PlainsCapital Corporation

Alan B. White
Chairman of the Board and Chief Executive Officer

March 4, 2009

Via FedEx
Via E-Mail to SIGTARP.response@do.treas.gov

Mr. Neil M. Barofsky
Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Re: Plains Capital Corporation ("PCC") – UST Seq. No. 41

Dear Mr. Barofsky:

I am in receipt of your letter dated February 6, 2009 requesting certain information regarding PCC's participation in the Capital Purchase Program ("CPP"). This letter responds to your various inquiries.

Background

(b) (4) [redacted] (b) (4) Following the announcement by the United States Department of the Treasury ("Treasury") of the CPP on October 14, 2008, management of PCC discussed this potential source of capital with its outside advisors.

According to a press release dated October 20, 2008 issued jointly by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (the "Joint Press Release"), eligible institutions were encouraged to participate in the CPP "to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy." A copy of the Joint Press Release is attached hereto as Exhibit A. When PCC originally applied with the Treasury to participate in the CPP on October 23, 2008, PCC (b) (4) [redacted] (b) (4) and qualified as an eligible institution to participate in the CPP.

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(b) (4) [redacted]

On December 19, 2008, PCC issued shares of its Series A preferred stock and Series B preferred stock to the Treasury in a private placement. The liquidation value of the preferred shares (including warrant preferred shares) issued to the Treasury was $92,013,000, and the net proceeds to PCC were $87,631,000 (the "CPP Proceeds").

Accounting Treatment of CPP Proceeds

When the CPP Proceeds were received by PCC on December 19, 2008, the funds were booked to PCC's preferred stock account. PCC then made a capital contribution to its wholly owned banking subsidiary, PlainsCapital Bank (the "Bank"), equal to the amount of the CPP Proceeds. This capital contribution was recorded in "other surplus" on the Bank's balance sheet and is not otherwise segregated from other funds or specifically earmarked for any particular use.

Use of CPP Proceeds

You have asked for information regarding PCC's anticipated, actual, and expected use of CPP Proceeds. You have also asked for a discussion of actions taken that PCC would not have been able to take absent the CPP Proceeds. Each of these topics is addressed in the following paragraphs.

Anticipated Use of CPP Proceeds

As stated in separate letters to customers and shareholders sent in early January 2009, copies of which are attached hereto as Exhibit B and Exhibit C, respectively, PCC anticipated using the capital to "get money back into our local economies while simultaneously growing our business" and "to continue and even expand . . . lending operations in order to stimulate the economy." Similar statements regarding the anticipated use of funds to expand or enhance lending efforts in local communities (including jumbo mortgages, student loans, and credits to municipalities) can be found in quotes within various news articles attached here to as Exhibit D, within PCC's press release dated December 31, 2008 attached hereto as Exhibit E, and on PCC's web site collateral attached hereto as Exhibit F. Thus, PCC's anticipated use of the CPP Proceeds was entirely consistent with the Treasury's vision as expressed in the Joint Press Release.

Actual Use of CPP Proceeds

As described above, PCC used the CPP Proceeds to make a capital contribution to PCB. As a result of this capital contribution, the Bank's capital ratios increased substantially as depicted in the following table.

	At 11/30/2008	At 12/31/2008
Leverage Capital Ratio	9.42%	11.85%
Tier 1 Risk-Based Capital Ratio	10.62%	13.87%
Total Risk-Based Capital Ratio	11.49%	14.79%

As of December 31, 2008, the Bank had approximately $495 million in capital to support its lending and investment efforts.

Please note that there have only been 32 business days between the date that PCC closed on its sale of preferred stock to the Treasury under the CPP on Friday, December 19, 2008 and the date of your letter. However, during that short period of time, PCC, through the Bank, made commitments to (1) expand its array of loan offerings (including student loans, consumer loans, SBA loans, and mortgage loans), (2) invest in Texas municipalities, and (3) invest in certain CRA–qualified mortgage-backed securities as detailed below.

<u>Lending Activities</u>. On the lending side, the Bank saw increased loan demand during the fourth quarter of 2008, primarily due to the tightening of credit from other sources during the second half of the year. The capital contribution from PCC (funded with the CPP Proceeds) has enhanced the Bank's ability to continue to serve the credit needs of its existing customers and to assist new loan customers.

(b) (4) [redacted]

(b) (4) [redacted]

From December 19, 2008, through February 28, 2009, the Bank originated loans having a total principal balance of $294,766,567. These loan originations are comprised of approximately $145.6 million in business loans, $9.5 million in consumer loans, and $139.6 million in real estate loans.

The Bank also provides a warehouse line of credit to its wholly owned mortgage subsidiary, PrimeLending, a PlainsCapital Company ("PrimeLending"). The Bank's warehouse line is used to fund single family residential mortgage loans (primarily FHA and VA at present) originated by PrimeLending. Mortgage loans originated by PrimeLending and funded through the warehouse line are then sold (servicing released) to investors in the secondary market, and the warehouse line with the Bank is then paid down in order to increase the availability of future advances. On February 23, 2009, the Bank increased PrimeLending's warehouse line of credit from $225 million to $275 million.

(b) (4) [redacted]

Municipal Investments. The Bank has also augmented its municipal investment activities since receiving the capital contribution from PCC (funded with the CPP Proceeds). For example, since the beginning of 2009, the Bank has purchased approximately $55,565,000 in par value of bonds and variable rate demand notes issued by various Texas municipalities, including the purchase on February 3, 2009 of $37,900,000 in par value of variable rate demand notes issued by the City of Arlington, Texas. In addition, since the beginning of 2009, the Bank has purchased $1.695 million in par value of CRA-qualified mortgage-backed securities issued through FNMA. Additional detail regarding the Bank's recent investment activities can be found in the materials attached hereto as Exhibit H.

PlainsCapital Corporation

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Expected Use of CPP Proceeds

So long as it retains CPP Proceeds, PCC, through the Bank, expects to continue to enhance its lending efforts in local communities consistent with safe and sound banking practices and will continue to seek out investment opportunities that benefit municipalities consistent with the Bank's investment objectives.

Actions Taken due to CPP Proceeds

It is difficult to pinpoint which specific loans or municipal securities investments the Bank would not have made absent the capital contribution from PCC (funded with the CPP Proceeds). All loans originated by the Bank must meet the Bank's established underwriting guidelines, and all municipal securities must meet the Bank's established investment criteria. The additional capital at the Bank representing the CPP Proceeds has not altered these underwriting guidelines or investment criteria.

However, as a general matter, the CPP Proceeds have provided the Bank with additional capital to grow its balance sheet assets (primarily through loan growth and investments in municipal securities) at a pace more rapidly than it could through retained earnings.

Executive Compensation Matters

Employment and Change in Control Agreements

[redacted] These employment agreements and change of control agreements were amended to satisfy Section 4.8 of the Securities Purchase Agreement (Standard Terms for Non-Exchange-Traded QFIs, excluding S Corps and Mutual Organizations) dated December 19, 2008 between Treasury and PCC.

Bonuses. On December 31, 2008, PCC acquired FSH pursuant to an Agreement and Plan of Merger dated as of November 7, 2008 among PCC, the Bank, FSH and Hill Feinberg, as Stockholders' Representative (the "Merger Agreement"). A condition to the closing of the Merger Agreement was the receipt by PCC of employment agreements, in a form reasonably acceptable to PCC, executed by certain executive employees of FSH and its subsidiaries [redacted] (b) (4)

PCC and FSH are seeking to amend further each of its employment agreements to address, among other items, the executive compensation requirements recently adopted subsequent to PCC's acceptance of the CPP Proceeds. These amendments include provisions governing the bonuses payable to employees to clarify that: (i) no discretionary bonus will be based upon performance criteria that would encourage the employee to take any unnecessary and excessive risks that threaten the value of PCC and (ii) PCC expressly discourages the employee from taking such risks. The amendments also provide that in the event PCC or FSH, as the case may be, or the Compensation Committee of PCC determines, in its sole discretion, that the employee: (i) has taken any unnecessary and excessive risks, PCC or FSH, as the case may be, may reduce all or any portion of any discretionary bonus to which the employee has obtained a legally binding right, and (ii) has been paid or has obtained a legally binding right to a discretionary bonus that is based on materially inaccurate financial statements and any other materially inaccurate performance metric criteria, the employee must pay PCC or FSH, as the case may be, an amount equal to such discretionary bonus immediately after the employee receives notice of such misstatement (or forfeit receipt of such discretionary bonus if the discretionary bonus has not been paid).

It is anticipated that the Compensation Committee of PCC will consider at its next meeting scheduled for March 18, 2009 the resolutions attached as Exhibit I concerning, among other things, future bonus payments.

"Golden Parachute Payments". It is anticipated that the Compensation Committee will also consider the resolutions attached as Exhibit I concerning, among other things, "golden parachute payments" (as defined in Section 111(a) of EESA). Since the adoption of the Interim Final Rule issued by Treasury on October 20, 2008 (the "October Interim Final Rule"), PCC has not made any "golden parachute payments" as defined under either the October Interim Final Rule or Section 111(a) of EESA to a "senior executive officer" or the next five most highly-compensated employees of PCC.

Governance and Related Matters

Compensation Committee. On February 16, 2009, PCC's non-independent directors of the Compensation Committee resigned from the Compensation Committee of PCC. The Compensation Committee intends to meet: (i) at least twice annually to discuss and evaluate employee compensation plans in light of an assessment of any risk posed to PCC from such plans, and (ii) at least annually with PCC's senior risk officers to discuss and review the relationship between PCC's risk management policies and practices and the "senior executive officer" incentive compensation arrangements. The Compensation Committee of PCC has to date not made: (i) any assessment of loan risks and their relationship to executive compensation, and (ii) any attempt to offset these limitations pursuant to changes to longer-term or deferred forms of executive compensation.

