

# momentum

2ND QUARTER 2019



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Meet the Team  
Protecting Your Money





# HILLTOP'S EMPLOYEES DRIVE OUR SUCCESS

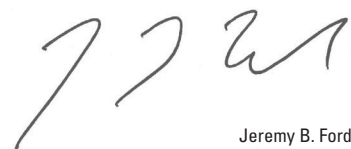
In late April, I kicked off Hilltop Holdings' Momentum World Tour, joining other leaders from Hilltop and our operating companies to visit many of our offices across the country.

Over the following weeks, I had the opportunity to meet hundreds of associates from HilltopSecurities and PrimeLending during stops in dozens of cities in 19 states. It has been a whirlwind tour, but very informative and fun. And it's not over. We'll next visit our teams in all of the Texas markets, which will include PlainsCapital Bank, National Lloyds and holding company locations, in addition to those of HilltopSecurities and PrimeLending.

Every market I have visited has presented unique insights and opportunities. The business climate varies from place to place, with different strengths and challenges in each area, but there is one thing that stands out consistently everywhere we go. Our employees are engaged, knowledgeable and eager to make a difference in the communities we serve. While this comes as no surprise—I know what incredible people we have in our company—it has been especially rewarding to meet and hear from so many of them in person. We have held

Q&A sessions at every stop along the way and have received valuable feedback, ideas and suggestions. That desire to always improve and break new ground is what will drive our success.

In this edition of *Momentum* you'll read about some of the many Hilltop associates who are serving our customers across the country every day. Whether it's rolling out new products to make doing business easier, protecting our customers' interests, or volunteering their time to support those in need, Hilltop's employees are committed to having a positive impact. We have built our family of companies on the strength of our customer relationships. We're passionate about service, and we're motivated to make our clients' lives better through the work we do.



Jeremy B. Ford  
CEO and President

# HILLTOP HOLDINGS MOMENTUM WORLD

WITH  
JEREMY FORD  
TODD SALMANS  
BRAD WINGES  
STEVE THOMPSON  
DARREN PARMENTER  
JOHN MUSCHALEK  
COREY PRESTIDGE  
MIKE EDGE  
DUDLEY STRAWN  
KAREN BLAKESLEE  
AL VELASCO  
JENNIFER STERNS  
ERIK YOHE  
WALTER CLARKE  
BRAD ARENDT  
BRET HEAD  
MIKE WATKINSON  
MATT WEAVER  
BEN BROOKS  
MATT DUNN



## TOUR

BEVERLY HILLS, CA   NEWPORT BEACH, CA   SAN DIEGO, CA   PHOENIX, AZ  
CINCINNATI, OH   DAYTON, OH   CHICAGO, IL   KANSAS CITY, KS  
OKLAHOMA CITY, OK   BALTIMORE, MD   ROCHESTER, NY  
SARATOGA SPRINGS, NY   NEWBURGH, NY   NEW YORK, NY   SHELTON, CT  
BOSTON, MA   DESTIN, FL   ORLANDO, FL   PALM BEACH, FL   RALEIGH, NC  
CHARLOTTE, NC   GREENVILLE, SC   ATLANTA, GA   DENVER, CO   BOISE, ID  
SEATTLE, WA   PORTLAND, OR   BEND, OR   MONTEREY, CA   SAN FRANCISCO, CA  
SACRAMENTO, CA   RENO, NV   DALLAS, TX   FORT WORTH, TX   IRVING, TX  
AUSTIN, TX   SAN ANTONIO, TX   HOUSTON, TX   MCALLEN, TX  
BROWNSVILLE, TX   CORPUS CHRISTI, TX   LUBBOCK, TX

Step right up and sit right down ... the Momentum World Tour is coming to a city near you! Hilltop President & Chief Executive Officer Jeremy Ford and several other members of the leadership team will be stopping by to hear what's going on in your neck of the woods and answer questions you may have about our family of companies and our plans moving forward. Be there or be square – you won't want to miss a moment of this experience!





