

# Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

▶ See separate instructions.

## Part I Reporting Issuer

1 Issuer's name Hilltop Holdings Inc.			2 Issuer's employer identification number (EIN) 84-1477939		
3 Name of contact for additional information PlainsCapital Corporation Investor Relations		4 Telephone No. of contact 214-252-4029		5 Email address of contact inovakov@plainscapital.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 200 Crescent Court, Suite 1330			7 City, town, or post office, state, and Zip code of contact Dallas, TX 75201		
8 Date of action January 1, 2015		9 Classification and description See attachment			
10 CUSIP number 432748101	11 Serial number(s)	12 Ticker symbol HTH	13 Account number(s)		

## Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ See attachment

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ See attachment

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ See attachment

**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶  
IRC Section 354, 356, 358, and 1001

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**18** Can any resulting loss be recognized? ▶ No loss can be recognized upon the exchange of SWS common shares for shares of HTH common stock and cash. If a taxable loss is calculated on the deemed sale of a fractional share of HTH common stock deemed to have been received in the exchange, this loss can be recognized.

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**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The transaction was consummated on January 1, 2015. Consequently, the reportable tax year of the SWS shareholders for reporting the tax effect of the share exchange is the tax year that includes the January 1, 2015 date. This is the 2015 calendar year for those shareholders who report taxable income on the basis of a calendar year.

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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here** Signature ▶ D. Parmenter Date ▶ 1/7/15

Print your name ▶ Darren Parmenter Title ▶ Principal Financial Officer

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

**Hilltop Holdings Inc.**  
**84-1477939**  
**Attachment to Form 8937**

**REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES**

**Form 8937 Part I, Box 9:**

The securities subject to reporting include all shares of Hilltop Holdings, Inc. ("HTH") common stock issued in exchange for the outstanding common stock of SWS Group, Inc. ("SWS") as a result of the merger of SWS with and into a subsidiary of HTH on January 1, 2015.

**Form 8937 Part II, Box 14:**

The reportable organizational action involves the merger of SWS with and into a subsidiary of HTH on January 1, 2015. As a result of this merger, each share of SWS common stock was exchanged for 0.2496 shares of HTH common stock and \$1.94 in cash. To the extent that the exchange would have resulted in the issuance of a fractional share of HTH common stock to a SWS shareholder, a cash payment equal to the market value equivalent of the fractional share was paid in lieu of issuing a fractional share of HTH common stock.

**Form 8937 Part II, Box 15:**

The merger of SWS with and into a subsidiary of HTH qualifies as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. As a result, each SWS shareholder will recognize a taxable gain, but not a loss, equal to the lesser of:

- The amount of cash received in the exchange; or
- The amount, if any, by which the sum of the cash received plus the fair market value of the shares of HTH common stock received in the exchange (measured at the time of the exchange) exceeds the SWS shareholder's tax basis in the SWS shares surrendered in the exchange.

For purposes of calculating this taxable gain, the amount of cash received in the exchange does not include cash received in lieu of fractional shares of HTH common stock (see discussion of cash received in lieu of fractional shares below).

Gain or loss must be calculated separately for each identifiable block of SWS common shares surrendered in the exchange having a common tax basis. A loss realized on one block of SWS common shares may not be used to offset a gain realized on another block of SWS common shares. Each SWS shareholder is encouraged to consult their own personal tax advisor regarding the determination of this realized gain or loss on the exchange.

Each SWS shareholder is required to determine the tax basis of the shares of HTH stock received in the exchange by performing the following calculations separately for each identifiable block of SWS common shares surrendered in the exchange having a common tax basis:

- Begin with the aggregate tax basis of the SWS common shares surrendered in the exchange
- Add the amount of taxable gain, if any, determined from the above calculation (excluding any gain or loss resulting from the deemed receipt and sale of fractional shares described below)
- Subtract the total amount of cash received (excluding any cash received in lieu of fractional shares described below)
- Subtract the tax basis in any fractional shares of HTH common stock that were deemed to have been received in the exchange and immediately sold (see the treatment of fractional shares described below)

The resulting figure represents the aggregate tax basis of the shares of HTH common stock received in the exchange for that identifiable block of SWS common shares transferred. The tax basis of each individual share of HTH common stock within this identifiable block is determined by dividing this aggregate tax basis by the number of HTH common shares that comprise this identifiable block.

SWS shareholders who receive cash in lieu of a fractional share of HTH common stock are, for purposes of determining the taxability of that cash, deemed to have received the fractional share in the exchange and then as having sold the fractional share for cash. These SWS shareholders will generally recognize a taxable gain or loss equal to the difference between the tax basis of the SWS common shares deemed to have been exchanged for the fractional share and the amount of cash received.

**Form 8937 Part II, Box 16:**

Refer to the description of the basis calculation in Part II, Box 15 above. The closing price of a single share of HTH common stock on the New York Stock Exchange was \$19.95 on December 31, 2014, the last trading day before the transaction consummated on January 1, 2015.