

To Our Employees, Officers and Directors:

FirstCity Financial Corporation (“FirstCity”), FirstCity Servicing Corporation and their subsidiaries (the “Company”) have a proud tradition of maintaining the highest legal and ethical standards in the conduct of their businesses. We seek success in all of our business endeavors, but any success must not be at the expense of the maintenance of high ethical standards. We believe that an awareness of the Company’s general policies regarding business conduct is vital to the Company and to each employee, officer and director in the achievement of Company’s goals. The rules and principles we observe are set forth in this booklet, the Policies and Procedures of the Company set forth on the Company’s intranet website and the Employee Manuals.

For our employees, officers and directors, proper business conduct requires strict compliance with the spirit and the letter of the laws and regulations that apply to our business and adherence to the highest business and personal ethics in dealings involving the Company or its reputation. The policies summarized in this booklet go beyond the strict requirements of the law. Although it cannot answer every question of conduct that may arise in our business, this booklet should alert you to situations that may require extra caution, concern or guidance. It is also Company practice to encourage everyone to ask questions, seek guidance, and express any concerns they may have. When in doubt, our employees, officers and directors should ask themselves the following questions:

- Would my action inspire trust? Is it fair and just?
- Is my action legal? If legal, is it also ethical? Are my actions honest in every respect?
- Is anyone’s life, health or safety endangered by this action?
- Can I defend this action with a clear conscience before my supervisor, fellow employees, and the general public?
- Would my supervisor act this way? Would it be helpful to ask my supervisor about this matter before I act?
- Would I be proud to read about my action in the newspaper?
- Does it violate Company policy?
- Is it consistent with the Company’s values?
- What would I tell my child to do?

You may consult your supervisor, senior management or a Company attorney to seek advice. You may seek advice on a confidential basis by contacting the Legal Department of FirstCity or any member of the audit committee of FirstCity. If you are unsure about what to do, ask questions and keep asking until you are certain you are doing the right thing. We expect these policies to be observed. It is not an excuse that questionable conduct is well-motivated or intended to “benefit” the Company. The Company may be exposed to significant civil and criminal penalties and the Company’s reputation may be severely damaged. In addition, violating certain standards in this booklet may subject the violator to personal fines and jail terms. In any event, violating the standards of business

conduct outlined in this booklet may subject a violator to severe disciplinary action, up to and including immediate termination.

You are urged to read and understand this booklet. This booklet, together with related policies and procedures and educational efforts comprises the Company's internal compliance program as contemplated by the Federal Sentencing Guidelines for corporations. As an integral part of this program you may be required to submit an annual certification of compliance on the form at the end of this booklet.

Sincerely,

Richard Bean

Chairman

**CODE OF BUSINESS CONDUCT AND ETHICS
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I. ETHICS AND COMPLIANCE

The Company operates in accordance with high ethical standards and relevant laws. The Company places the highest value on the integrity of each of its employees and representatives. The Company's culture demands not only legal compliance, but also responsible and ethical behavior. The policies outlined in this booklet apply across the Company, in all businesses, states, regions and countries (with the exception of Drive Financial Services, L.P. which has adopted its own policies). This booklet doesn't cover all Company policies or all laws. If a local law conflicts with a policy in this Code, then you must comply with the law; if a local custom or practice conflicts with this Code, then you must comply with this Code. If your line of business or region has a policy or practice that conflicts with this Code then you must comply with this Code. If your line of business or region has policies or practices that require more of you than is required by the Code or if local law requires more, then you must follow the stricter policy, practice or law. Think of this Code as a baseline, or a minimum requirement, which must always be followed. The only time you can go below the baseline is if a law absolutely requires you to do so or if the Company's Chief Executive Officer has approved the exception in writing.

II. CONFIDENTIAL INFORMATION

The Company believes its confidential proprietary information is an important asset in the operation of its business and prohibits the unauthorized use or disclosure of this information. The Company respects the property rights of other companies to their proprietary information and requires its employees to fully comply with both the spirit and the letter of U.S. and foreign laws and regulations protecting such rights. The Company's success is dependent upon the strict adherence by employees to this policy and all applicable standards and procedures.