Q&A

# JERRY SCHAFFNER

PRESIDENT & CEO  
PLAINSCAPITAL BANK

**Q: Could you tell us more about your background and your family?**

A: I was born and raised in Lubbock, Texas and I am a proud Texas Tech Red Raider! My wife, Susan and I have three daughters, two sons-in-law and six grandchildren. We have been married for 32 years.

**Q: What drew you to the financial industry?**

A: My father was a farmer/entrepreneur and introduced me to his banker and the importance of having a sound banking relationship. My father's banker eventually became my banker.

**Q: What was your first job in the industry and if you had to name one key take-away from that experience, what would it be?**

A: I entered the training program with Texas Commerce Bank working as an analyst and rotating through various departments in the bank. I was very fortunate to learn the importance of having a strong mentor.

**Q: What mottos or core beliefs have been critical to your professional success?**

A: Take care of the employee, the customer, and the community. If you do all three well and keep them in balance, the shareholder will be taken care of. I also like "the best is yet to come", which is a focus on the future.

**Q: What advice would you give to someone just starting their career in the industry?**

A: Always be patient enough to ensure that you have the basic skills and foundation to achieve the fundamentals that are required for the specific job/role.

**Q: How would you describe your leadership style and why has it worked for you over your career?**

A: Servant leadership. The main goal of a leader should be to serve and enrich the lives of the individuals that you work with.

**Q: How did you evolve into your role at PlainsCapital Bank?**

A: I started at the bank in 1988 as a revenue producer focused on Commercial and Industrial Lending. We were a small community bank and as the bank grew, my role continued to evolve to meet the needs of the organization.

**Q: What is your favorite part about working for PlainsCapital Bank?**

A: By far, my favorite thing about the Bank are the people and the culture we have of caring for one another.

**Q: What do you consider PlainsCapital Bank's biggest strength?**

A: Our greatest strength is the people that work here and their willingness to rise to the occasion to complete whatever task they are given. We've always had a team concept.

**Q: What is something you'd like potential clients to know about PlainsCapital Bank that they might not realize today?**

That we do walk the talk and provide service beyond expectations.

**Q: What is the best way to build a successful company culture in an organization such as PlainsCapital Bank?**

A: Instill and focus on core values that people will work hard to protect and take pride in them. Remember we have a business to run, but have as much fun as possible every day!



# HILLTOPSECURITIES' CLIENT RELATIONSHIPS SPAN DECADES

With roots stretching back more than 70 years, HilltopSecurities' legacy of success is built on a solid foundation of long-term client relationships.

No aspect of HilltopSecurities' business is more relationship-driven than its clearing services segment. Clearing services provides back-office support and securities processing to broker-dealers and registered investment advisers across the country, known as clearing correspondents. They rely on HilltopSecurities to help ensure their businesses run smoothly.

Lana Calton, senior managing director and head of clearing services, takes pride in HilltopSecurities' individualized approach.

"It's important to know our correspondents' businesses and to understand their priorities," Calton said. "I believe our role extends beyond clearing trades and providing back office support. I want them to consider us partners who are able to proactively support their individual business goals and initiatives. We're here to help them succeed."

The importance of this approach is echoed by John Cooper, president of Kansas-based Cooper Malone McClain, Inc., a HilltopSecurities client for more than 30 years.

"I appreciate the ability to talk with a person who can help with a question or solve a problem," Cooper said. "HilltopSecurities has many friendly and knowledgeable employees who are

willing to help with every situation."

Investors Brokerage of Texas, a Waco-based investment firm with nine employees, has also been a HilltopSecurities clearing correspondent for decades, signing with the firm in 1987. President Timothy Kohn said the relationship has been an important factor in his firm's success.

"Our partnership with HilltopSecurities has allowed Investors Brokerage of Texas, Ltd. to succeed in a tough business environment that saw many small to mid-sized broker-dealers either merge or simply cease to exist," Kohn said. "We were able to compete effectively with other firms many times larger than ourselves and continue to benefit from our close relationship with a clearing firm that provides service that consistently goes above and beyond."