Certifications. PCC will instruct its Compensation Committee as well as its principal executive officer to timely provide each of the certifications required pursuant to the Interim Final Rule issued by Treasury on January 16, 2009 and Section 111(b)(4) of the EESA (collectively, the "Certifications").

Other Requirements. PCC will not claim a deduction for remuneration that would not be deductible if PCC were subject to 26 U.S.C. 162(m)(5) as required by the October Interim Final Rule and Section 111(b)(1)(B) of the EESA. PCC also will take measures to ensure that appropriate documentation and records to substantiate each of the Certifications for no less than six years. PCC intends to fully comply with any regulations and standards adopted pursuant to Section 111 of EESA by the Treasury or the Securities and Exchange Commission to the extent they are or become, and remain, applicable to PCC, including those concerning limitations on luxury expenditures and shareholder approval of executive compensation.

PlainsCapital Corporation

Certification

Subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001, the statements, representations, and supporting information contained in or attached to this letter are true and complete to the best of my knowledge.

Request for Confidential Treatment

Pursuant to the Freedom of Information Act, 5 U.S.C §552(b)(4), and the implementing regulations issued thereunder, PCC hereby requests confidential treatment for the information contained in this letter and all attachments hereto. The information contained in this letter and the attachments constitutes privileged and confidential commercial information that is not available to the public from any other source. Disclosure of the information contained in this letter and the attachments to the public, including PCC's competitors, would provide such competitors and others with information about the current and future business and financial plans of PCC and its subsidiaries. From this information, competitors could make inferences about the operations and competitive strategies of PCC, which could potentially result in altering the competitor's own competitive strategies and relationships to the detriment of PCC. Such information has traditionally and consistently been afforded confidential treatment. We request that if, notwithstanding the foregoing, the Treasury should determine preliminarily to make available to the public any of the information contained in this letter and its attachments, it will inform us prior to any such release.

If you have any questions, or if you require any additional information, please contact Scott J. Luedke, Executive Vice President of PCC at [redacted]

Sincerely,

Alan B. White
Chairman and Chief Executive Officer

Attachments

Exhibit A

Joint Press Release

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency
Office of Thrift Supervision

For immediate release **October 20, 2008**

Agencies Encourage Participation in Treasury's Capital Purchase Program, FDIC's Temporary Liquidity Guarantee program

The federal banking and thrift regulatory agencies encourage all eligible institutions to use the Treasury Department's Capital Purchase Program and the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program. On October 14, 2008, the U.S. government announced a series of initiatives to strengthen market stability, improve the strength of financial institutions, and enhance market liquidity. Treasury announced a voluntary Capital Purchase Program to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. Under the program, Treasury will purchase up to $250 billion of senior preferred shares on standardized terms.

Treasury's Capital Purchase Program and the FDIC's Temporary Liquidity Guarantee Program complement one another. Through these programs, fresh capital and liquidity are available to foster new lending in our nation's communities.

Under Treasury's Capital Purchase Program, eligible institutions will be able to sell equity interests to Treasury in amounts equal to 1 percent to 3 percent of the institution's risk-weighted assets. These equity interests will constitute Tier 1 capital for the eligible institution.

Treasury and the agencies on Monday issued application guidelines and other documents for the Capital Purchase Program. Those documents are attached. If regulated by the Federal Reserve, contact your local Reserve Bank about the program. If regulated by the FDIC, contact the appropriate regional office for your institution. If regulated by the Office of the Comptroller of the Currency, contact Fred Finke (fred.finke@occ.treas.gov) for more information and send applications to HQ.Licensing@occ.treas.gov or OCC Director of Licensing, 250 E St. SW, Mail Stop 7-13, Washington DC, 20219-0001. If regulated by the Office of Thrift Supervision, contact the appropriate regional office for your institution.

Nine large financial organizations already have agreed to participate in the Capital Purchase Program. We encourage other institutions to take advantage of the benefits of the Capital Purchase Program by contacting their primary federal regulator and appropriate bank holding company regulator if applicable for details about the program, conditions, and eligibility. The deadline to apply is November 14, 2008.

All eligible institutions are automatically covered by the FDIC's Temporary Liquidity Guarantee Program without charge for the first 30 days. The Treasury's Capital Purchase Program and FDIC's Temporary Liquidity Guarantee Program share a common goal–to restore capital flows to the consumers and businesses that form the core of our economy. The federal bank and thrift regulatory agencies encourage eligible institutions to participate in that common goal.

Attachments:

- Application guidelines (PDF)
- FAQs (PDF)

2008 Banking and Consumer Regulatory Policy

PlainsCapital Corporation

Exhibit B

PlainsCapital Corporation

Alan B. White
Chairman of the Board and Chief Executive Officer

January 8, 2009

«Name»
«Address1»
«Address2»
«City», «State» «Zip»«Country»

Dear Valued Customer:

As we begin 2009, I want to wish you a Happy New Year, and to thank you for allowing PlainsCapital to serve your banking needs. Since we continue to experience uncertain times in our economy, I also want to take a moment to tell you about PlainsCapital and where we are going in 2009.

We are focused on Strength, Stability and Opportunity.

Our strength comes from our strong leadership team and the commitment from our employees to give our customers their absolute best. We are dedicated to working hard to develop and nurture our relationship with you

Our stability comes from our strong capital, strong liquidity and solid earnings As of December 31, 2008, our total risk-based capital ratio was 14.5%, well above the 10% required by the regulators to be well capitalized. Our liquidity remains very strong and our 2008 earnings were solid.

Strength plus Stability creates Opportunity.

PlainsCapital Corporation has been blessed with the opportunity to acquire First Southwest, one of the top-ranked boutique public finance advisory firms and investment banks in the U.S. The transaction closed on December 31, 2008. Together, PlainsCapital and First Southwest create a company with more capital, more liquidity and more earnings. This gives us unlimited opportunities in the marketplace.

Our strength and stability positioned us for another opportunity in 2008. Because of our excellent rating, the Federal Reserve encouraged us to participate in the U.S. Treasury's Capital Purchase Program. On December 19, 2008, we received $87.6 million from the U.S. Treasury in the form of preferred stock. Only healthy banks who are in a position to lend money to consumers and businesses can participate in this program. I call this money "opportunity capital" because it will give us the opportunity to get money back into our local economies while simultaneously growing our business.

Our story is a positive one of strength and stability and good things to come in 2009 We appreciate your business and we look forward to working with you in the New Year.

Best regards,

AlaBWhite

Alan B White

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Dallas, Texas 75219

PlainsCapital Corporation

Exhibit C

PlainsCapital Corporation

Alan B. White
Chairman of the Board and Chief Executive Officer

January 12, 2009

«Name»
«Title»
«Company»
«Address1»
«City», «State» «Zip»«Country»

Dear Shareholder,

I want to report to you that 2008 has been a record year for earnings. Even though we missed our budget, we will earn from operations more than $30 million after tax for the first time in our 20-year history.

A lot can be attributed to the fact PrimeLending and PlainsCapital Leasing far-exceeded budget expectations. In a time when the financial industry is in turmoil, we stand out as one of the few banks to earn more in 2008 than we did in 2007 by almost 6%

2008 has also brought great opportunity to PlainsCapital. On December 31, we closed our merger/acquisition with First Southwest. First Southwest is a boutique investment bank with a national presence that specializes in public finance advisory services. First Southwest is the top firm in Texas and ranks second in the nation. This merger gives PlainsCapital additional capital, liquidity and earnings. First Southwest's people, knowledge and culture are a perfect fit for PlainsCapital. That's not to mention that this entire transaction is <u>accretive</u> to you, the shareholders

On December 19, we received $87 6 million from the U S Treasury Department in the form of preferred stock. The Fed encouraged us to apply for the Capital Purchase Program and we received the maximum amount due to the sound condition of the bank. While the media calls this additional capital "bailout money," the program's purpose is to encourage strong banks to continue and even expand their lending operations in order to stimulate the economy. I call this funding "Opportunity Capital". It allows us to take advantage of opportunities in the marketplace.

We are entering 2009 with strength, stability and opportunity. We are strong because of our leaders' and our employees' can-do attitudes. We are strong because of our solid reputation of making things happen for our customers. Our stability comes from a strong capital base of over $485 million. Our total risk-based capital ratio of 14 5% is well above the 10% required to be a well-capitalized bank. As a result, our customers and the marketplace have tremendous confidence in PlainsCapital. This leads to opportunities for us

We can act on future opportunities because of the strength of our organization (leadership, reputation) and our stability (capital, liquidity, earnings). Our strength and stability give us leverage to continue growing even in these times. We must be wise and smart but we need to remain poised to take advantage of the opportunities that come our way

As we close 2008 and start anew in 2009, we must remember how fortunate we are at PlainsCapital. We have great strength and stability and that gives us great opportunities for our company. As always, thank you for your support and Happy New Year.

Best regards,

Alan B White

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PlainsCapital Corporation

Exhibit D

LUBBOCK AVALANCHE-JOURNAL

PlainsCapital CEO calls bailout funds 'opportunity money'

By Marlena Hartz | AVALANCHE-JOURNAL
Saturday, December 27, 2008
Story last updated at 12/27/2008 - 1:52 am

The once Lubbock-based bank that received nearly $88 million through a government bailout program will use the capital to grow and loan money to customers, its chairman and CEO told The Avalanche-Journal on Friday.