Disclosure Of Company's Confidential Information

Information is the lifeblood of any business. Open and effective dissemination of this information is critical to our success. However, much of the information concerning the Company's business activities is confidential. The disclosure of this information outside the Company would seriously damage the Company's interests.

To protect this information, it is Company policy that:

- Confidential information of the Company should be disclosed within the Company only on a need-to-know basis
- Confidential information of the Company (paper or electronic) should be marked with additional handling instructions designated by the Legal Department or your supervisor

- Confidential information of the Company should be disclosed outside the Company only when required by law or when necessary to further the Company's business activities and in accordance with the Company's disclosure guidelines

Under no circumstances are employees to provide confidential Company documents to any third party, without express consent of the Legal Department or your supervisor. This includes but is not limited to any confidential Company documents relating to asset sellers or purchasers, obligors/borrowers of loans or assets owned by the Company, its affiliates or other persons for whom it services loans or other assets, competitors or other persons with which the Company does business.

Patents, Copyrights, Trademarks and Proprietary Information

Protection of the Company's intellectual property—including its copyrights, trademarks, technical knowledge, know-how and the experience developed in the course of the Company's activities—is essential to maintaining the Company's competitive advantage. This information should be protected by all Company personnel and should not be disclosed to outsiders.

Much of the information the Company develops related to the conduct of its asset acquisition and servicing operations is original in nature and its protection is essential to our continued success. Such information should be safeguarded. Proprietary/confidential information and trade secrets may consist of any formula, pattern, device or compilation of information maintained in secrecy which is used in business, and which gives that business an opportunity to obtain an advantage over competitors who do not know about it or use it. This information should be protected by all Company employees and not disclosed to outsiders. Its loss through inadvertent or improper disclosure could be harmful to the Company.

No Inadvertent Disclosures

Employees should be especially mindful in the use of the telephone, fax, telex, electronic mail, and other electronic means of storing and transmitting information.

Employees should take every practicable step to preserve the Company's confidential information. For example, employees should not discuss material information in elevators, hallways, restrooms, restaurants, airplanes, taxicabs or any place where they can be overheard; not read confidential documents in public places or discard them where they can be retrieved by others; not leave confidential documents in unattended conference rooms; not leave confidential documents behind when the conference is over. Also, employees should be aware of the carrying quality of conversations conducted on speaker telephones in offices, and of the potential for eavesdropping on conversations conducted on mobile, car or airplane telephones, and other unsecured means of communication.

Many employees are required to sign agreements reminding them of their obligation not to disclose the Company's proprietary confidential information, both while they are employed and after they leave the Company. The loyalty, integrity and sound judgment of the Company's employees both on and off the job are essential to the protection of such information.

Questions Employees Should Ask Themselves

- Am I conversing in a place where my conversation can be overheard?
- Have I received the express consent of the Legal Department or my supervisor that authorizes the release of confidential information?

Competitive Information

Collecting information on our competitors from legitimate sources to evaluate the relative merit of their products, services, and marketing methods is proper and often necessary. However, there are limits to the ways information should be acquired. Practices such as industrial espionage and stealing are obviously wrong. But so is seeking confidential information from a new employee who recently worked for a competitor, or misrepresenting your identity in the hopes of getting confidential information from a competitor. Any form of questionable intelligence gathering is strictly against Company policy.

Questions Employees Should Ask Themselves

- If the president of the competitor knew I was using this means of obtaining information about his/her Company, would he/she believe it was proper?
- If I changed jobs and went to work for a competitor, would it be appropriate for me to disclose to the competitor the Company confidential information?

III. CONFLICTS OF INTEREST AND CORPORATE OPPORTUNITY

Conflicts of interest result from situations or activities which may benefit the employee, officer or director, directly or indirectly, by virtue of his position with or at the expense of the Company. A conflict of interest may also exist if a family member's interest interferes with a person's independent exercise of sound judgment. The Company's employees, officers and directors have an obligation to give their complete loyalty to the best interests of the Company. Employees, officers and directors should avoid any action which may involve, or may appear to involve, a conflict of interest with the Company. Employees, officers and directors should not have any financial or other business relationships with suppliers, customers or competitors that might impair, or even appear to impair, the independence of any judgment they may need to make on behalf of the Company.