One of HilltopSecurities' earliest clients is Gunn & Co., a family-run broker-dealer based in San Antonio. The firm's president, Bob Gunn, said he appreciates HilltopSecurities' personal touch.

"Lana and her team are such great people and we've always worked with great people at HilltopSecurities. We're grateful to have someone who takes such good care of us," Gunn said.

HilltopSecurities has gone through many changes over the years, but one thing has stayed the same. Client loyalty is never taken for granted.




Lana Calton  
Senior Managing Director  
HilltopSecurities



## VOLUNTEERISM AT PRIMELENDING

PrimeLending's branch in Red Bluff, Calif., won "Judges Choice" at the Red Bluff Chili Cook-Off. All across the country, PrimeLending employees devote time to team activities that not only benefit the community; they strengthen the company's award-winning culture.

A professional portrait of Denise Owens, a woman with shoulder-length blonde hair, smiling. She is wearing a light blue blazer over a patterned blouse. Her hands are clasped in front of her. The background is a blurred indoor setting with warm lighting.

Denise Owens, CFE  
SVP, Fraud Manager

# MEET THE TEAM PROTECTING YOUR MONEY

Fraud against bank deposit accounts reached approximately \$2.2 billion in 2016, according to estimates by the American Bankers Association (ABA). Debit card fraud—signature, PIN, and ATM combined—accounted for 58 percent of losses, followed by check fraud at 35 percent. The remaining seven percent was attributable to online banking/electronic transactions, such as wire and ACH.

From obtaining your information “the old-fashioned way” via discarded mail, to newer electronic methods including emails that ask you to verify personal information under the guise of a trusted source (known as phishing), fraudulent activity comes in many different forms.

Advances in technology have enabled new forms of fraud from ID theft to account takeover to scams through various technology-based delivery systems. These fraud tactics all share the same goal: to obtain your personal, confidential, and financial information for fraudulent use.

## **Fraud Prevention at PlainsCapital**

The fraud department at PlainsCapital Bank works to protect your information from fraudulent activity. Led by Denise Owens, an experienced bank fraud investigator with over 30 years in the business, the team works to prevent fraud and investigates fraudulent transactions that do occur.

The department consists of both a fraud prevention group and an investigations group. The team deals with a variety of complex fraud schemes, such as organized criminal ring activity, ID theft, embezzlement, elder abuse, online fraud, loan fraud, wire fraud, and check fraud.

The bank utilizes sophisticated fraud detection software to monitor debit card transactions in an effort to identify potential fraud quickly. Our software’s “neural network” continuously studies spending patterns to help identify suspicious transactions.

If suspicious activity is detected on your debit card, our prevention group works to gather



additional information and determine whether fraud has occurred, escalating the matter internally and externally as necessary.

“We have a progressive approach with a progressive leader in Denise,” said Pete Villarreal, chief administrative officer for PlainsCapital Bank. “It’s a critical area of the bank and fraud prevention is a team effort.”

In addition to monitoring potential debit card fraud, the prevention group utilizes fraud detection software to identify other suspicious activity. If spotted, they take action to mitigate the exposure for both the customer and the Bank.

If your case truly is an incident of fraud, our team also suggests contacting the police to make sure the case is on record with authorities. If your fraud is related to ID theft, our team may advise that you contact the three major credit reporting agencies (Equifax, Experian, and TransUnion) and ask for a fraud alert to be placed on file. This will ensure that any attempts to open new credit accounts are declined unless the creditor speaks with you directly and takes extra steps to verify your identity.

After the prevention group has taken the steps to mitigate further damage, our investigations group steps in. Our experienced group of investigators comb through available information, including electronic transaction trails to determine where fraudulent transactions originated to better understand the scheme at hand.

