

TEXAS CAPITAL BANCSHARES INC/TX

Form DEF 14A

April 09, 2009

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**SCHEDULE 14A  
PROXY STATEMENT**

Pursuant to Section 14(a) of the Securities and Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to ss.240.14a-12

**TEXAS CAPITAL BANCSHARES, INC.**

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11  
(Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No:

(3) Filing Party:

(4) Date Filed:

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April 9, 2009

Dear TCBI Shareholder:

I am pleased to present your Company's 2008 annual report. Additionally, earnings releases, performance information and corporate governance may be found in the investor section of the Company's website at [www.texascapitalbank.com](http://www.texascapitalbank.com).

I would also like to invite you to attend the Annual Meeting of Shareholders of Texas Capital Bancshares, Inc., the holding company for Texas Capital Bank, National Association:

Tuesday, May 19, 2009  
10:00 a.m.  
2000 McKinney Avenue, 7th Floor  
Dallas, Texas 75201  
214.932.6600

The attached Notice of Annual Shareholders' Meeting describes the formal business to be transacted at the Annual Meeting. Certain directors and officers will be present at the meeting and will be available to answer any questions you may have.

On behalf of the board of directors and all the employees of Texas Capital Bancshares, Inc., and its operating entities, thank you for your continued support.

Sincerely,

George F. Jones, Jr  
President and Chief Executive Officer

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**TEXAS CAPITAL BANCSHARES, INC.**

2000 McKinney Avenue

7th Floor

Dallas, Texas 75201

**NOTICE OF ANNUAL STOCKHOLDERS MEETING**

**To be held May 19, 2009**

**NOTICE IS HEREBY GIVEN** that the annual stockholders meeting (the Annual Meeting ) of Texas Capital Bancshares, Inc. (the Company ), a Delaware corporation, and the holding company for Texas Capital Bank, National Association, will be on Tuesday, May 19, 2009, at 10:00 a.m. at the offices of the Company located at 2000 McKinney Avenue, 7th Floor, Dallas, Texas 75201.

In accordance with rules and regulations adopted by the Securities and Exchange Commission ( SEC ), instead of mailing a printed copy of our proxy materials to each stockholder of record, we are furnishing proxy materials to our stockholders on the Internet. You will not receive a printed copy of the proxy materials, unless specifically requested. The Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review all of the important information contained in the proxy materials. The Notice of Internet Availability of Proxy Materials also instructs you as to how you may submit your proxy on the Internet.

The Annual Meeting is for the purpose of considering and voting upon the following matters:

1. election of eleven (11) directors for terms of one year each or until their successors are elected and qualified, and
2. approval, on an advisory basis, of the compensation of the Company s executives named and described in the proxy statement, and
3. to transact such other business as may properly come before the Annual Meeting or any postponements or adjournments thereof.

Information about the matters to be acted upon at the Annual Meeting is set forth in the accompanying proxy statement.

Stockholders of record at the close of business on March 31, 2009 are the only stockholders entitled to notice of and to vote at the Annual Meeting.

All stockholders are cordially invited to attend the Annual Meeting in person. Whether you expect to attend the Annual Meeting or not, please vote your shares as set forth in the Notice of Internet Availability of Proxy Materials. If you attend the Annual Meeting, you may vote your shares in person, even though you have previously voted your proxy on the Internet.

By order of the board of directors,

George F. Jones, Jr  
President and Chief Executive Officer

April 9, 2009  
Dallas, Texas

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**TEXAS CAPITAL BANCSHARES, INC.**

2000 McKinney Avenue

7th Floor

Dallas, Texas 75201

**PROXY STATEMENT  
FOR THE ANNUAL STOCKHOLDERS MEETING  
ON MAY 19, 2009**

**MEETING INFORMATION**

This proxy statement is being furnished to the stockholders of Texas Capital Bancshares, Inc. (the Company) on or about April 9, 2009, in connection with the solicitation of proxies by the board of directors to be voted at the annual stockholders meeting (the Annual Meeting). The Annual Meeting will be held on May 19, 2009, at 10:00 a.m. at the offices of the Company located at 2000 McKinney, 7th Floor, Dallas, Texas 75201. The Company is the parent corporation of Texas Capital Bank, National Association (the Bank).