The Company's directors have a special responsibility because they are prominent individuals with substantial other responsibilities. To avoid conflicts of interest, directors are required to disclose to their fellow directors any personal interest they may have in a transaction upon which the Board of Directors passes and to recuse themselves from participation in any decision in which there is a conflict between their personal interests and the Company's interests.

Therefore, it is Company policy that unless a written waiver is granted (as explained below), employees, officers and directors may not:

Perform services for or have a financial interest in a private entity (corporation, partnership, limited liability company, trust, etc.) that is, or may become, a supplier, customer, or competitor of the Company ("Prohibited Private Entity").

Perform services for or have a material interest (more than 1% of total outstanding shares) in a publicly traded company that is, or may become, a supplier, customer, or competitor of the Company ("Prohibited Public Company").

Perform outside work or otherwise engage in any outside activity or enterprise that may interfere in any way with job performance or create a conflict with the Company's best interests.

Engage in any activity, directly or indirectly, with regards to the acquisition of any interest in outside entities, properties or assets in which the Company has an interest or potential interest such as (i) the acquisition and resolution of pools of assets or single assets, (ii) consumer lending, (iii) financial interest in businesses being considered for acquisition, or (iv) real estate at or near possible new or expanded Company facilities (each, a "prohibited action."). This prohibition includes (i) doing any of these prohibited actions personally, (ii) having a "family member" do such prohibited actions or (iii) having a Prohibited Private Entity or a Prohibited Public Company do such prohibited actions. A "family member" means a spouse, parent, step-parent, children, step-children, sibling, step-sibling, mother and father-in-law, son and daughter-in-law, and brother and sister-in-law.

Invest in any entity in which the Company has invested.

Employees are under a continuing obligation to disclose to their supervisors any situation that presents the possibility of a conflict or disparity of interest between the employee and the Company. An employee's conflict of interest may only be waived if both a Company Attorney and the Chief Executive Officer waive the conflict in writing. Officers and directors are under a continuing obligation to disclose to the Board of Directors any situation that presents the possibility of a conflict or disparity of interest between such officer or director and the Company. An officer's or director's conflict of interest may only be waived if the Audit Committee approves the waiver and the full Board of Directors ratifies the waiver. Disclosure of any potential conflict is the key to remaining in full compliance with this policy.

In addition, the Company may not make loans to or guarantee obligations on behalf of its employees, officers or directors or any of their family members unless the making of such loans to the public is part of the regular course of the Company's business.

Questions Employees, Officers and Directors Should Ask Themselves

Could my outsider business or financial interests adversely affect my job performance or my judgment on behalf of the Company?

Can I reasonably conduct my business outside of normal Company work hours and prevent my outsider customers, clients and affiliates from contacting me at work?

Will I be using Company equipment, materials, or proprietary information in my outside business?

IV. LOAN SELLER, OBLIGOR, SUPPLIER AND COMPETITOR RELATIONS

The Company believes that the Company, the economy, and the public benefit if businesses compete vigorously. The Company, its employees, and representatives will treat customers, business allies and suppliers fairly and will not engage in anticompetitive practices that unlawfully restrict the free market economy.

Permissible Payments

The payment of normal discounts and allowances, commissions, fees, sales promotion activity, entertainment and the extension of services and other customary courtesies in the ordinary course of business is permissible so long as they have been authorized and properly recorded. If a customer, supplier, vendor or government agency has adopted a more stringent policy than the Company's regarding gifts and gratuities, then the Company's representative must comply with that more stringent policy when dealing with that person or entity. (See below for a discussion of gifts to government representatives.)

Bribes

The Company's objective is to compete in the marketplace on the basis of superior services and competitive prices. No payment in any form (whether funds or assets) shall be made directly or indirectly to anyone for the purpose of obtaining or retaining business or to obtain any other favorable action. It is imperative that each and every person who does business with the Company understands that we will not, under any circumstances, give or accept bribes or kickbacks. A violation of this policy will subject the employee to disciplinary action as well as potential criminal prosecution.