"I call it opportunity money," said Alan B. White, the chairman and CEO of PlainsCapital Corp., which was founded in Lubbock in 1988 but is now headquartered in Dallas.

The U.S. Treasury Department invested $87.6 million in the corporation through its Capital Purchase Program, a new strategy in the $700 billion bailout crafted to encourage banks to lend money to businesses and consumers.

Treasury officials were not available for comment Friday.

The Treasury invested $2.8 billion in 49 banks, including PlainsCapital, on Dec. 19 under the program, it announced in a Tuesday news release. It has set aside a total of $250 billion for the program and as of Tuesday had invested $162 billion in various U.S. banks, receiving preferred stock and warrants in exchange, according to the release.

PlainsCapital - which is financially healthy and made $24 million in the third quarter of 2008, according to reports on its Web site, www.plainscapital.com - is now better positioned to loan customers money for big investments, such as education and cars, White said.

"It's not a bailout," he said of the $87.6 million. The Treasury invested in "good banks that will get out and put this money out in the community. That gets the economy going," White said.

White said the Treasury Department encouraged PlainsCapital to apply for the Capital Purchase Program.
In addition to lending more money to consumers, PlainsCapital will be able to acquire more assets as a program participant, White said.

"It's gonna take this bank to a new level," said White, who lived in Lubbock for 45 years and said the federal investment will funnel down to the West Texas city.

PlainsCapital was in the process of expanding before the Treasury's investment. It should close a deal on Monday to acquire First Southwest Holdings, Inc., the second-ranked public finance advisory firm in the U.S., White said.

The corporation's cornerstone, PlainsCapital Bank, is the second-largest privately held bank in Texas with more than $3.4 billion in assets, 115 locations and more than 1,800 employees, according to its Web site.

PlainsCapital, as a Capital Purchase Program participant, must adopt Treasury Department standards for executive compensation and corporate governance for the period that the Treasury holds equity in the corporation.

White said the corporation will not be able to increase dividends to shareholders for three years as a result of the Treasury investment.

To comment on this story:
marlena.hartz@lubbockonline.com 766-8753
walt.nett@lubbockonline.com 766-8706

Link: http://lubbockonline.com/stories/122708/loc_371455964.shtml

From: PlainsCapital Corporate Marketing
Sent: Tuesday, December 30, 2008 2:24 PM
To: PCC - All Users
Subject: PlainsCapital Featured in Lubbock Avalanche-Journal

PlainsCapital Featured in *Lubbock Avalanche-Journal*
Chairman and CEO discusses 'opportunity money'

In an article that appeared in the Saturday, December 27 issue of the *Lubbock Avalanche-Journal*, PlainsCapital Corporation Chairman and CEO Alan B. White explains the new opportunities available to the company and its customers as a result of the U.S. Treasury Department's Capital Purchase Program. Through this program, the Treasury Department invested $87.6 million in PlainsCapital Corporation preferred stock. The bank will use this capital to expand its lending efforts and position the company for future growth.

The full text of the article is included below.

'Opportunity' knocking at PlainsCapital

Bank's CEO: $88 million from bailout fund to help with loans

By Marlena Hartz
Lubbock Avalanche-Journal
Saturday, December 27, 2008

The once Lubbock-based bank that received nearly $88 million through a government bailout program will use the capital to grow and loan money to customers, its chairman and CEO told The Avalanche-Journal on Friday.

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LUBBOCK AVALANCHE-JOURNAL

Fueling the Fire

Pray Lubbock

SATURDAY

Santa gunman planned flight

'Opportunity' knocking at PlainsCapital

Bank's CEO: $88 million from bailout fund to help with loans

Back for More

Big bargains, returns keep shoppers in line

Customers Friday flooded the South Plains Mall looking for after-holiday deals and returning the not-so-perfect gifts.

Shoppers take advantage of the after-Christmas specials at Target on Friday

MORE COVERAGE

NATIONAL RETAILERS ... PAGE C9

BARGAIN-HUNTING ... PAGE C9

In addition to lending more money to consumers, PlainsCapital will be able to acquire more assets as a program participant, White said.

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The Dallas Morning News
DallasNews.com

Banks might use bailout funds for acquisitions

11:37 AM CST on Sunday, January 4, 2009

By DAVE MICHAELS / The Dallas Morning News
dmichaels@dallasnews.com

WASHINGTON – Thanks to the government, PlainsCapital is getting bigger.

The Dallas-based bank received $87.6 million last month from the U.S. Treasury Department's $700 billion rescue program, known as TARP. The bank says it intends to put the money to good use – increasing loans for businesses, students and even jumbo mortgages. But it doesn't rule out using funds for acquisitions.

"As we see this economy shake out, there are going to be some that make it and some that don't make it," said Alan B. White, PlainsCapital's chairman and chief executive. "And there are going to be good opportunities that people are going to be able to take advantage of. I hope I'm one of those."

Congress and taxpayer groups have objected to using bailout funds for acquisitions and grown impatient with the lack of new lending. But the government didn't dictate how banks can use TARP funds. And it has no system for monitoring the funds after they are handed over.

While the government can take credit for fulfilling the first part of its mission – stabilizing the financial system – it has failed to stimulate lending. Credit remains tight as banks – even those that received TARP capital – have been wary to take on risk as the economy worsens. And they are free to use the funds for less risky investments.

"Some of the banks that have received the money don't need it but decided they would go ahead and take it since it was available," said Robert L. Clarke, a senior partner at Bracewell & Giuliani in Houston who was comptroller of the currency under presidents Ronald Reagan and George H.W. Bush. "But it has not changed their view of the risk of making loans."

Some banks say they're holding back on new loans because bank regulators have taken a stricter view of what constitutes a risky loan, Clarke added. In lieu of making loans, the capital can be put to work through acquisitions.

"It's probably easier to evaluate an acquisition if you have excess capital that you don't anticipate needing," Clarke said.

White agreed that "the quickest way to leverage" the TARP capital would be to make an acquisition. But, he said, buying someone else's bank also means taking their bad loans.

"I could go and look a little bit, but that isn't my priority," he said. "The big banks are skittish, and they are not even loaning to their own customers. That is where we are finding opportunities to pick up loans and grow our business."

Change of plans

Still, the TARP capital couldn't have come at a better time for PlainsCapital.

Over the summer, White decided to raise about $50 million after committing to buy First Southwest, a boutique investment bank and leader in public finance. Yet even for a top-tier bank like PlainsCapital, the following months were a tough time to raise money – until the Treasury offered funds through TARP.

"That process ended real quick when the TARP money came along," said White, who moved PlainsCapital's headquarters to Dallas from Lubbock in 2000. "Frankly it's a lot better deal to take the TARP ... than it would be to go out and try to raise capital in the marketplace today. The timing on it was really good for me."

White, whose bank is the 19th largest in Texas by total assets, said PlainsCapital could leverage its TARP funds to increase loan volume between $100 million and $120 million in the next six months.

But to do more than that, the bank needs to bring in new funds, including more deposits. And the bank's loans won't balloon overnight, he said.

"Is it harder to find deals? Yes, it is," he said. "Are you more cautious? Yes, you are."

Treasury officials say bank lending hasn't returned to normal levels because confidence remains low.

"As long as confidence remains low, banks will remain cautious about extending credit, and consumers and businesses will remain cautious about taking on new loans," the Treasury said in a report released Wednesday.

Banking industry officials say lawmakers and other critics don't appreciate that banks can't just shove TARP capital out the front door. They first need to build up deposits, which are the primary source of loans.

"I don't think Treasury, when they announced the program, did a very good job of explaining it," said Wayne A. Abernathy, executive director of financial institutions policy for the American Bankers Association. "It is the kind of thing they need to explain again and again."

The lack of oversight and follow-through is also being criticized.

"I do not think it is unreasonable to add liquidity to the money supply in this fashion," said Rep. Jeb Hensarling, R-Dallas, and a member of the congressional panel that oversees TARP. "What I do think is unacceptable is having no way, shape or form to know how these funds are being used and to have no tangible measurement of success."

Weaker banks

Clarke said Treasury made another mistake when it restricted its bank assistance to healthy institutions such as PlainsCapital. Some weaker banks could have returned to viability with help, and many are community banks that lend to small businesses, he said.

"It does not seem to make any sense to deny TARP money if they can otherwise bounce back and be effective in their communities," Clarke said.

Democratic lawmakers see another problem – TARP capital isn't being used to stem foreclosures. Top Democrats want to attach that condition to the next round of TARP funding.

Bankers say such stipulations could sap their willingness to participate in the program.

"I am not for handouts," White said. "If that is what I had to do, I'd give it back."

Link: http://www.dallasnews.com/sharedcontent/dws/bus/stories/DN-PlainsCapital_04bus.ART0.State.Edition1.4a6342b.html

From: PlainsCapital Corporate Marketing
Sent: Tuesday, January 06, 2009 8:43 AM
To: PCC - All Users
Subject: PlainsCapital Featured in Dallas Morning News

PlainsCapital Featured in *Dallas Morning News*

The following article about PlainsCapital's participation in the Capital Purchase Program appeared on the front page of the Business section in Sunday's edition of *The Dallas Morning News*. While the article refers to the funds as "bailout" money, it does point out in the section entitled "Weaker Banks" that the Capital Purchase Program was, in fact, created for healthy banks. The article fails to discuss the terms for receiving the TARP funds: banks must repay the funds with interest. The TARP funds are not a gift but a loan of additional capital in exchange for preferred stock that is meant to stimulate lending.

Will bailout funds go for acquisitions?