In accordance with rules and regulations adopted by the SEC, instead of mailing a printed copy of our proxy materials to each stockholder of record, we are furnishing proxy materials to our stockholders on the Internet. You will not receive a printed copy of the proxy materials, unless specifically requested. The Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review all of the important information contained in the proxy materials. The Notice of Internet Availability of Proxy Materials also instructs you as to how you may submit your proxy on the Internet.

The purpose of the Annual Meeting is to consider and vote upon:

1. election of eleven (11) directors for terms of one year each or until their successors are elected and qualified, and
2. approval, on an advisory basis, of the compensation of the Company's executives named and described in the proxy statement, and
3. to transact such other business as may properly come before the Annual Meeting or any postponements or adjournments thereof.

**RECORD DATE AND VOTING SECURITIES**

You are entitled to one vote for each share of voting common stock you own.

Only those stockholders that owned shares of the Company's voting common stock on March 31, 2009, the record date established by the board of directors, will be entitled to vote at the Annual Meeting. At the close of business on the record date, there were 31,014,158 shares of voting common stock outstanding held by 404 identified holders.

**QUORUM AND VOTING**



In order to have a quorum to transact business at the Annual Meeting, at least a majority of the total number of issued and outstanding shares of common stock must be present at the Annual Meeting, in person or by proxy. If there are not sufficient votes for a quorum or to approve any proposal at the time of the Annual Meeting, the board of directors may postpone or adjourn the Annual Meeting in order to permit the further solicitation of proxies. Abstentions and broker non-votes will be counted toward a quorum but will not be counted in the

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votes for each of the proposals presented at the Annual Meeting. Assuming a quorum is present, abstentions and broker non-votes will have no effect on the election of directors or the advisory proposal on compensation of the Company's executives. A broker non-vote occurs when a bank, broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because it does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. A broker will have discretionary voting power with respect to both proposals set forth herein.

**SOLICITATION OF PROXIES**

It is important that you are represented by proxy or are present in person at the Annual Meeting. The Company requests that you vote your shares by following the instructions as set forth in the Notice of Internet Availability of Proxy Materials. Your proxy will be voted in accordance with the directions you provide.

Other than the election of eleven (11) directors and the advisory proposal regarding compensation, the Company is not aware of any additional matters that will be presented for consideration at the Annual Meeting. However, if any additional matters are properly brought before the Annual Meeting, your proxy will be voted in the discretion of the proxy holder.

You may revoke your proxy at any time prior to its exercise by:

1. filing a written notice of revocation with the secretary of the Company,
2. delivering to the Company a duly executed proxy bearing a later date, or
3. attending the Annual Meeting, filing a notice of revocation with the secretary and voting in person.

The Company's board of directors is making this solicitation and the Company will pay the costs of this proxy solicitation. The directors, officers and regular employees of the Company and the Bank may also solicit proxies by telephone or in person but will not be paid additional compensation to do so.

**PROPOSALS FOR STOCKHOLDER ACTION**

**Election of Directors**

The Company currently has twelve (12) directors on the board of directors and eleven (11) have been nominated for re-election. Directors serve a one-year term or until their successors are elected and qualified. All of the nominees below currently serve as a director and have indicated their willingness to continue to serve as a director if elected. However, if any of the nominees is unable or declines to serve for any reason, your proxy will be voted for the election of a substitute nominee selected by the proxy holders.