Gifts

No gift should be accepted from a supplier, vendor or customer unless the gift has insubstantial value and a refusal to accept it would be discourteous or otherwise harmful to the Company. Employees must receive approval from their supervisor before they accept any gift having a value over \$200. This applies equally to gifts to suppliers or vendors or non-governmental customers. (See below for a discussion of gifts to government representatives.)

Solicitation of loan sellers, obligors, vendors or employees for gifts or donations shall not be allowed except with the permission of the manager of the Human Resources Department.

Entertainment

Appropriate business entertainment of non-government employees occurring in connection with business discussions or the development of business relationships is generally deemed appropriate in the conduct of official business. This may include business-related meals and trips, refreshments before or after a business meeting, and occasional athletic, theatrical or cultural events. Entertainment in any form that would likely result in a feeling or expectation of personal obligation should not be extended or accepted. This applies equally to giving or receiving entertainment.

Questions Employees Should Ask Themselves

- Am I offering something in order to obtain special treatment for the Company?
- Will I favor this person/business because he gives me a gift?
- If my supervisor knew about the gift a person/business gave to me, would he/she approve?
- How often this year have I provided gifts to this person/business?
- Are the gifts I am providing customary in the industry?
- How often this year have I taken gifts from this person/business?
- If this gift or payment were disclosed to the public, would it embarrass the Company?
- When you give a gift or if you accept a gift is there a sense of obligation created as a result of the gift?

Government Representatives

What is acceptable practice in the commercial business environment may be against the law or the policies of federal, state or local governments. Therefore, no gifts or business entertainment of any kind may be given to any government employee without the prior approval of the Legal Department, except for items of nominal value (i.e., pens, coffee mugs, etc.).

In addition, a U.S. law, the Foreign Corrupt Practices Act (FCPA) prohibits the Company or anyone acting on behalf of the Company from makes a payment or giving a gift to a non-U.S. government official for purposes of obtaining or retaining business. The FCPA applied to the Company everywhere in the world where we do business and even applies to you if you are not a U.S. citizen.

Facilitating Payments

The law prohibits the Company and its employees and agents from making payments to foreign officials for the purpose of obtaining or keeping business. However, the law also recognizes that in a number of countries, tips and gratuities of a minor nature are customarily required by lower level governmental representatives performing ministerial or clerical duties to secure the timely and efficient execution of their responsibilities (e.g., customs clearances, visa applications, installation of telephones, and exchange transactions). If you encounter a situation where an expediting or facilitating payment is requested in order to expedite or advance a routine performance of legitimate duties, then you need to contact the Legal Department for its analysis under the FCPA.

Third Party Agents

The Company's business may involve the use of agents, consultants, brokers or representatives in connection with its dealing with governmental entities, departments, officials and employees. Such arrangements may not be employed to do anything prohibited by this Policy. The commissions or fees payable to such a third party must be reasonable in amount for the services rendered in accordance with local business practices.

Questions Employees Should Ask Themselves

- Has a third party working on behalf of the Company told you not to worry because he or she will take care of the demands of the local culture?
- If this payment were disclosed to the public, would it embarrass the Company?

Compliance with Antitrust Laws

All the Company employees are expected to comply with both the letter and spirit of applicable federal, state and foreign antitrust laws. All mergers, acquisitions, strategic alliances, and other types of extraordinary business combinations which raise concerns of market domination or abuse, should receive timely legal review to assure that we compete aggressively but not unlawfully. When any doubt exists as to the legality of any action or arrangement, the matter should be discussed with the Legal Department. Regardless of the setting, never misrepresent our products and services.

Agreements with Competitors

Formal or informal agreements with competitors that seek to limit or restrict competition in some way are often illegal. Unlawful agreements include those which seek to fix or control prices; allocate products, markets or territories; or boycott certain customers or suppliers. To ensure compliance with antitrust law, discussions with competitors regarding any of these potential agreements is a violation of Company policy and will subject the employee to disciplinary action as well as the potential for criminal prosecution.

Agreements with Customers

Certain understandings between the Company and a customer are also considered anti-competitive and illegal. These include agreements that fix resale prices or that result in discriminatory pricing between customers for the same product. These types of restrictive understandings must not be discussed or agreed to with a customer.