Sunday, January 4, 2009
By Dave Michaels
The Dallas Morning News

WASHINGTON - Thanks to the government, PlainsCapital is getting bigger.

The Dallas-based bank received $87.6 million last month from the U.S. Treasury Department's $700 billion rescue program, known as TARP. The bank says it intends to put the money to good use - increasing loans for businesses, students and even jumbo mortgages. But it doesn't rule out using funds for acquisitions.

"As we see this economy shake out, there are going to be some that make it and some that don't make it," said Alan B. White, PlainsCapital's chairman and chief executive. "And there are going to be good opportunities that people are going to be able to take advantage of. I hope I'm one of those."

Congress and taxpayer

SUNDAY STARTUP

Suite dreams

The Cinderella Castle Royal Suite at Walt Disney World will see limited use now that the two-year Mellon Dreams promotion has vanished 2D

The Dallas Morning News

Sunday, January 4, 2009

GOVERNMENT RESCUE

Will bailout funds go for acquisitions?

Instead of making loans, some banks are looking to grow

By DAVE MICHAELS

WASHINGTON - Thanks to the government, PlainsCapital is getting bigger.

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Congress and taxpayer groups have objected to using bailout funds for acquisitions and grown impatient with the lack of new lending. But the government didn't dictate how banks can use TARP funds. And it has no system for monitoring the funds after they are handed over.

While the government can take credit for fulfilling the first part of its mission – stabilizing the financial system – it has failed to stimulate lending. Credit remains tight as banks – even those that received TARP capital – have been wary to take on risk as the economy worsens. And they are free to use the funds for less risky investments.

"Some of the banks that have received the money don't need it but decided they would go ahead and take it since it was available," said Robert L. Clarke, a senior partner at Bracewell & Giuliani in Houston who was comptroller of the currency under presidents Ronald Reagan and George

See BANK Page 6D

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Some banks say they're holding back on new loans because bank regulators have taken a stricter view of what constitutes a risky loan, Clarke added. In lieu of making loans, the capital can be put to work through acquisitions.

"It's probably easier to evaluate an acquisition if you have excess capital that you don't anticipate needing," Clarke said.

White agreed that "the quickest way to leverage" the TARP capital would be to make an acquisition. But, he said, buying someone else's bank also means taking their bad loans.

"I could go and look a little bit, but that isn't my priority," he said. "The big banks are skittish, and they are not even loaning to their own customers. That is where we are finding opportunities to pick up loans and grow our business."

Change of plans

Still, the TARP capital couldn't have come at a better time for PlainsCapital.

Over the summer, White decided to raise about $50 million after committing to buy First Southwest, a boutique investment bank and leader in public finance. Yet even for a top-tier bank like PlainsCapital, the following months were a tough time to raise money - until the Treasury offered funds through TARP.

"That process ended real quick when the TARP money came along," said White, who moved PlainsCapital's headquarters to Dallas from Lubbock in 2000. "Frankly it's a lot better deal to take the TARP ... than it would be to go out and try to raise capital in the marketplace today. The timing on it was really good for me."

White, whose bank is the 19th largest in Texas by total assets, said PlainsCapital could leverage its TARP funds to increase loan volume between $100 million and $120 million in the next six months.

But to do more than that, the bank needs to bring in new funds, including more deposits. And the bank's loans won't balloon overnight, he said.

"Is it harder to find deals? Yes, it is," he said. "Are you more cautious? Yes, you are."

Treasury officials say bank lending hasn't returned to normal levels because confidence remains low.

"As long as confidence remains low, banks will remain cautious about extending credit, and consumers and businesses will remain cautious about taking on new loans," the Treasury said in a report released Wednesday.

Banking industry officials say lawmakers and other critics don't appreciate that banks can't just shove TARP capital out the front door. They first need to build up deposits, which are the primary source of loans.

"I don't think Treasury, when they announced the program, did a very good job of explaining it," said Wayne A. Abernathy, executive director of financial institutions policy for the American Bankers Association. "It is the kind of thing they need to explain again and again."

The lack of oversight and follow-through is also being criticized.

"I do not think it is unreasonable to add liquidity to the money supply in this fashion," said Rep. Jeb Hensarling, R-Dallas, and a member of the congressional panel that oversees TARP. "What I do think is unacceptable is having no way, shape or form to know how these funds are being used and to have no tangible measurement of success."

Weaker banks

Clarke said Treasury made another mistake when it restricted its bank assistance to healthy institutions such as PlainsCapital. Some weaker banks could have returned to viability with help, and many are community banks that lend to small businesses, he said.

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AMERICAN BANKER®
THE FINANCIAL SERVICES DAILY

Monday, January 5, 2009

The 'B' Word: Tackling Tarp's Image Problem

■ BY MARISSA FAJT

Rusty Cloutier has heard the word "bailout" more often than he can stand.

In the months since the Treasury Department began distributing funds through its Troubled Asset Relief Program, Mr. Cloutier says his frustration has mounted every time the program has been described, loosely or otherwise, as a gift of free money that banks are choosing to hoard.

So Mr. Cloutier, the president and chief executive officer at MidSouth Bancorp Inc. in Lafayette, La., is hitting the road this month with other company executives to play host to a series of town hall meetings in Louisiana and Texas. The plan is to deliver the following message to current and prospective customers: "We have $200 million to lend in the next six months."

Mr. Cloutier's town hall meetings are part of a wider public relations offensive by the banking industry aimed at addressing public perception about the Treasury program, which has come under fire for failing to quickly stimulate the economy.

Last week, the American Bankers Association issued a fact sheet to members with talking points noting, among other things, that the money is being awarded largely to healthy banks and that it must be repaid, with interest, at a potential aggregate profit to the government of $45 billion.

Alan B. White, Chairman & CEO, PlainsCapital Corporation

Another one responded to criticism that banks are not lending the money quickly enough. "Regulators are asking for tighter lending standards, and no one will benefit from the making of bad loans," the ABA said.

Out in the field, bankers are spending more time than usual with customers — and reporters — talking about the concept of leverage and explaining why it could take months or even years for banks to fully deploy Tarp funds.

George W. Hamlin 4th, the president and CEO at Canandaigua National Bank and Trust in New York, has written a guest column for a local newspaper and appeared on local radio to try to correct coverage of what he says "is a gross misrepresentation" of the Treasury's investment in banking companies. His bank, with $1.5 billion of assets, has applied for $20 million from the Treasury.

"It seems like the media reporting this are generally 90% inaccurate and 10% accurate," he said. "They pander to the public by misrepresenting it as a gift. This is preferred stock with strings attached."

Alan B. White, the chairman and CEO at the $4 billion-asset PlainsCapital Corp. in Dallas, has been talking to the press often since the company got $87.6 million in Tarp funds in mid-December, in an attempt to clarify the "confusion" about which banks are eligible for Tarp money and how the funds are being used.

One perception banks are fighting is that they accepted the Treasury money because they are weak. Mr. White said that banks themselves have reinforced the stigma by running advertisements announcing that they declined to participate in the "bailout."

"I am, like, 'Wait a minute; it wasn't bailout money for me either,' " said Mr. White, pointing to PlainsCapital's strong capital ratios. "I call it opportunity capital."

Mr. White said his Tarp money would be used to both beef up existing business lines and move into categories of lending

— including jumbo mortgages, student loans, and credits to municipalities — where it sees opportunities.

The $87.6 million it got will generate about $1.2 billion in new credit, he said, but in interviews with reporters, he has stressed that the money would be deployed during about two years, not overnight.

The $1 billion-asset MidSouth has gotten approval for $20 million from the Treasury, which it expects to leverage into $200 million of loans.

Loan growth at MidSouth has slowed in recent quarters because customers in the energy sector were flush with cash and did not need to borrow.

But with energy prices, and energy companies' cash reserves, falling, MidSouth's Mr. Cloutier said he expects demand to pick up. In the town hall meetings, he intends to tell customers not to believe what they are reading about banks being reluctant to lend.

"We are trying to get out [word] that business is normal and [that] we have been trying to increase our loans," he said. "We want to send a clear message that banks are lending."

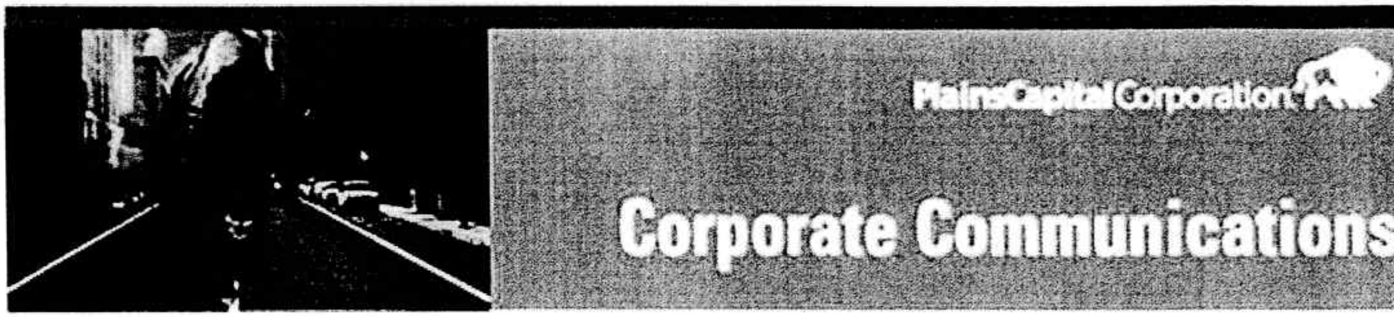
John Hall, a spokesman for the ABA, said it is a good idea that executives at banks that have received Tarp money are meeting with customers to "explain the very specific reasons for taking the money."