**Table of Contents****Nominees**

At the Annual Meeting, the stockholders will elect eleven (11) directors. The board of directors recommends a vote FOR each of the nominees set forth below:

<b>Name</b>	<b>Age</b>	<b>Position</b>
<b>J.R. Holland, Jr</b>	65	Director; Chairman of the Board
<b>George F. Jones, Jr.</b>	65	Director; President and Chief Executive Officer; Chief Executive Officer of Texas Capital Bank, N.A.
<b>Peter B. Bartholow</b>	60	Director; Chief Financial Officer
<b>Joseph M. (Jody) Grant</b>	70	Director
<b>Frederick B. Hegi, Jr.</b>	65	Director
<b>Larry L. Helm</b>	61	Director
<b>W. W. McAllister III</b>	67	Director
<b>Lee Roy Mitchell</b>	72	Director
<b>Steven P. Rosenberg</b>	50	Director
<b>Robert W. Stallings</b>	59	Director
<b>Ian J. Turpin</b>	64	Director

*J. R. Holland, Jr.* has been a director since June 1999 and has served as Chairman since May 2008. He has served as the President and Chief Executive Officer of Unity Hunt, Inc., a diversified holding company, since 1991. He has also served as Trustee of the Lamar Hunt Trust Estate since 1991. Mr. Holland currently serves on the board of directors of Placid Holding Company and National CineMedia, Inc.

*George F. Jones, Jr.* has served as Chief Executive Officer since May 2008 and President since 2007. He also served as the Chief Executive Officer of the Bank since its inception in December 1998 and has served as President of the Bank from December 1998 to October 2008.

*Peter B. Bartholow* has served as the Chief Financial Officer since October 2003.

*Joseph M. (Jody) Grant* became Chairman Emeritus and Senior Executive Advisor in May 2008. He previously served as Chairman of the Board and Chief Executive Officer since the Company commenced operations in 1998.

*Frederick B. Hegi, Jr.* has been a director since June 1999. He has been a partner of Wingate Partners, an investment company, since he co-founded it in 1987. Mr. Hegi currently serves as Chairman of the board of directors of United Stationers, Inc. and as a director of Drew Industries Incorporated.

*Larry L. Helm* has been a director since January 2006. He has served as executive vice president-finance and administration of Petrohawk Energy Corporation, a company engaged in the acquisition, development, production and exploration of natural gas and oil properties located in North America since 2004. Prior to joining Petrohawk, Mr. Helm spent 14 years with Bank One, most notably as Chairman and CEO of Bank One Dallas.

*W. W. McAllister III* has been a director since June 1999. He is a private investor.

*Lee Roy Mitchell* has served as a director since June 1999. He has served as Chairman of the board of directors and Chief Executive Officer of Cinemark USA, Inc., a movie theater operations company, since 1985.

*Steven P. Rosenberg* has served as a director since September 2001. He is President of SPR Ventures, Inc., a private investment company, and President of SPR Packaging LLC, a manufacturer of flexible packaging for the food industry.

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*Robert W. Stallings* has served as a director since August 2001. He has also served as Chairman of the board of directors and Chief Executive Officer of Stallings Capital Group, an investment company, since March 2001. He is currently Executive Chairman of the Board of Gainsco, Inc, a property and casualty insurance company.

*Ian J. Turpin* has been a director since May 2001. Since 1992, he has served as President and director of The LBJ Holding Company and various companies affiliated with the family of the late President of the United States, Lyndon B. Johnson, which are involved in radio, real estate, private equity investments and managing diversified investment portfolios.

**The board of directors recommends a vote FOR the election of each of the nominees.**

## **Approval of Compensation of the Company's executives, on an Advisory Basis**

In connection with the requirements of the American Recovery and Reinvestment Act of 2009 (the ARRA), all institutions that participated in the TARP Capital Purchase Program must include a non-binding stockholder advisory vote on executive compensation. The Company is including in its annual proxy statement the proposal for approval of compensation. Commonly known as a say on pay, the proposal gives stockholders an opportunity to vote on the compensation of the named executives of the Company through the following resolution.

**Resolved, that the stockholders approve the compensation of the Company's named executives as outlined in the Summary Compensation Table of the proxy statement, including the Compensation Discussion and Analysis, the Executive Compensation tables and the related disclosures included in the proxy statement.**

The ARRA notes that this advisory stockholder vote is not binding on the board of directors of the Company, and may not be construed as overruling a decision by the board, nor create or imply any additional fiduciary duty by such board, nor be construed to restrict or limit the ability of stockholders to make proposals for inclusion in proxy materials related to executive compensation.