International Application

International operations of the Company may be subject to the antitrust laws of the United States. Advice on this subject as well as similar requirements under other applicable jurisdictions (e.g., the European Commission) should be sought from the Legal Department.

Questions Employees Should Ask Themselves

- Are my discussions with the competitor directly or indirectly touching on pricing considerations or other terms and conditions of sale?
- Could my actions be used as evidence that I unlawfully agreed upon prices or price changes with a competitor, even though no formal agreement or understanding was made?
- Does the pricing or promotional program I am formulating discriminate unfairly against any of the resellers of the Company?
- Are the contacts I am having with employees of a competitor at a trade association meeting necessary? Are they within the scope of the agenda for the meeting?

V. EXPORT CONTROL LAWS AND REGULATIONS

It is Company policy to comply with the export control laws and regulations of all countries in which the Company does business. Compliance with these laws and regulations may result in some loss of business opportunities for the Company. Failure to comply may result in heavy fines and penalties and loss of exporting privileges.

All employees are responsible for advising the Company's Compliance Officer and the Legal Department of any export control related occurrence, development or investigation of possible legal significance to the Company.

If you plan to send the Company's products, technology or software to another company location in another country you may need an export license. Any export of a product, technology or software from the United States to another country may be subject to export licensing requirements. In addition, other countries may have similar requirements. Moreover, export regulations do not make exceptions for intra-Company transfers of products, technology or software.

VI. INTERNATIONAL BOYCOTTS

It is Company policy to comply with U.S. anti-boycott legislation. This applies to the Company everywhere we do business, in all parts of the world. U.S. anti-boycott law is intended to prevent the Company from taking any action in support of a boycott imposed by one country upon a country that is friendly to the United States. The Arab boycott of Israel is an example of an international boycott not sanctioned by the United States.

Under U.S. anti-boycott legislation, the Company is required to report the receipt of any request to participate in an international boycott. Requests are often found in letters of credit, shipping instructions, certificates of origin and other contract-related documents. An example of a typical boycott request would be a request for a "negative certificate of origin." With this type of request, the customer will ask for our certification that the "products supplied are not made in Israel, directly or indirectly, in whole or in part" or words to that effect. Complying with this request is prohibited by law and must be reported to the U.S. Government. Failure to report receipt of these requests is also a violation of U.S. anti-boycott legislation. The receipt of a boycott request must be reported immediately to the Compliance Officer or the Legal Department, whether or not the transaction takes place. It is not enough to merely reject the request. Any questions should be directed to the Legal Department.

Our employees and officers need to review all international transactions for boycott requests. Review of all international transaction documents is required to ensure compliance. Often a Middle East country may be a participant in projects located in other parts of the world. It is not uncommon to find boycott-related requests in documents originating in non-Middle Eastern countries. If you find one of these requests, please immediately contact the Compliance Officer or Legal Department.

Even if you are not a U.S. citizen, you must comply with U.S. legislation. Because the Company is a U.S. corporation, U.S. anti-boycott regulations apply. Violations of anti-boycott law anywhere around the world could negatively affect the Company.

VII. INSIDER TRADING

In the course of employment at the Company, you may come into possession of confidential and highly sensitive information. This information may concern the Company or other corporations with which we may have contractual relationships or with which we may be negotiating transactions. Much of this information has a potential for affecting the market price of securities issued by FirstCity or the other corporation(s) involved. Such information is “material non-public information.” Employees must not trade in securities (i.e. stock, bonds, options) while in possession of material non-public information. To avoid even the appearance of insider trading, employees must avoid speculating in the Company stock. All employees shall follow the Insider Trading Policy adopted and issued by the Company and shall follow the policy set forth below. Officers and directors of the Company are subjected to an even higher standard in the Company’s Insider Trading Policy distributed to the Company’s officers and directors. The Insider Trading Policy outlines in detail when you may buy or sell the Company’s securities.

Trading Stock & Securities

Federal law and Company policy prohibit employees, directly or indirectly through their families or others, from purchasing or selling Company stock while in the possession of material, non-public information concerning the Company. This same prohibition applies to trading in the stock of other publicly held companies on the basis of material, non-public information. To avoid even the appearance of impropriety, Company policy also prohibits employees from trading options on the open market in Company stock under any circumstances.