The investigations group also works directly with local and state law enforcement to prepare cases and, if necessary, testify in court. Depending on the nature of the fraud, our investigators may work with federal law enforcement, including the FBI, Postal Inspectors, or the United States Secret Service. It’s because of efforts like these that fraud departments at banks across the country continue to play such a pivotal role in the protection and security of your finances. According to the ABA, banks’ prevention measures stopped \$17 billion in fraudulent transactions in 2016 for business and personal customers alike.

## Your Role in Fraud Prevention

While we’re committed to providing the resources you need to recognize fraud and the tools to help prevent it, the best defense against bank fraud and identity theft is education. By understanding the common types of fraud and theft schemes and following a few simple steps, you can reduce your chances of becoming a victim. Our Fraud Resource Center provides you with insights on how and when to report fraud to the Bank, the steps you can take to help detect and prevent fraud on your account, and information on common bank fraud schemes to help you identify suspicious activity and reduce the risk of becoming a victim of fraud.

Whether you’re investing for retirement, saving for your child’s education, or simply shopping and banking online, it’s important to have peace of mind while working towards your financial goals. The fraud department at PlainsCapital Bank is here to protect what matters most.

# COMMON FRAUD SCAMS

## Business Email Compromise

Cybercriminals trick company employees into transferring large sums of money to them by impersonating CEOs and other company executives in spoofed or masqueraded emails.

## Phishing

Fake emails, phone calls, and/or websites posing as legitimate and trusted organizations try to fool victims into divulging personal financial information.

## Skimming

A small tool with a mag-stripe reader is attached to an ATM or payment terminal, and it stores victims’ card information when they insert their card to withdraw cash or make a payment.

## Romance Scam

A criminal courts a victim online for some time before they begin asking for money, often citing an illness, accident, job loss, family emergency, or a frozen bank account, without ever meeting in person.

## Corporate Account Takeover

Criminals steal their victim’s valid online banking credentials by introducing malware into their computer system via email attachments or infected websites.

## Work-from-Home Scam

After being offered a work-from-home job with no in-person interview, the victim is asked by their “employer” for an up-front investment via wire transfer, cash withdrawal, or cashier’s check to be sent to someone besides the employer.

## Selling Goods Scam

When selling goods over the internet, the “buyer” sends a cashier’s check for the goods with a much larger amount than the asking price. The victim will then be asked to deposit the check and wire the extra funds back to the buyer.

## Card Cracking

The victim gives the scammer their debit card after viewing a social media post claiming they can make easy money. The scammer then makes fraudulent deposits into the victim’s account and withdraws funds via the ATM. The account holder is advised to claim their card was lost or stolen.

# THE MODERN MORTGAGE LEADER

The mortgage industry is undergoing a tremendous transformation. Yesterday's homebuyers simply took the home loan process for what it was—one where papercuts and achy signing fingers were the norm. But today, thanks to mega disrupters like Amazon.com and Uber, borrower expectations have changed, demanding a more streamlined, transparent and personal mortgage experience. Earlier this year, PrimeLending launched Modern Originator, a company-wide initiative to arm the company's loan officers with modern sales techniques and the digital tools they need to remain the premier choice for homebuyers.

"Modern Originator is about our team embracing change, learning new skills and leveraging technology tools that not only streamline processes, but create value for our customers within the digital marketplace," said Al Velasco, EVP, Western Division. "One thing that isn't changing is the way we care about our customers and each other, bringing genuine concern, attention to detail and industry expertise to all we do. It's our One Team One Purpose approach that sets us apart in the industry."

Modern Originator strengths fall into three primary areas that work together to differentiate PrimeLending from both local competitors and online originators.

**Be Innovative** – We're creating an even better customer experience by integrating innovative technology and productivity tools into our daily practices. For instance, PrimeLending's new loan origination system, Blue Sage, will offer a combination of automation, speed, convenience, and compliance that will streamline the entire mortgage process.

**Be Authentic** – Buying a home is a personal journey that often comes with a great deal of anxiety and excitement. The Modern Originator looks for ways to leverage our individual strengths and unique stories to connect with prospective customers. As an example, video marketing, live seminars, and community outreach activities demonstrate our experience and build trust.