**The board of directors recommends a vote FOR the approval of executive compensation.**

## **Other Matters**

The Company does not currently know of any other matters that may come before the Annual Meeting. However, if any other matters are properly presented at the Annual Meeting, the proxy holders will vote your proxy in their discretion on such matters.

## **BOARD AND COMMITTEE MATTERS**

### **Board of Directors**

The business affairs of the Company are managed under the direction of the board of directors. The board of directors meets on a regularly scheduled basis during the fiscal year of the Company to review significant developments affecting the Company and to act on matters requiring approval by the board of directors. It also holds special meetings as required from time to time when important matters arise, requiring action between scheduled meetings. The board of directors had six regularly scheduled meetings and six special meetings during the 2008 fiscal year. Each of the Company's directors participated in at least 75% of the meetings of the board of directors and the committees of the board on which he served during 2008.



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### **Director Independence**

The board of directors has determined that each director other than Joseph M. Grant, George F. Jones, Jr., and Peter B. Bartholow qualifies as an Independent Director as defined in the Nasdaq Stock Market listing standards and as further defined by recent statutory and rule changes.

### **Committees of the Board of Directors and Meeting Attendance**

The board of directors had three standing committees during 2008.

*Governance and Nominating Committee.* The Governance and Nominating Committee has the power to act on behalf of the board of directors and to direct and manage the business and affairs of the Company whenever the board of directors is not in session. Governance and Nominating Committee members are J. R. Holland, Jr. (Chairman), Frederick B. Hegi, Jr., and Robert W. Stallings. The Committee evaluates and recommends candidates for election as directors, makes recommendations concerning the size and composition of the board of directors, develops and implements the Company's corporate governance policies, develops specific criteria for director independence and assesses the effectiveness of the board of directors. Each member of the Committee is an independent director. The Company's board of directors has adopted a charter for the Governance and Nominating Committee. A current copy of the charter is available on the Company's website at [www.texascapitalbank.com](http://www.texascapitalbank.com). During 2008, the Governance and Nominating Committee met sixteen times. During 2008, the Governance and Nominating Committee acted as the Pricing Committee for the private placement of 4 million shares of the Company's common stock in September 2008. One of the sixteen meetings noted above was a pricing meeting.

In evaluating and determining whether to nominate a candidate for a position on the Company's board of directors, the Governance and Nominating Committee considers high professional ethics and values, relevant management experience and a commitment to enhancing stockholder value. In evaluating candidates for nomination, the Committee utilizes a variety of methods. The Committee regularly assesses the size of the board of directors, whether any vacancies are expected due to retirement or otherwise, and the need for particular expertise on the board of directors. Candidates may come to the attention of the Committee from current directors, stockholders, professional search firms, officers or other persons. The Committee will review all candidates in the same manner regardless of the source of the recommendation.

*Audit Committee.* The Company has an Audit Committee comprised of independent directors that reviews the professional services and independence of the Company's independent registered public accounting firm and its accounts, procedures and internal controls. The board of directors has adopted a written charter for the Audit Committee. A current copy of the charter is available on the Company's website at [www.texascapitalbank.com](http://www.texascapitalbank.com). The Audit Committee recommends to the board of directors the firm selected to be the Company's independent registered public accounting firm and monitors the performance of such firm, reviews and approves the scope of the annual audit, reviews and evaluates with the independent registered public accounting firm the Company's annual audit and annual consolidated financial statements. The Committee reviews with management the status of internal accounting controls, evaluates problem areas having a potential financial impact on the Company that may be brought to its attention by management, the independent registered public accounting firm or the board of directors, and evaluates all of the Company's public financial reporting documents. The Committee also directs the activities of the Company's risk management committee which is comprised of key members of management, including the CEO, CFO, President of the Bank and others with responsibility for credit policy and operations. The Audit Committee is comprised of three Independent

directors: W. W. McAllister III (Chairman), Steven P. Rosenberg, and Ian J. Turpin. During 2008, the Audit Committee met eight times.