"The most concerned people will show up," he said. "It's a chance to address their questions and concerns head on, directly, rather than reading a headline and not be[ing] able to ask questions."

Steven Reider, the president of Bancography, a Birmingham, Ala., consulting firm, said all banks, whether they have received Tarp funds or not, should be communicating directly with their customers now about the bank's health. A town hall meeting is a good way to do that, he said, but cautioned that it might not be right for everyone.

"If you put yourself out there and say, 'I want to have an open conversation with customers,' then you have to be prepared, and you can't appear to duck any questions — even if they are [far] afield [from] what you set out to discuss," he said. "The worst thing that can happen is, if you set forth in this environment and someone asks you a question, [that] you appear uncertain, evasive, or defensive." ■

From: PlainsCapital Corporate Marketing
Sent: Tuesday, January 06, 2009 9:02 AM
To: PCC - All Users
Subject: Alan B. White Quoted in American Banker



Alan B. White Quoted in American Banker

PlainsCapital Corporation Chairman and CEO Alan B. White is interviewed in the following article by *American Banker*. This article is the lead story on the front page and discusses why TARP funds are not "bailout" money as erroneously reported by the mainstream media. What's important in this article is the reminder that this capital is being made available in exchange for preferred stock and that the banks who are participating in the program will pay back the loan with interest – another important fact that is not being emphasized in the mainstream media.

The 'B' Word: Tackling Tarp's Image Problem

American Banker
Monday, January 5, 2009
By Marissa Fajt


MONDAY JANUARY 5, 2009
AMERICAN BANKER
THE FINANCIAL SERVICES DAILY
The 'B' Word: Tackling Tarp's Image Problem
Infusions May Spur M&A in A Calif. Niche
The Age of Dominance Reaches Its End for GSEs
REVIEW | PREVIEW 2008 | 2009
Online Card Marketing Loses Favor
Pullback

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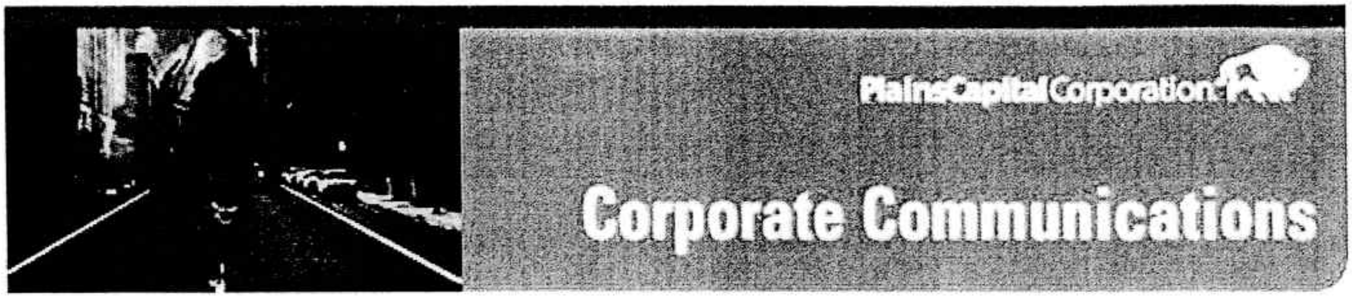
From: PlainsCapital Corporate Marketing
Sent: Wednesday, January 14, 2009 12:54 PM
To: PCC - All Users
Subject: PlainsCapital Highlighted in Avalanche-Journal



PlainsCapital Highlighted in *Avalanche-Journal*

Alan White describes TARP funds as opportunity for growth

In an article that appeared on the front page of the business section in the Sunday, January 11 issue of the *Lubbock Avalanche-Journal*, columnist Chris Van Wagenen discusses his interview with PlainsCapital Corporation Chairman and CEO Alan B. White and PlainsCapital's opportunity to grow and lend money using the TARP funds obtained through the Treasury Department's Capital Purchase Program. The full text of the article is included below.

PlainsCapital decision to use TARP money only about growth

By Chris Van Wagenen
Lubbock Avalanche-Journal
Sunday, January 11, 2009

When I read PlainsCapital Bank accepted $87.6 million from the federal government under the Troubled Assets Relief Program I was livid.


Sunday
January 11, 2009
BUSINESS
PlainsCapital decision to use TARP money only about growth
CHRIS VAN WAGENEN
VAN WAGENEN: *Federal loan to local bank gives it a chance to grow, thrive*

For as much as I rant and rave about what I personally consider a bailout, what on earth is Plains doing accepting any money? Are they a "troubled asset?"

Chairman Alan B. White, who formed this one-time Lubbock-based bank in the late 1980s, says no.
"We didn't go looking for it," he said.

According to White, Plains was asked to apply for the funds, which it did.

So why take taxpayer money? Good question.

White thinks Plains can do what was intended for the money - namely lending it out.

In the process, PlainsCapital also has an ulterior motive - to grow the company and make inroads into large borrowers in other markets that never used to give the West Texas-formed bank the time of day.

Plains sees it as an opportunity. Some may see otherwise.

White, in a conference call with *The Avalanche-Journal*, made it clear that PlainsCapital is not interested (as has been the case with other TARP-loaned institutions) in acquiring more bad assets, i.e. other banks, with the money.

Instead, the company would prefer to make loans involving jumbo mortgages, i.e. the people who can afford those really big homes where credit has been locked out, along with student loans, auto loans, Small Business Administration loans, and credible development loans that make the country go.

That's his mindset and I tend to think that's the direction he's headed.

But more importantly, PlainsCapital's ambition is to become a bigger fish in those bigger ponds called the Metroplex, Austin and San Antonio where earnings numbers and smart lending can make this one-time small Lubbock player into a big one.

It's the capitalist system we live in whether you like it or not. What business man or woman wouldn't take advantage of an opportunity?

Plains, according to White, plans to leverage that money, pay the government back and make a nice profit on the side.

They have the incentive to do it. Having taken the money, the government now has a stake in the company, now a preferred stock shareholder in a privately held mid-size institution.

Plains recently completed the acquisition of First Southwest Corp., a diverse financial entity engaged in finding financing for municipal and other related projects which some believe was financed with this money.

It was not. The deal just happened to coincide with the TARP announcement.

That said, White believes Southwest, a fee-income business, can assist it in making municipal type loans, such as equipment leasing to cities looking for new credit streams.

White said when he was approached by the Fed to make an application and, as a private company, "they knew we were a good bank, but when you take that money you have to do something with it."

Plains will pay a price to grow.

In addition to the government as a preferred shareholder, the institution will be paying the loan back at 6.25 percent interest.

White figures Plains will not only pay it back, but will earn on the back end of smart lending practices that has allowed the institution to grow and thrive in some of the new markets this now Dallas-based company operates in.

"But you have to find the deals out there where you can get that money back. The large banks have closed down (credit). We see this as an opportunity for us ... to create relationships because that's how we've grown. It's our niche and it works."

"You don't take this money unless you have opportunities. Fortunately, we operate in those areas," he said.

White acknowledged that the bank has been criticized locally, but adds either they have their own problems, didn't qualify or just don't understand the purpose of the TARP program which is to free up capital.

"We didn't need this money. If an acquisition comes, we'll look at, but that's not our main goal. We're not eager to buy (into) someone else's problems ... Projects create jobs and more opportunities. We're trying to put money back to work," he said.

White said the $88 million accepted gives Plains the opportunity to enter the big leagues. "We want to be a bigger player in Texas and use that money in the markets we're in," he said.

White said as a Tier III considered bank, the money lent by the Fed will allow that to happen.

John Owens, chairman of PlainsCapital West Texas in Lubbock, summed it up this way: "Alan is an innovative thinker. If we're not growing, we're dying."

Time will tell.

The New York Times

Bailout Is a Windfall to Banks, if Not to Borrowers

By MIKE McINTIRE
Published: January 17, 2009

At the Palm Beach Ritz-Carlton last November, John C. Hope III, the chairman of Whitney National Bank in New Orleans, stood before a ballroom full of Wall Street analysts and explained how his bank intended to use its $300 million in federal bailout money.

"Make more loans?" Mr. Hope said. "We're not going to change our business model or our credit policies to accommodate the needs of the public sector as they see it to have us make more loans."

As the incoming Obama administration decides how to fix the economy, the troubles of the banking system have become particularly vexing.

Congress approved the $700 billion rescue plan with the idea that banks would help struggling borrowers and increase lending to stimulate the economy, and many lawmakers want to know how the first half of that money has been spent before approving the second half. But many banks that have received bailout money so far are reluctant to lend, worrying that if new loans go bad, they will be in worse shape if the economy deteriorates.

Indeed, as mounting losses at major banks like Citigroup and Bank of America in the last week have underscored, regulators are still searching for ways to stabilize the banking system. The Obama administration could be forced early on to come up with a systemic solution, getting bad loans off balance sheets as a way to encourage banks to begin lending, which most economists say is essential to get businesses and consumers spending again.

Individually, banks that received some of the first $350 billion from the Treasury's Troubled Asset Relief Program, or TARP, have offered few public details about how they plan to spend the money, and they are not required to disclose what they do with it. But in conversations behind closed doors with investment analysts, some bankers have been candid about their intentions.

Most of the banks that received the money are far smaller than behemoths like Citigroup or Bank of America. A review of investor presentations and conference calls by executives of some two dozen banks around the country found that few cited lending as a priority. An overwhelming majority saw the bailout program as a no-strings-attached windfall that could be used to pay down debt, acquire other businesses or invest for the future.