**Be Local** – While most customers start the search process online, they still prefer to work with a local lender. Today, connecting with local borrowers is often driven through virtual "word of mouth" or online reviews on sites like Google and Facebook. Optimizing searchable online listings that feature recent positive reviews strengthens PrimeLending's credibility and ensures we're among the top choices in our local markets.

## The Modern Originator in Motion

PrimeLending has made significant progress toward achieving our Modern Originator goals. Recent milestones include introducing:

- Enhanced customer relationship management dashboard with more accessible actionable data
- Enhanced online document verification and collection tools
- New online review management platform
- New training classes, including online document verification, CRM data mining, social media, online listings and video marketing

"Everyone has really embraced the Modern Originator challenge," said Cheryl Hayes, SVP Marketing. "We're thrilled to see the positive impact it makes as people put new skills and resources into practice. It's an exciting time at PrimeLending."

Operating as a Modern Originator, PrimeLending will be uniquely suited for sustained success in the modern marketplace. We will continue meeting and serving customers in the digital world, providing our expertise with a human touch along the way.





# PROTECTING THE INVESTMENT WITH “FLOOD MO”

One thing humans have never been able to predict is when Mother Nature will strike—or more accurately, how hard she will strike. With all the types of natural disasters that befall our country, did you know that flooding is the most common and costliest natural disaster that affects the U.S. each year?

The stats are mind-boggling. A mere one inch of water in an average-sized home can wreak more than \$25,000 in damages. Although some areas are traditionally known for being flood-prone, one in four flood insurance claims come from low-to-moderate risk areas. Even more astounding is that 55 percent of properties affected by Hurricane Harvey in 2017 were not in Special Flood Hazard Areas. Unfortunately, only 16 percent of those affected had a federal flood insurance policy. A common misconception is that homeowner's policies cover flooding of the property. More often than not, a traditional homeowner's policy does not provide this type of coverage.

However, flood insurance policies in low-to-moderate risk areas can cost as little as a few hundred dollars per year. National Lloyds offers both federal and private flood insurance options for all types of risk, from single family homes to multimillion-dollar buildings. For more information on how National Lloyds can be your go-to insurer on flood insurance, please email [flood@natlloyds.com](mailto:flood@natlloyds.com).



*Flood Mo is ready for the rainy season.*

## HILLTOP OPPORTUNITY PARTNERS ANNOUNCES NEW INVESTMENT

After launching at the end of 2017, Hilltop's merchant banking investment arm, Hilltop Opportunity Partners (HOP), has completed a new preferred equity investment and successfully exited an earlier \$10 million investment in an Illinois-based freight brokerage provider.

HOP announced its new investment in Austin-based Stan's Heating & Air Conditioning in the first quarter of 2019. HOP partnered in the deal with private equity firm Treaty Oak Equity.

The investment in Stan's followed shortly after HOP successfully exited its \$10 million investment in Illinois-based AFN, LLC, with the sale of the freight brokerage provider to GlobalTranz.

Led by Executive Vice President Mark Plunkett, and Vice President Peter Lynch, HOP allows Hilltop to pursue opportunities to deploy the company's capital through non-bank investments. HOP targets non-control investments

from \$5 million to \$25 million, with larger or smaller investments considered on a case-by-case basis. Learn more about HOP at [HilltopHoldings.com/HOP](http://HilltopHoldings.com/HOP).

LAUNCHED	Q4 2017
LEADERSHIP	MARK PLUNKETT EXECUTIVE VICE PRESIDENT  PETER LYNCH VICE PRESIDENT
TARGET INVESTMENTS	MIDDLE MARKET NON-BANK NON-CONTROL
TARGET RANGE	\$5 - \$25 MILLION

# HILLTOPSECURITIES ARBITRAGE REBATE

## KEEPING TAX-EXEMPT BOND ISSUERS IRS COMPLIANT

When it comes to the IRS, be prepared for the worst. HilltopSecurities' Arbitrage Rebate group agrees, which is why they help tax-exempt debt issuers (cities, colleges, school districts, and hospitals) stay compliant with their IRS post-issuance responsibilities.