Material, non-public information is any information which could reasonably be expected to affect the price of a stock. If an employee is considering buying or selling a stock because of inside information they possess, they should assume that such information is material. It is also important for the employee to keep in mind that if any trade they make becomes the subject of an investigation by the government, the trade will be viewed after-the-fact with the benefit of hindsight. Consequently, employees should always carefully consider how their trades would look from this perspective.

Tipping

If an employee’s family or friends ask for advice about buying or selling Company stock, the employee should not provide it. Federal law and Company policy also prohibit the employee from “tipping” family or friends regarding material, non-public information that the employee learns about the Company or any other publicly traded company in the course of employment. The same penalties apply, regardless of whether the employee derives any benefit from the trade. The SEC vigorously prosecutes insider trading violations by institutions and individuals even for violations resulting in relatively small profits.

Questions Employees Should Ask Themselves

- Does information I have learned about the company make me want to buy stock?
- If the newspaper published what I know, would it make the company's stock rise or fall?
- How would the trade I am considering look to government prosecutors if it became the subject of an investigation?

VIII. POLITICAL ACTIVITY AND CONTRIBUTIONS

It is Company policy that no corporate funds may be used to make political contributions of any kind to any candidate or political party. This prohibition covers not only direct contributions but also indirect assistance or support of candidates or political parties through the purchase of tickets to special dinners or other fund-raising events, and the furnishing of any other goods, services or equipment to political parties or committees. However, the policy does not prohibit the formation of a Political Action Committee sponsored by the Company to the extent that federal and state law permits it. Political contributions or activities by individuals on their own behalf are, of course, permissible. No person may be reimbursed directly or indirectly by the Company for any political contribution or for the cost of attending any political event. In addition, employees may not be given time off with pay for political activity.

IX. RECORD MANAGEMENT

The Compliance Officer has Company wide responsibility for developing, administering and coordinating the record management program, and issuing retention guidelines for specific types of documents. Records should be maintained to comply with applicable statutory, regulatory or contractual requirements, as well as those pursuant to prudent business practices. It is Company policy that no records that are the subject of or related to litigation or an ongoing or impending investigation shall be destroyed by any employee or agent of the Company. Employees should review the Document Retention Policy and can contact the Compliance Officer or Legal Department for specific information on record retention.

X. RECORDING TRANSACTIONS

The integrity of the Company's record-keeping and reporting systems is of the utmost importance. The Company shall make and keep books, invoices, records and accounts that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company. Each employee shall maintain accurate and fair records of transactions, time reports, expense accounts, and other Company records. Employees, officers and directors must use special care to make sure that records are accurately and completely prepared and reviewed, whether they are intended for internal use or for an external party, including any governmental authorities. The Company shall devise and

maintain a system of internal controls sufficient to provide reasonable assurances that transactions are properly authorized, executed, and records.

Company Records

All Company books, records, accounts, funds and assets must be maintained to reflect fairly and accurately the underlying transactions and disposition of Company business in reasonable detail. No entries will be made that intentionally conceal or disguise the true nature of any Company transaction.

In this respect, the following guidelines must be followed:

- No undisclosed, unrecorded, or “offbook” funds or assets should be established for any purpose
- No false, misleading or fictitious invoices should be paid or created
- No false or artificial entries should be made or misleading reports issued
- Assets and liabilities of the Company shall be recognized and stated in accordance with the Company’s standard practices and GAAP
- No failure to make entries should be permitted
- The documentation evidencing each transaction and each payment on behalf of the Company shall fairly represent the nature of such transaction or the purpose of such payment

If an employee believes that the Company’s books and records are not being maintained in accordance with these requirements, the employee should immediately report the matter directly to their supervisor, to the Compliance Officer or to a member of the Audit Committee of FirstCity.

Questions Employees Should Ask Themselves

- Does the report I am planning to submit mischaracterize in any way the transaction or the purpose of the transaction?
- Am I being asked to make an entry I feel uncomfortable making?