Speaking at the FBR Capital Markets conference in New York in December, Walter M. Pressey, president of Boston Private Wealth Management, a healthy bank with a mostly affluent clientele, said there were no immediate plans to do much with the $154 million it received from the Treasury.

"With that capital in hand, not only do we feel comfortable that we can ride out the recession," he said, "but we also feel that we'll be in a position to take advantage of opportunities that present themselves once this recession is sorted out."

The bankers' comments, while representing only a random sampling of the more than 200 financial institutions that have received TARP money so far, underscore a growing gulf between public expectations for how the $700 billion should be used and the decisions being made by many of the institutions that have taken part. The program does not dictate what banks should do with the money.

The loose requirements in the original plan have contributed to confusion over what the Treasury intended when it abruptly shelved its first proposal — to buy up bad mortgages — in favor of making direct investments in individual banks in return for preferred shares of stock.

The Treasury secretary, Henry M. Paulson Jr., said in October that banks should "deploy, not hoard" the money to build confidence and increase lending. He added: "We expect all participating banks to continue to strengthen their efforts to help struggling homeowners who can afford their homes avoid foreclosure."

But a Congressional oversight panel reported on Jan. 9 that it found no evidence the bailout program had been used to prevent foreclosures, raising questions about whether the Treasury has complied with the law's requirement that it develop a "plan that seeks to maximize assistance for homeowners."

The report concluded that the Treasury's top priority seemed to be to "stabilize financial markets" by simply giving healthy banks more money and letting them decide how best to use it. The report also said it was not clear how giving billions to banks "advances both the goal of financial stability and the well-being of taxpayers, including homeowners threatened by foreclosure, people losing their jobs, and families unable to pay their credit cards."

For the banks, fearful that the economic downturn could deepen and wary of risking additional losses, the question of what to do with the bailout money comes down to self-preservation.

Mark Fitzgibbon, research director at Sandler O'Neill & Partners, which sponsored the Palm Beach conference, said banks seemed to be allocating the bailout money for four general purposes: increased lending, absorbing losses, bolstering capital and "opportunistic acquisitions." He said those approaches made sense from a business perspective, even though they might not conform to popular expectations that the money would be immediately lent to consumers.

"For the banking industry, this isn't a sprint, this is a marathon," Mr. Fitzgibbon said. "I think over time there will be pressure to lend that capital out and get a return for their shareholders. But they're not going to rush out and lend all that money tomorrow. If they did, they could lose it."

For City National Bank in Los Angeles, the Treasury money "really doesn't change our perspective about doing things," said Christopher J. Carey, the bank's chief financial officer, addressing the BancAnalysts Association of

Boston Conference in November. He said that his bank would like to use it for lending and acquisitions but that the decision would depend on the economy.

"Adding $400 million in capital gives us a chance to really have a totally fortressed balance sheet in case things get a lot worse than we think," Mr. Carey said. "And if they don't, we may end up just paying it back a little bit earlier."

In addition to wanting more lending, members of Congress have said TARP should not be used to fuel mergers and acquisitions, although Treasury officials say the financial system would be strengthened if healthy banks absorbed weaker ones. To that extent, bailout money has been useful for improving capital ratios — the amount of money available to absorb losses — for banks that merge.

On Friday, Bank of America said it would receive $20 billion more from the Treasury to help it digest losses it took on by acquiring Merrill Lynch, a process begun in September.

At least seven banks that received TARP money have since bought other companies, including one that had been encouraged to do so by federal regulators. That one, PNC Financial Services, took $7.7 billion from the Treasury and promptly acquired the struggling National City Bank for $5.2 billion in stock and $384 million in cash.

Among the others, PlainsCapital Bank of Dallas announced in November, not long after the bailout program began, that it planned to merge with a healthy investment bank, First Southwest. PlainsCapital received $88 million from the Treasury on Dec. 19, and the all-stock merger was completed two weeks later. PlainsCapital's chairman, Alan B. White, insisted in an interview that the two events were not connected.

He said the bank had not yet decided what to do with its bailout money, which he called "opportunity capital." Increased lending would be a priority, said Mr. White, who did not rule out using it for other acquisitions, adding that when regulators invited PlainsCapital to apply for federal dollars, there were no conditions attached.

"They didn't tell me I had to do anything particular with it," he said.

None of the bankers who appeared before recent investor conferences offered specific details about their intentions, but recurring themes emerged in their presentations. Two of the most often cited priorities were hanging on to the money as insurance against a prolonged recession and using it for mergers.

At the Sandler O'Neill East Coast Financial Services Conference in Florida, bankers mingled with investment analysts at an ocean-front luxury hotel, where the agenda featured evening cocktails by the pool and a golf outing at a nearby country club.

During his presentation, John R. Buran, the chief executive of Flushing Financial in New York, said the government money was a way to up the "ante for acquisitions" of other companies.

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From: PlainsCapital Corporate Marketing
Sent: Tuesday, January 20, 2009 3:14 PM
To: PCC - All Users
Subject: PlainsCapital Mentioned in New York Times Article

PlainsCapital Mentioned in *New York Times* Article

In an article that appeared on the front page of the Sunday, January 18 edition of *The New York Times*, PlainsCapital Bank is mentioned and PlainsCapital Corporation Chairman and CEO Alan B. White is quoted regarding the company's plans for funds obtained through the U.S. Treasury's Capital Purchase Program. The full text of the article is included below, and the portion that discusses PlainsCapital is highlighted in yellow.

Bailout Is a Windfall to Banks, if Not to Borrowers

By Mike McIntire
The New York Times
January 18, 2009

At the Palm Beach Ritz-Carlton last November, John C. Hope III, the chairman of Whitney National Bank in New Orleans, stood before a ballroom full of Wall Street analysts and explained how his bank intended to use its $300 million in federal bailout money.

Skip to next paragraph"Make more loans?" Mr. Hope said. "We're not going to change our business model or our credit policies to accommodate the needs of the public sector as they see it to have us make more loans."

"All the News That's Fit to Print"

The New York Times

National Edition

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ISRAEL DECLARES GAZA CEASE-FIRE; U.N. SITE STRUCK

NO ACCORD WITH HAMAS

Goals Met, Olmert Says — Killings at School Renew Criticism

By STEVEN ERLANGER

POLL FINDS FAITH IN OBAMA, MIXED WITH PATIENCE

PROBLEMS TEMPER HOPE

Most Say They Expect Progress to Require at Least 2 Years

By ADAM NAGOURNEY and MARJORIE CONNELLY

NEW DEPARTURE Barack Obama and Joseph R. Biden Jr. in Edgewood, Md., on Saturday on a train ride from Philadelphia to Washington. Page 19. A New York Times/CBS News poll shows Americans are confident Mr. Obama can mend the economy over time.

Looking back — Looking ahead — Jobs — Economy

Bailout Is a No-Strings Windfall To Bankers, if Not to Borrowers

By MIKE McINTIRE

WASHINGTON MEMO

Obama Faces Different World 2 Years After Campaign Began

By DAVID E. SANGER

A More Deadly Conflict

As the incoming Obama administration decides how to fix the economy, the troubles of the banking system have become particularly vexing.

Congress approved the $700 billion rescue plan with the idea that banks would help struggling borrowers and increase lending to stimulate the economy, and many lawmakers want to know how the first half of that money has been spent before approving the second half. But many banks that have received bailout money so far are reluctant to lend, worrying that if new loans go bad, they will be in worse shape if the economy deteriorates.

Indeed, as mounting losses at major banks like Citigroup and Bank of America in the last week have underscored, regulators are still searching for ways to stabilize the banking system. The Obama administration could be forced early on to come up with a systemic solution, getting bad loans off balance sheets as a way to encourage banks to begin lending, which most economists say is essential to get businesses and consumers spending again.

Individually, banks that received some of the first $350 billion from the Treasury's Troubled Asset Relief Program, or TARP, have offered few public details about how they plan to spend the money, and they are not required to disclose what they do with it. But in conversations behind closed doors with investment analysts, some bankers have been candid about their intentions.

Most of the banks that received the money are far smaller than behemoths like Citigroup or Bank of America. A review of investor presentations and conference calls by executives of some two dozen banks around the country found that few cited lending as a priority. An overwhelming majority saw the bailout program as a no-strings-attached windfall that could be used to pay down debt, acquire other businesses or invest for the future.

Speaking at the FBR Capital Markets conference in New York in December, Walter M. Pressey, president of Boston Private Wealth Management, a healthy bank with a mostly affluent clientele, said there were no immediate plans to do much with the $154 million it received from the Treasury.

"With that capital in hand, not only do we feel comfortable that we can ride out the recession," he said, "but we also feel that we'll be in a position to take advantage of opportunities that present themselves once this recession is sorted out."

The bankers' comments, while representing only a random sampling of the more than 200 financial institutions that have received TARP money so far, underscore a growing gulf between public expectations for how the $700 billion should be used and the decisions being made by many of the institutions that have taken part. The program does not dictate what banks should do with the money.

The loose requirements in the original plan have contributed to confusion over what the Treasury intended when it abruptly shelved its first proposal — to buy up bad mortgages — in favor of making direct investments in individual banks in return for preferred shares of stock.

The Treasury secretary, Henry M. Paulson Jr., said in October that banks should "deploy, not hoard" the money to build confidence and increase lending. He added: "We expect all participating banks to continue to strengthen their efforts to help struggling homeowners who can afford their homes avoid foreclosure."