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*Audit Committee Financial Expert.* The board of directors has determined that each of the three audit committee members is financially literate under the current listing standards of Nasdaq. The board of directors also determined that all three members qualify as audit committee financial experts as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002.

*Human Resources Committee.* The Human Resources Committee ( HR Committee ) is empowered to advise management and make recommendations to the board of directors with respect to the compensation and other employment benefits of executive officers and key employees of the Company. The Human Resources Committee also administers the Company's long-term incentive stock plans for officers and key employees and the Company's incentive bonus programs for executive officers and employees. A copy of the HR Committee Charter is available on the Company's website at [www.texascapitalbank.com](http://www.texascapitalbank.com). The HR Committee members are Frederick B. Hegi, Jr. (Chairman), Lee Roy Mitchell, Steven P. Rosenberg, and John C. Snyder. During 2008, the Human Resources Committee met nine times.

## **Communications With the Board**

Stockholders may communicate with the board of directors, including the non-management directors, by sending an e-mail to [bod@texascapitalbank.com](mailto:bod@texascapitalbank.com) or by sending a letter to the board of directors, c/o Corporate Secretary, 2000 McKinney Avenue, 7<sup>th</sup> Floor, Dallas, Texas 75201. The Corporate Secretary has the authority to disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications. If deemed an appropriate communication, the Corporate Secretary will submit your correspondence to the Chairman of the board or to any specific director to whom the correspondence is directed.

## **Report of the Audit Committee**

The Audit Committee's general role as an audit committee is to assist the board of directors in overseeing the Company's financial reporting process and related matters. Each member of the Audit Committee is Independent as defined in Rule 4200(a)(14) of the listing standards of the Nasdaq Stock Market, Inc.

The Audit Committee has reviewed and discussed with the Company's management and the Company's independent registered public accounting firm the audited financial statements of the Company contained in the Company's Annual Report to Stockholders for the year ended December 31, 2008.

The Audit Committee has also discussed with the Company's independent registered public accounting firm the matters required to be discussed pursuant to SAS 61 (Communication with Audit Committees). The Audit Committee has received and reviewed the written disclosures and the letter from Ernst & Young LLP required by Rule 3526 of the Public Company Accounting Oversight Board, *Communication with Audit Committees Concerning Independence*, and has discussed with Ernst & Young LLP such independent registered public accounting firm's independence. The Audit Committee has also considered whether the provision of non-audit services to the Company by Ernst & Young LLP is compatible with maintaining their independence.

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Based on the review and discussion referred to above, the Audit Committee recommended to the board of directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the Securities and Exchange Commission.

This report is submitted on behalf of the Audit Committee.

W. W. McAllister III, Chairperson

Steven P. Rosenberg

Ian J. Turpin

**Code of Business Conduct and Ethics**

The Company has adopted a code of business conduct and ethics that applies to all its employees, including its chief executive officer, chief financial officer and controller. The Company has made the code of conduct available on its website at [www.texascapitalbank.com](http://www.texascapitalbank.com).

**Table of Contents****COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information as of March 31, 2009 concerning the beneficial ownership of the Company's voting common stock by: (a) each director, director nominee and executive officer, (b) each person the Company knows to beneficially own more than 5% of the issued and outstanding shares of a class of common stock, and (c) all of the Company's executive officers and directors as a group. The persons named in the table have sole voting and investment power with respect to all shares they owned, unless otherwise noted. In computing the number of shares beneficially owned by a person and the percentage of ownership held by that person, shares of common stock subject to options, RSUs, or SARs held by that person that are currently exercisable or will become exercisable within 60 days after March 31, 2009 are deemed exercised and outstanding, while these shares are not deemed exercised and outstanding for computing percentage ownership of any other person.