XI. USE OF COMPANY ASSETS

The Company’s assets are to be used only for the legitimate business purposes of the Company and its subsidiaries and only by authorized employees or their designees. This includes both tangible and intangible assets. The use of Company time, materials, assets or facilities for purposes not directly related to Company business, or the removal or borrowing of Company property without permission, is prohibited. Use and maintain the Company’s assets with care and respect, while guarding against waste and abuse.

Some examples of tangible assets include:

- Office equipment such as phones, copiers, computers, furniture, supplies and production equipment
- Tools
- Inventory
- Cash

Electronic Communications

The Company's electronic mail (e-mail) system should be restricted primarily to Company business. *Highly confidential information should be handled appropriately.* The Company reserves the right at any time to monitor and inspect, without notice, all electronic communications data and information transmitted on the network and electronic files located on personal computers owned by the Company or computers on the premises used in Company business. The use of the Company's internet services should be restricted primarily to Company business.

Third Party Software

Third Party Software is provided as a productivity tool for employees to perform their job functions. Please note that, just because third party product or utility software is located on a corporate utility server, it does not necessarily mean that it is licensed for use as a standalone software product. "Software" includes programs, routines, and procedures that cause a computer system to perform a predetermined function or functions, as well as the supporting documentation. Employees and Company representatives have an obligation to protect and manage our software. Software must be identified, accounted for, controlled, documented, priced, and classified for security purposes by the IT Department. All software use must be in compliance with applicable laws and contractual obligations assumed by the Company, including copyright laws and necessary licensing. No Company employee, officer or director may use unlicensed software or create or use unauthorized copies of software. Employees may be liable as individuals for illegal software use.

Internal Software Development

To the extent permitted under applicable law, employees, contractors and temporary employees shall assign to the Company any invention, work of authorship, composition or other form of intellectual property created during the period of employment. Each employee shall execute an Intellectual Property Assignment and Confidentiality Agreement upon request by the Company.

Questions Employees Should Ask Themselves

- Would the e-mail I am thinking about drafting embarrass me or the Company if it became public? Does the e-mail I am sending relate to the business of the Company?
- Do I safeguard the assets of the Company entrusted to me?
- Did I receive the software package I am installing from the IT Department?
- Do I know the procedures for obtaining a licensed copy of the software I desire to copy? Have I consulted the IT Department?

XII. FAIR DISCLOSURE POLICY

FirstCity is committed to fair disclosure of information to its shareholders, the financial community, and the public.

The Company and its management team believe it is in the Company's best interest to maintain an active and open communication with shareholders and potential investors regarding the Company's historical performance and future prospects. The Company can create shareholder value by publicly articulating its strategies, business strengths, and growth opportunities. The Company is also aware of its need for confidentiality about details of key business and operating strategies.

Standard Communications

The Company periodically and regularly communicates with its shareholders and other members of the investment community about its business operations. The Company does so both through press releases and through telecommunications. Those communications, which are available to all interested persons, include:

- A quarterly press release that discloses the Company's earnings for the prior quarter and the Company's fiscal year to date, and generally provides other information relating to those earnings and operating results;
- A quarterly conference call open to financial analysts, the media and the public that discusses the quarterly financial results and provides outlook information
- A playback of the quarterly conference call, which will be made available at a phone number disclosed in the quarterly press release and on the Company web-site.

In addition to these periodic communications, the Company may have conference calls or other communications, such as web-casts, or web-site postings in which the Company will disclose new developments in its business and operations. The Company will have these additional communications if events warrant that type of additional

communications with its shareholders and other members of the investment community, and the Company determines the communication to be appropriate. In distributing information, the Company is to be non-selective. For example, the small investor should receive the same treatment as the large investor.

Analyst Communications

The Company participates in conferences sponsored by securities firms, and other investor conferences. In the event of the release of material information, FirstCity will issue a media release describing the information. The Company may, in some circumstances, also file a Form 8-K providing the same information. The Company will observe a “quiet period.” A “quiet period” is a period of time during which the Company will not engage in discussions with analysts. The Company will notify the public of the timing of the quiet period by posting this information on its web- site.