But a Congressional oversight panel reported on Jan. 9 that it found no evidence the bailout program had been used to prevent foreclosures, raising questions about whether the Treasury has complied with the law's requirement that it develop a "plan that seeks to maximize assistance for homeowners."

The report concluded that the Treasury's top priority seemed to be to "stabilize financial markets" by simply giving healthy banks more money and letting them decide how best to use it. The report also said it was not clear how giving billions to banks "advances both the goal of financial stability and the well-being of taxpayers, including homeowners threatened by foreclosure, people losing their jobs, and families unable to pay their credit cards."

For the banks, fearful that the economic downturn could deepen and wary of risking additional losses, the question of what to do with the bailout money comes down to self-preservation.

Mark Fitzgibbon, research director at Sandler O'Neill & Partners, which sponsored the Palm Beach conference, said banks seemed to be allocating the bailout money for four general purposes: increased lending, absorbing losses, bolstering capital and "opportunistic acquisitions." He said those approaches made sense from a business perspective, even though they might not conform to popular expectations that the money would be immediately lent to consumers.

"For the banking industry, this isn't a sprint, this is a marathon," Mr. Fitzgibbon said. "I think over time there will be pressure to lend that capital out and get a return for their shareholders. But they're not going to rush out and lend all that money tomorrow. If they did, they could lose it."

For City National Bank in Los Angeles, the Treasury money "really doesn't change our perspective about doing things," said Christopher J. Carey, the bank's chief financial officer, addressing the BancAnalysts Association of Boston Conference in November. He said that his bank would like to use it for lending and acquisitions but that the decision would depend on the economy.

"Adding $400 million in capital gives us a chance to really have a totally fortressed balance sheet in case things get a lot worse than we think," Mr. Carey said. "And if they don't, we may end up just paying it back a little bit earlier."

In addition to wanting more lending, members of Congress have said TARP should not be used to fuel mergers and acquisitions, although Treasury officials say the financial system would be strengthened if healthy banks absorbed weaker ones. To that extent, bailout money has been useful for improving capital ratios — the amount of money available to absorb losses — for banks that merge.

On Friday, Bank of America said it would receive $20 billion more from the Treasury to help it digest losses it took on by acquiring Merrill Lynch, a process begun in September.

At least seven banks that received TARP money have since bought other companies, including one that had been encouraged to do so by federal regulators. That one, PNC Financial Services, took $7.7 billion from the Treasury and promptly acquired the struggling National City Bank for $5.2 billion in stock and $384 million in cash.

Among the others, PlainsCapital Bank of Dallas announced in November, not long after the bailout program began, that it planned to merge with a healthy investment bank, First Southwest. PlainsCapital received $88 million from the Treasury on Dec. 19, and the all-stock merger was completed two weeks later. PlainsCapital's chairman, Alan B. White, insisted in an interview that the two events were not connected.

He said the bank had not yet decided what to do with its bailout money, which he called "opportunity capital." Increased lending would be a priority, said Mr. White, who did not rule out using it for other acquisitions, adding that when regulators invited PlainsCapital to apply for federal dollars, there were no conditions attached.

"They didn't tell me I had to do anything particular with it," he said.

None of the bankers who appeared before recent investor conferences offered specific details about their intentions, but recurring themes emerged in their presentations. Two of the most often cited priorities were hanging on to the money as insurance against a prolonged recession and using it for mergers.

At the Sandler O'Neill East Coast Financial Services Conference in Florida, bankers mingled with investment analysts at an ocean-front luxury hotel, where the agenda featured evening cocktails by the pool and a golf outing at a nearby country club.

During his presentation, John R. Buran, the chief executive of Flushing Financial in New York, said the government money was a way to up the "ante for acquisitions" of other companies.

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PlainsCapital Corporation

Exhibit E

Contact: Beth Ann Black
972-745-7638, bethann@bablackpr.com

PlainsCapital Corporation

PlainsCapital Corporation receives proceeds from $87.6 million investment by U.S. Treasury

DALLAS (December 31, 2008)—PlainsCapital Corporation announced today that it has completed the sale and issuance of $87.6 million in preferred stock to the United States Department of the Treasury as part of its Capital Purchase Program. PlainsCapital, who exceeded regulatory requirements for being well-capitalized before its participation in the Capital Purchase Program, will use this capital for general corporate purposes, to expand its lending efforts and to position PlainsCapital for future growth opportunities.

On Dec. 23, the U.S. Treasury Department announced a $2.8 billion investment in 49 banks including PlainsCapital Corporation, the holding company for PlainsCapital Bank. The capital purchase program was launched by Treasury on Oct. 14 in response to the financial crisis. According to Secretary Henry M. Paulson, Jr., the capital purchase program is designed to: attract broad participation by healthy institutions; stabilize the financial system; and increase lending for the benefit of the U.S. economy and the American people. More information about the program can be found at www.treasury.gov.

"We were asked to participate in this program and it is a great opportunity for PlainsCapital," PlainsCapital Corporation Chairman and CEO Alan B. White said. "This program is only available to the strongest financial institutions who are in the absolute best position to loan money to businesses and consumers."

PlainsCapital's participation in the Capital Purchase Program further strengthens the company's already strong capital position. PlainsCapital is very well capitalized and, in every category, exceeds regulatory requirements for "well-capitalized" banks.

	At 11/30/2008	Pro-forma 11/30/2008
Leverage Capital Ratio	9.4%	12%
Tier 1 Risk-Based Capital Ratio	11%	14%
Total Risk-Based Capital Ratio	11.5%	14.5%

"We've been very fortunate but it's also our responsibility as a strong and stable financial institution to contribute to the financial strength of the people, businesses and communities we serve," White said. White said the additional capital will also aid the bank in growing its relationship-based banking concept.

About PlainsCapital Corporation

PlainsCapital Corporation is the 21st largest privately held financial services company in the U.S. with 137 locations in 23 states and 2,170 employees. PlainsCapital Corporation is parent company to PlainsCapital Bank with $4 billion in assets; First Southwest, the third-ranked public finance advisory firm and investment bank in the U.S., national mortgage company PrimeLending; and Hester Capital Management, an Austin-based asset management firm. Find more information at plainscapital.com.

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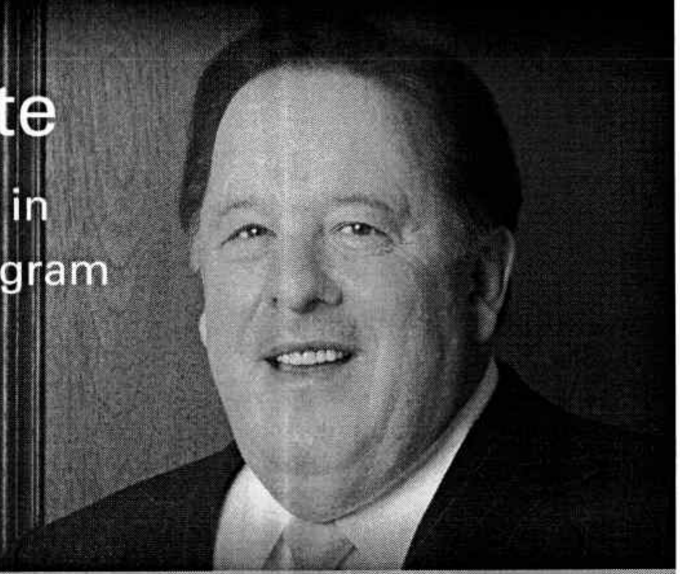
PlainsCapital Corporation

Exhibit F

Q & A with Alan B. White

Why PlainsCapital agreed to participate in the U.S. Treasury's Capital Purchase Program



Alan B. White, Chairman & CEO, PlainsCapital Corporation

In December 2008, PlainsCapital Corporation received $87.6 million from the issuance of preferred stock to the U.S. Department of the Treasury as part of its voluntary Capital Purchase Program (CPP). The purpose of the Capital Purchase Program is to inject capital into financially *healthy* banks that are well positioned to make loans to creditworthy individuals and businesses. PlainsCapital Corporation Chairman and CEO Alan B. White responds to some of the top questions he's received about PlainsCapital's participation in the CPP.

How strong and stable is PlainsCapital Bank?

ABW: Our financial position is exceptionally strong. Prior to our participation in the CPP, we were considered to be well capitalized by regulatory standards and since receiving the funds, our capital ratios have increased substantially (Figure 1). As of 12/31/08, PlainsCapital has $495 million in capital to support our lending efforts. And our total assets grew in December 2008 as a result of the increase in our loan volume and growth in our investment securities (Figure 2). We can continue to grow our total assets significantly and still remain well capitalized.

Capital Ratios

	At 11/30/2008	At 12/31/2008
Leverage Capital Ratio	9.40%	11.85%
Tier 1 Risk-Based Capital Ratio	11.00%	13.87%
Total Risk-Based Capital Ratio	11.50%	14.79%

Figure 1

Total Assets

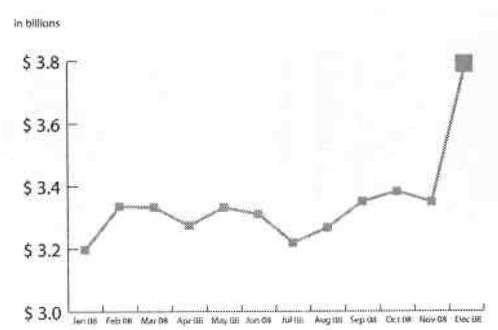


Figure 2

Why did PlainsCapital decide to accept capital from the U.S. Treasury?