Name(1)	Number of Shares of Common Stock Beneficially Owned	Percent of Shares of Common Stock Outstanding**
Peter B. Bartholow	88,998(2)	*
C. Keith Cargill	121,327(3)	*
Joseph M. (Jody) Grant	596,066(4)	1.92%
Frederick B. Hegi, Jr.	226,093(5)	*
Larry L. Helm	2,100(6)	*
J. R. Holland, Jr.	291,636(7)	*
George F. Jones, Jr.	164,441(8)	*
W. W. McAllister III	52,600(9)	*
Lee Roy Mitchell	228,818(10)	*
Steven P. Rosenberg	48,600(11)	*
John C. Snyder	196,600(12)	*
Robert W. Stallings	20,600(13)	*
Ian J. Turpin	99,617(14)	*
T. Rowe Price Associates, Inc.	3,056,200(15)	9.86%
Sandler O'Neill Asset Management, LLC	1,580,000(16)	5.10%
All 13 officers and directors and 5% owners as a group	6,773,696	21.84%**

\* Less than 1% of the issued and outstanding shares of the class.

\*\* Percentage is calculated on the basis of 31,014,158 shares, the total number of shares of voting common stock outstanding on March 31, 2009.

(1) Unless otherwise stated, the address for each person in this table is 2000 McKinney Avenue, 7th Floor, Dallas, Texas 75201.

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Includes 38,000 shares held by Mr. Bartholow and 50,000 shares of common stock that may be acquired upon exercise of options. Also includes 998 shares of vested restricted stock units. Does not include 2,633 vested SARs as the exercise price is greater than the current market price.

- (3) Includes 49,044 shares held by Mr. Cargill and 71,476 shares held by Cargill Lakes Partners, Ltd. Mr. Cargill is the President of Cargill Lakes Partners general partner, Cargill Lakes, Inc. Includes 807 shares of vested restricted stock units. Does not include 2,128 vested SARs as the exercise price is greater than the current market price.
- (4) Includes 557,753 shares held by Mr. Grant. Also includes 37,550 shares which are currently held in irrevocable trusts and of which Mr. Grant disclaims beneficial ownership. Also includes 763 shares of vested restricted stock units. Does not include 10,064 vested SARs as the exercise price is greater than the current market price.

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- (5) Includes 137,132 shares held by Valley View Capital Corp. Retirement Savings Trust for the benefit of Mr. Hegi, 24,252 shares held by the F.B. Hegi Trust of which Mr. Hegi is the beneficiary, and 44,409 shares held directly by Mr. Hegi. Also includes 20,000 shares that may be acquired upon exercise of options and 300 shares of vested restricted stock units. Does not include 2,200 vested SARs as the exercise price is greater than the current market price.
- (6) Includes 1,800 shares owned personally by Mr. Helm and 300 shares of vested restricted stock units. Does not include 2,200 vested SARs as the exercise price is greater than the current market price.
- (7) Includes 271,036 shares held by Lamar Hunt Trust Estate of which Mr. Holland is the Trustee. Also includes 300 shares held by Hunt Capital Group, LLC of which Mr. Holland is President and Chief Executive Officer and 20,000 shares that may be acquired upon exercise of options that are issued in the name of Hunt Capital Group, LLC. Also includes 200 shares of vested restricted stock units that are issued in the name of Hunt Capital Group, LLC and 100 shares of vested restricted stock units issued in the name of Lamar Hunt Trust Estate. Does not include 2,200 vested SARs as the exercise price is greater than the current market price.
- (8) Includes 146,818 shares held by G & M Partners Ltd., of which Mr. Jones is the Managing General Partner, and 16,455 shares held directly by Mr. Jones. Also includes 1,168 shares of vested restricted stock units. Does not include 3,082 vested SARs as the exercise price is greater than the current market price.
- (9) Includes 32,300 shares held directly by Mr. McAllister and 20,000 shares that may be acquired upon the exercise of options. Also includes 300 shares of vested restricted stock units. Does not include 2,200 vested SARs as the exercise price is greater than the current market price.
- (10) Includes 208,218 shares held by T&LRM Family Partnership Ltd. Mr. Mitchell is the Chief Executive Officer of PBA Development, Inc., which is the general partner of T&LRM and 300 shares owned personally by Mr. Mitchell. Also includes 20,000 shares that may be acquired upon exercise of options, and 300 shares of vested restricted stock units. Does not include 2,200 vested SARs as the exercise price is greater than the current market price.
- (11) Includes 28,300 shares held by Mr. Rosenberg and 20,000 shares that may be acquired upon exercise of options, and 300 shares of vested restricted stock units. Does not include 2,200 vested SARs as the exercise price is greater than the current market price.
- (12) Includes 50,000 shares held by Snyder Family Investments, L.P., of which Snyder Operating Company LLC is the general partner. Mr. Snyder is the President of Snyder Operating Company LLC. Also, includes 66,000 shares of common stock, held by the NTS/JCS Charitable Remainder Unitrust, of which Mr. Snyder is the trustee. Also includes 60,000 shares of common stock, held by the Nancy and John Snyder Foundation. Mr. Snyder disclaims beneficial ownership of the shares held by the Nancy and John Snyder Foundation. Includes 300 shares owned personally by Mr. Snyder, 20,000 shares that may be acquired upon exercise of options, and 300 shares of vested restricted stock units. Does not include 2,200 vested SARs as the exercise price is greater than the current market price.
- (13) Includes 300 shares of common stock and 20,000 shares that may be acquired upon exercise of options, and 300 shares of vested restricted stock units. Does not include 2,200 vested SARs as the exercise price is greater than the current market price.
- (14)