"Since 1969, issuers of tax-exempt debt who reinvest unspent proceeds in taxable investments must follow specific rules to maintain the tax-exempt status of their issues," said Arbitrage Rebate Managing Director Bill Johnson. "Our group provides education and consultation to help issuers navigate their calculation, reporting, audit, and record retention responsibilities."

Arbitrage is taking advantage of the rate differential between markets. In this case, it's taking advantage of the rate difference between taxable and tax-exempt investments. Issuers are allowed to earn and keep a rate of return on taxable investments of unspent bond proceeds equal to the tax-exempt investment rate they are paying their bondholders. Any positive rate differential between the taxable and tax-exempt rates—or "profit"—is known as arbitrage. Issuers must pay the IRS any cumulative profits every five years from

the date of issuance. This payment "rebates" the profit.

"There are only a handful of firms in the U.S. doing this," said Arbitrage Rebate Director Colby Jackson. "While there are smaller firms with a lower cost structure, issuers come to us because they know we do quality work."

Johnson leads a team of 17 employees who provide issuers with annual liability estimates and IRS payment calculations. The group effectively navigates the rebate rules and has developed approaches and methodologies that have allowed issuers to legitimately earn and keep millions of dollars in profits.

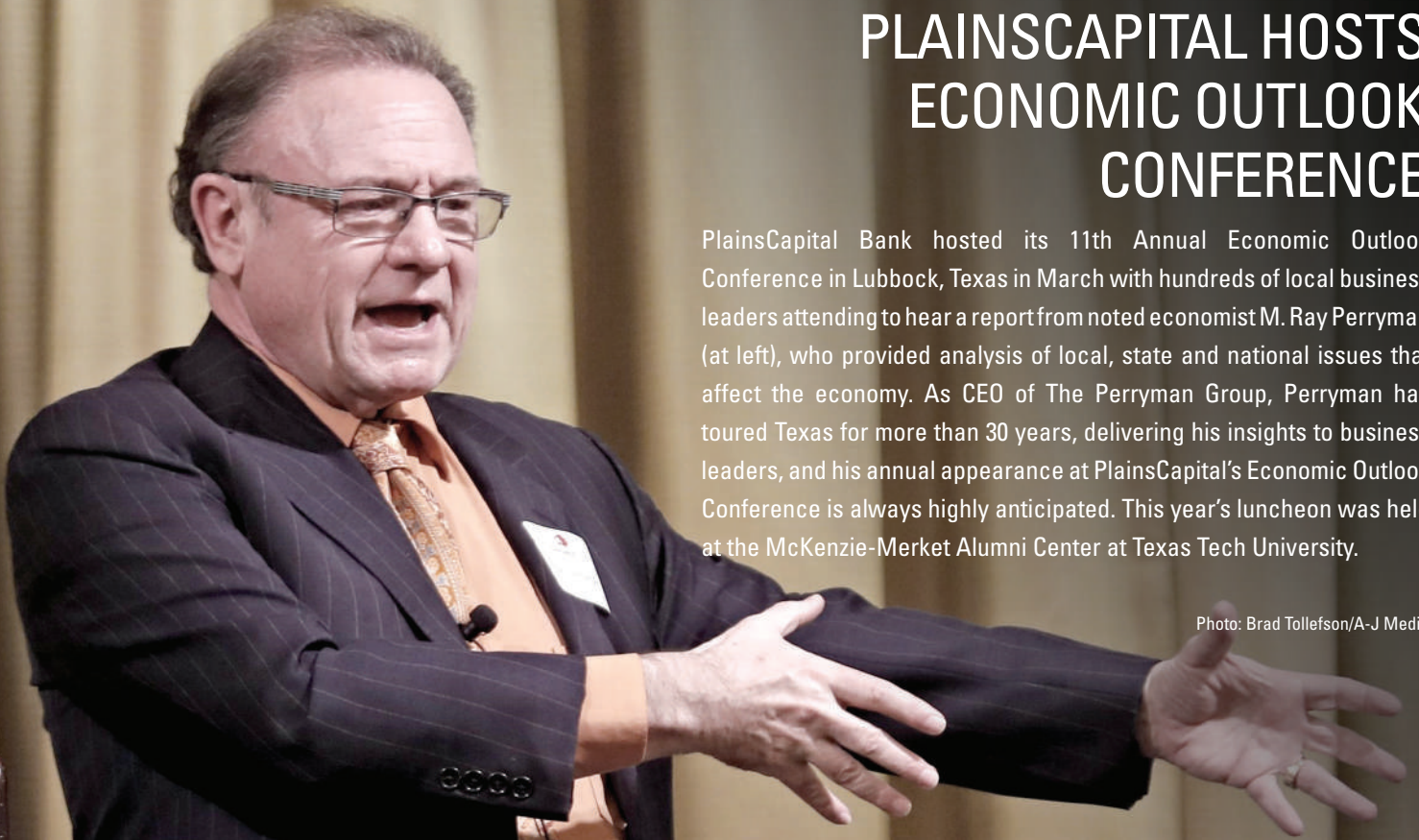
On top of these calculations, the group also works with issuers to create written post-issuance compliance policies and procedures, and it hosts annual continuing professional education conferences for tax-exempt issuers.