The Company will also talk to individual analysts to provide additional background information concerning its business. Similarly, the Company will continue to participate in other public forums at which analysts or investors could be present, including industry seminars, employee and annual shareholder meetings, and meetings with commercial partners that are shareholders. If the Company determines that material, non-public information inadvertently has been disclosed in these meetings, appropriate public disclosure will be made promptly. It will be the Company’s policy, when reviewing models or research from an analyst, to review for factual information or assumptions but not to comment or support the “soft information” or the conclusions. The Company does not endorse projections and does not update changes going forward. Further, there should be no written exchange of comments with analysts; however, a record of any comments should be filed with our Investor Relations Officer for record purposes.

It will be the Company’s policy in reviewing and commenting on analyst’s earnings estimates to acknowledge what the range of the “street” estimates are and to question the analyst’s assumptions if the estimate is out of the range of the current “street” estimates and/or to point out an error in historical fact that has been used in developing the estimate. If at a later point the Company determines that earnings will materially vary (up or down) from the range, then the Company should consider issuing a press release to avoid earnings surprises.

Responding to Market Rumors

From time to time the Company will be asked to respond to rumors or inquiries concerning earnings. The Company will not provide any formal guidance to analysts in developing their projections. Therefore, the appropriate response should be “that it is not the Company’s policy to respond to market rumors.” When requested to respond to rumors related to other material corporate matters, the Company has a couple options:

- If the rumor indicates that pending internal developments have somehow leaked into the market, then the Company should appropriately and accurately respond.
- If the rumor is clearly inaccurate or simply false, then the Company should deny it or accurately portray the facts.

Authorized Spokespersons

The Company speaks to the financial community and its shareholders through authorized representatives. The Chairman and the Chief Executive Officer, Chief Financial Officer, other executive officers, and the Investor Relations Officer are authorized to communicate on behalf of the corporation to analysts, securities market professionals and major stockholders of the corporation.

Other officers or employees of the corporation may from time to time communicate with analysts and investors as part of the Company's investor relations program. In such instances, an authorized representative will also be present. No employee is authorized to communicate business or financial information about the Company that is non-public, material information, except through Company sanctioned public disclosure or for business purposes under a non-disclosure agreement.

General

Employees will be notified that, except as specified in this policy, they shall not communicate to analysts and investors and shall refer all questions to the Investor Relations Officer or, in his or her absence, another authorized representative.

The Company endeavors to make appropriate announcements and to conduct interviews with the media about its business, technology and significant developments. Appropriate training will be provided to each authorized representative on compliance with the policy, review of public statements regarding material information, and procedures for disclosing non-public information. Media interviews are exempt from these guidelines and shall be coordinated through the Investment Relations Officer or the Chief Executive Officer.

XIII. FORWARD-LOOKING INFORMATION

When deemed appropriate by the Chief Executive Officer, the Company may make certain projections with respect to financial and operating performance expectations. In so doing, it must be recognized that this may necessitate updating any materially previously disclosed projections.

The Company will be very selective and will set limits on the release of any forward-looking statements or projections. Further, all assumptions used in the development of a forward statement or projection for disclosure are to be documented in writing.

It is Company policy that all forward-looking statements or projections are to be appropriately disclosed with language associated with the risks involved, thereby, adhering to the “safe harbor” rules.

XIV. REPORTING VIOLATIONS OF COMPANY POLICIES

There are no easy answers to many ethical issues we face in our daily business activities. In some cases the right thing to do will be obvious, but in other more complex situations, it may be difficult for an employee to decide what to do. When an employee is faced with a tough ethical decision or whenever they have any doubts as to the right thing to do, they should talk to someone else such as their supervisor, another manager, the Compliance Officer or the Legal Department. The Company has also established a system for reporting violations of any of the Company policies, as well as any suspected misconduct by any employee or representative of the Company. This may be done in writing to the Chairman of the Audit Committee:

Richard Bean
Waukesha-Pearce Industries, Inc.
P. O. Box 35068
Houston, TX 77235

The Company will not permit any form of retribution against any person, who, in good faith, reports known or suspected violations of Company policy. It is a violation of this Code for anyone to be discriminated against or harassed for contacting the Chairman of the Audit Committee, his or her supervisor, upper management, the Compliance Officer or the Legal Department with a good faith report of a suspected violation of law or policy. If you feel that you are being retaliated against in violation of this policy, please follow the procedures for reporting violations.