ABW: We felt we could put the capital to good use in the communities in Texas where we do business. Lending to individuals and businesses is what we do best, so we are well positioned to deploy the capital into our local communities in a timely manner. There is no quick fix to the economic downturn, but the sooner PlainsCapital and other CPP participant banks deploy this capital, the sooner our country will begin seeing some economic relief.

Was the capital from the U.S. Treasury free?

ABW: The capital from the U.S. Department of the Treasury was not "free". The capital is an investment in PlainsCapital for which we issued preferred stock. So long as the U.S. Treasury maintains its investment in PlainsCapital, we will pay them quarterly dividends on this capital.

What exactly does PlainsCapital intend to do with the capital from the CPP?

ABW: The goal of the CPP is to deploy the capital from the U.S. Treasury into the marketplace, primarily through loans. PlainsCapital Bank will make consumer loans, student loans, mortgage loans, SBA loans, owner occupied real estate loans, and provide loans and capital equipment leases to municipalities.

Has PlainsCapital already begun deploying the capital from the CPP?

ABW: Yes. We put the Capital Purchase Program funds to work immediately after receiving them. In fact, we experienced a significant increase in our total loans in December 2008. Because many banks slowed or reduced their lending in the third quarter of last year, we gained many new loan customers throughout the quarter. And with the additional capital from the CPP, our loans in the month of December increased even more (Figure 3). The Capital Purchase Program allows us to help many more customers than we could have without it. In addition, we're helping the economy and our local communities by purchasing municipal bonds as investment securities (Figure 4).

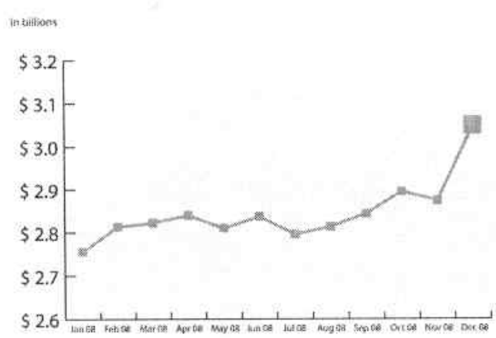


Figure 3

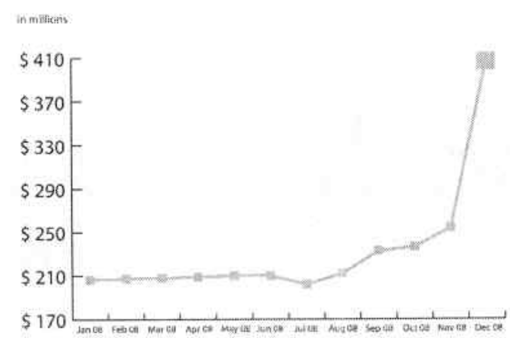


Figure 4

Is the CPP different from TARP?

ABW: The CPP was designed for *healthy* banks only and is just one of several components of TARP. Within a few weeks after the creation of the Troubled Assets Relief Program (TARP), government officials realized that shoring up only troubled banks through TARP would be complicated and time-consuming. The country needed relief right away. So, the CPP was created as an opportunity to inject capital into healthy banks that were well positioned to deploy the capital to the public. At PlainsCapital, we've built our success on our expert lending capabilities and our commitment to the communities where we do business. We were a natural fit for the CPP.

Strength, Stability and Opportunity

As we begin 2009, I want to take a moment to tell you about PlainsCapital and where we are going as a company this year.

Alan B. White
Chairman & CEO
PlainsCapital Corporation

We are focused on Strength, Stability and Opportunity.
Our strength comes from our strong leadership team and the commitment from our employees to give our customers their absolute best. We are dedicated to working hard to develop and nurture our relationship with you.

Our stability comes from our strong capital, strong liquidity and strong earnings. As of December 31, 2008, our total risk-based capital ratio was 14.5%, well above the 10% required by the regulators to be well capitalized. Our liquidity remains very strong and our 2008 earnings were solid.

Strength plus Stability creates Opportunity.
PlainsCapital Corporation has been blessed with the opportunity to acquire First Southwest, one of the top-ranked boutique public finance advisory firms and investment banks in the U.S. The transaction closed on December 31, 2008. Together, PlainsCapital and First Southwest create a company with more capital, more liquidity and more earnings. This gives us unlimited opportunities in the marketplace.

Our strength and stability positioned us for another opportunity in 2008. Because of our excellent rating, the Federal Reserve encouraged us to participate in the U.S. Treasury's Capital Purchase Program. On December 19, 2008, we received $87.6 million from the U.S. Treasury from the sale of preferred stock. Only healthy banks who are in a position to lend money to consumers and businesses can participate in this program. I call this money "opportunity capital" because it will give us the opportunity to get money back into our local economies while simultaneously growing our business.

Our story is a positive one of strength and stability and good things to come in 2009. We appreciate your business and we look forward to working with you.

Best regards,

Alan B White

Alan B. White
Chairman & CEO
PlainsCapital Corporation

PlainsCapital Bank

PlainsCapital Corporation

Exhibit G

(b) (4)

[redacted]

PlainsCapital Corporation

Exhibit H

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PlainsCapital Corporation

Exhibit I

PROPOSED RESOLUTIONS OF
THE COMPENSATION COMMITTEE OF
PLAINS CAPITAL CORPORATION

March 18, 2009

Compliance with Troubled Assets Relief Program Guidance

WHEREAS, Plains Capital Corporation (the "***Company***") is a participant in the Capital Purchase Program (the "***CPP***") established under the Troubled Assets Relief Program; and

WHEREAS, the U.S. Department of Treasury (the "***Treasury***") has issued interim final rules and notices (collectively referred to herein as the "***Treasury Guidance***") concerning the executive compensation requirements of the Emergency Economic Stabilization Act of 2008 ("***EESA***"); and

WHEREAS, Title VII of the American Recovery and Reinvestment Act ("***ARRA***") imposes further requirements on executive compensation in addition to those promulgated under EESA; and

WHEREAS, under the Treasury Guidance and ARRA, the Compensation Committee of the Company (the "***Committee***") must review senior executive officer incentive compensation arrangements to ensure that such arrangements do not encourage senior executive officers to take unnecessary and excessive risks that threaten the value of the Company; and

WHEREAS, under the ARRA, the Company must prohibit, subject to regulations to be promulgated by Treasury, any compensation plan that would encourage manipulation of the reported earnings of the Company to enhance the compensation of any of its employees; and

WHEREAS, under the Treasury Guidance and AARA, the Company must require that bonus or incentive compensation paid to any senior executive officer or, subject to regulations to be promulgated by Treasury, any of the next 20 most highly-compensated employees of the Company during the period that the Treasury holds an equity or debt position acquired under the CPP is subject to recovery or "clawback" by the Company if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria; and

WHEREAS, under the AARA, the Company will be, subject to regulations to be promulgated by Treasury, prohibited from: (i) paying discretionary bonuses to its five most highly-compensated employees of the Company unless permitted under Section 111(b)(3)(D) of EESA and (ii) making any "golden parachute payments" (as such phrase is defined in Section 111(a) of EESA as amended by the ARRA, a "***Golden Parachute Payment***") to its senior executive officers or any of the next five most highly-compensated employees of the Company during the period that the Secretary of the Treasury holds an equity or debt position in the Company.

NOW, THEREFORE, BE IT RESOLVED, that the Committee certifies that it has reviewed with its senior risk officers, the Risk Management Committee, at today's meeting: (i) the senior executive officer incentive compensation arrangements and has made reasonable efforts to ensure that such arrangements do not encourage senior executive officers to take unnecessary and excessive risks that threaten the value of the Company, (ii) the compensation plans of the Company to ensure that such compensation plans do not encourage manipulation of the reported earnings of the Company to enhance the compensation of any of its employees and (iii) the risk management policies and practices of the Company to discuss and review the relationship, if any, between the Company's risk management policies and practices and the incentive compensation arrangements of the senior executive officers of the Company; and

FURTHER RESOLVED, that this Compensation Committee will certify in the *Compensation Committee Report* to be included in certain of its filings with the Securities and Exchange Commission that it has completed the reviews described in clause (iii) of the immediately preceding resolution and meet at least semiannually to discuss and evaluate employee compensation plans in light of an assessment of any risk posed to the Company from such plans; and

FURTHER RESOLVED, that the Company maintain for at least six years following each such certification, records sufficient to substantiate the certification; and

FURTHER RESOLVED, that the Company does hereby expressly discourage all of its employees, including the senior executive officers, from taking any unnecessary and excessive risks that threaten the value of the Company; and

FURTHER RESOLVED, that no discretionary bonus shall be paid to the five most highly-compensated employees of the Company unless permitted under Section 111(b)(3)(D) of EESA; and

FURTHER RESOLVED, that the Company will require that bonus or incentive compensation paid to any senior executive officer (subject to the immediately preceding resolution) or any of the next 20 most highly-compensated employees of the Company during the period that the Treasury holds an equity or debt position acquired under the CPP is subject to recovery or "clawback" by the Company (as a pre-condition of the awarding of any such bonus or incentive compensation) if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria; and

FURTHER RESOLVED, that the Company will not make any Golden Parachute Payments to its senior executive officers or any of the next five most highly-compensated employees of the Company during the period that the Secretary of the Treasury holds an equity or debt position in the Company; and

FURTHER RESOLVED, that the Company will comply with any applicable Treasury or Securities and Exchange Commission regulations or other guidance issued under EESA or Title VII of ARRA, to the extent they apply to the Company's participation in the CPP.

General

FURTHER RESOLVED, that the undersigned be and are hereby authorized and directed to take any and all actions and to execute any and all documents necessary to effect the intent of these resolutions.