"More than 70 percent of our clients have been with us for more than 10 years," said Johnson. "Our goal is to do our job so well that they don't have to be concerned with arbitrage rebate."

## PLAINSCAPITAL HOSTS ECONOMIC OUTLOOK CONFERENCE

PlainsCapital Bank hosted its 11th Annual Economic Outlook Conference in Lubbock, Texas in March with hundreds of local business leaders attending to hear a report from noted economist M. Ray Perryman (at left), who provided analysis of local, state and national issues that affect the economy. As CEO of The Perryman Group, Perryman has toured Texas for more than 30 years, delivering his insights to business leaders, and his annual appearance at PlainsCapital's Economic Outlook Conference is always highly anticipated. This year's luncheon was held at the McKenzie-Market Alumni Center at Texas Tech University.

Photo: Brad Tollefson/A-J Media





A group of HilltopSecurities employees attended the 2019 Securities Industry Institute (SII), an executive development program for financial industry professionals.

The University of Pennsylvania hosts the annual program, which partners with the Securities Industry and Financial Markets Association and The Wharton School at Penn to help participants develop leadership skills and broaden their knowledge of the financial services industry.

HilltopSecurities serves as an annual sponsor of SII and Senior Managing Director Lana Calton serves as a board member and trustee for the program. The firm sends select employees to participate in the three-year program free of charge. This year's participants included Managing Director A.J. Maggio; Directors Chris Cervantes, Kayla MacEwen, Chris Maker, and Clayton Sheppard; and Senior Vice President-Branch Manager Peter Cappos.

## HILLTOPSECURITIES INVESTS IN EMPLOYEES' INTELLECTUAL CAPITAL



## SEND MONEY WITH ZELLE®



PlainsCapital Bank is excited to bring you *Zelle*—a way for our customers to send and receive money in minutes\* – with friends, family and people you trust with a bank account in the United States.

*Zelle* has replaced People Pay, our former person-to-person payment solution, and is now available through the PlainsCapital Bank mobile app. Keeping your money and information safe is a top priority for PlainsCapital Bank, and when you use *Zelle* within our mobile app, your information is protected with the same technology we use to keep your bank account safe.

*Zelle* allows PlainsCapital customers to move money quickly, safely, and easily through the same PlainsCapital app you already use and trust for all your banking needs. Settle up with friends, pay your rent, or split the bill for dinner all in one convenient place using just your recipient's email address or U.S. mobile number.

\*Transactions typically occur in minutes when the recipient's email address or U.S. mobile number is already enrolled with **Zelle**®. Zelle and the Zelle related marks are wholly owned by Early Warning Services, LLC and are used herein under license.

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