses incurred by an employee's immediate or extended family members; and
3. The reimbursement of any expenses incurred which would otherwise be prohibited under the Company's Code of Business Conduct.

B. Limitations

Unless otherwise permissible under this Policy, the Company will not approve any expenditures unless it is reasonably expected to contribute to staff or board development, staff retention through reasonable and appropriate performance incentives, is in furtherance of the Company's strategic initiatives, or is in furtherance of some other Company or community objective or goal.

4. Entertainment or Events:

We expect that that all entertainment or event expenses incurred by the Company be properly documented and advance one or more legitimate interests of the Company, such as driving business to the Company or contributing to staff development. The following entertainment or event expenditures are prohibited or are subject to certain limitations as indicated below:

A. Prohibitions

The following prohibitions shall apply to Company-sponsored events:

1. Total annual expense for Company-sponsored event shall not exceed fifteen (15) percent of the Company's net income.
2. Total annual expense for performance-incentive events shall not exceed five (5) percent of the total compensation of eligible participants or ten (10) percent of total award earners' compensation.
3. At least ninety (90) percent of performance-incentive event participants shall be other than senior executive officers of the Company.

B. Limitations

The following limitations shall apply to Company-sponsored events:

1. Each proposed event with a total cost exceeding \$75,000 must be supported by a written business case identifying a specific business purpose and approved in advance by the CEO or CFO.
2. Performance-incentive events shall not promote excessive risk-taking or manipulation of financial results.
3. All internal events attended only by senior executive officers and/or board members shall be devoted to specific business purposes.

C. Exceptions

Exceptions to this Policy include, but are not limited to, reasonable expenditures for:

1. Marketing and business development (including current and prospective customers) conducted in the normal course of the Company's business operations. For example, occasional events such as taking customers or prospects on trips, golf outings, meals, or attending other events (e.g., sporting, concerts, etc.) the customer/prospect would find enjoyable is a necessary part of the Company's marketing efforts and is not deemed as "entertainment" or a violation of this Policy;
2. Staff development (other than performance-incentive events);
3. Conferences attended by employees for educational purposes and related to the financial services industry or a professional discipline (e.g., tax, accounting, law, etc.) with a direct correlation to the job performed by the attending employee;
4. Board and executive officer retreats focusing on strategic planning, orientation, or education (at times, it may be appropriate for spouses to attend such retreats); and
5. Performance incentives or other similar measures conducted within the limitations expressed above.

5. Office and Facility Renovations

Office and facility renovations should serve legitimate business purposes and be cost-justified. The following office or facility renovation expenditures are prohibited or are subject to certain limitations as indicated below:

A. Prohibitions

No office or facility construction, renovation, furnishing or other similar project ("Office Project") may include lavish or extraordinary furnishings, decorations, or construction materials which are inconsistent with the Company's image.

B. Limitations

Expenses relating to an Office Project that is expected to have a total cost in excess of \$250,000 may not be made without the prior written approval of the project by the CEO or CFO. This Policy is intended to supplement and not to replace or supersede the Company's capital expenditure policy that may be in effect from time to time. In furtherance of that objective, costs associated with office and facilities renovations should be tracked within the capital expenditure policy of the Company.

C. Exceptions

Exceptions to this Policy include, but are not limited to, expenditures:

1. Contractually committed or funded prior to the effective date of this Policy;
2. Related to repairs necessary to make a facility operational for customer use;
3. For routine office maintenance and upkeep;
4. To modify existing office space to comply with applicable law in effect now or in the future; or

5. For construction related to new facilities or expansion of existing space conducted in the normal course of the Company's business operations.

6. Aviation and Other Transportation Services

Our various companies maintain over 160 office locations in over 30 different states, and we recognize that travel to outlying locations is necessary and incident to effectively managing the Company and serving the needs of its many customers across the United States. Travel is also necessary for business development purposes, strategic planning and implementation purposes, and to attend business-related conferences and retreats. The following transportation expenditures are subject to certain limitations as indicated below:

A. Prohibitions

Contracts to lease or charter aircraft are prohibited unless approved in advance by the CEO or CFO.

B. Limitations

The following limitations shall apply to all travel expenses incurred by the Company:

1. All travel must serve the legitimate business purpose of the Company and be cost-justified.
2. First class and business class travel on commercial airlines is discouraged if there is incremental cost to the Company and lower class seats are available.
3. Upgrades to first class or business class travel are allowed when the traveler is a frequent flier with free upgrades at no incremental cost to the Company.
4. Business class travel is allowed on commercial flights exceeding 5 hours.

C. Exceptions

Exceptions to this Policy include, but are not limited to:

1. Reasonable travel expenditures in the normal course of the Company's business;
2. Use of corporate aircraft by the CEO or other executive management and personnel with the express consent of the CEO for business and related travel; and
3. Reimbursement for mileage consistent with the Company's mileage reimbursement policy in effect from time to time.

7. Procedures for Expenses Requiring Prior Approval

Prior to incurring any expense subject to this Policy and not otherwise permitted under this Policy, a written request for prior approval of such expenditure (the "Proposed Expense"), including documentation of the business purpose for the Proposed Expense, should be submitted to the CEO or CFO.

Upon submission of the Proposed Expense, the CEO or CFO shall make a determination as to whether the Proposed Expense constitutes an "excessive or luxury expenditure".

- If the Proposed Expense is determined to be an “excessive or luxury expenditure” - that is without a justifying business purpose - then the request for approval shall be denied and the expense shall not be incurred.
- If the Proposed Expense is determined not to be an “excessive or luxury expenditure,” then the expense shall be approved (an “Approved Expense”).

The CEO or CFO shall prepare a report of all Approved Expenses to be submitted to the Corporation’s Board of Directors on a regular basis. For each Approved Expense, the report shall include the amount of such expense and a statement justifying this amount in light of the legitimate business purpose to be served. The report shall be certified by the CEO and the CFO.

8. Compliance with Policy and Annual Board Review

Compliance with this Policy shall be the primary responsibility of the Corporation’s CEO and CFO. Any violation of this policy should be reported directly to the CEO or CFO, or directly to the Board of Directors. A review of the Company’s compliance with this Policy shall be incorporated into the Company’s regular compliance program, and a report regarding the findings of that compliance review will be made to the Board of Directors on at least an annual basis. The Company’s internal auditor will also review compliance with this Policy as a part of the Company’s regular internal audit program. In addition, at least annually, sufficient time will be allocated during one of the regular meetings of the Board of Directors for a general review of this Policy’s requirements in light of the requirements of EESA and the Interim Rule as the same may be amended from time to time. If it is determined that this Policy needs to be revised because of amendments to EESA or to the regulations of Treasury or other relevant regulatory agencies, or because of changes to the policies of Treasury or other regulatory agencies having jurisdiction over the Company, the Board of Directors, after consulting with counsel, will make the necessary changes to this Policy.

9. Publication of Policy

Not later than the effective date of this Policy following approval by the Board of Directors, a copy of this Policy shall be promptly submitted to Treasury and shall be posted on the Company’s website. In the event of any Board-approved amendments to this Policy, a copy of the amended Policy shall be promptly submitted to Treasury and the Company’s website shall be updated to reflect such amendments.

10. Termination

This Policy shall remain outstanding so long as Treasury maintains an investment in the Corporation pursuant to the TARP. In the event that the Corporation repays in full all funds received from Treasury under the TARP and is no longer subject to the TARP requirements, then this Policy shall automatically terminate and will no longer be in force.