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Includes 10,300 shares held by Mr. Turpin and 69,017 shares held by his spouse, Luci Baines Johnson. Also includes 20,000 shares that may be acquired upon exercise of options, and 300 shares of vested restricted stock units. Does not include 2,200 vested SARs as the exercise price is greater than the current market price.

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- (15) These securities are owned by various individual and institutional investors for which T. Rowe Price Associates, Inc. serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, T. Rowe Price Associates, Inc. is deemed to be a beneficial owner of such securities; however, T. Rowe Price Associates, Inc. expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (16) These securities are owned by various individual and institutional investors for which Sandler O'Neill Asset Management, LLC serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Sandler O'Neill Asset Management, LLC is deemed to be a beneficial owner of such securities; however, Sandler O'Neill Asset Management, LLC expressly disclaims that it is, in fact, the beneficial owner of such securities.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

This Compensation Discussion and Analysis addresses the aspects of our compensation programs and explains our compensation philosophy, policies and practices with respect to our chief executive officer, chief financial officer, president, and chief lending officer, which are collectively referred to as our named executive officers.

**Oversight of Executive Compensation Program**

The Human Resources Committee of our board of directors oversees our executive compensation programs. Each member of the HR Committee is an independent director as defined in Rule 4200(a)(14) of the Nasdaq Stock Market, Inc. The HR Committee has developed and applied a compensation philosophy that focuses on a combination of incentive compensation, in both cash and equity-linked programs, which is directly linked to performance and creation of stockholder value, coupled with a competitive level of base compensation. The objective for the named executives, relationship managers and key management is to have a substantial portion of total compensation derived from performance-based incentives.

The HR Committee works diligently throughout the year in its conferences, formal meetings, discussions with consultants, interaction with management and review of materials developed for it. The HR Committee works very closely with executive management, primarily our chief executive officer ( CEO ), in assessing the appropriate compensation approach and levels. The HR Committee is empowered to advise management and make recommendations to the board of directors with respect to the compensation and other employment benefits of executive officers and key employees of the Company. The HR Committee also administers the Company's long-term compensation plans for executive officers and key employees and the Company's incentive bonus programs for executive officers and employees.

The HR Committee regularly reviews the Company's compensation programs to ensure that remuneration levels and incentive opportunities are competitive and reflect performance. Factors taken into account in assessing the compensation of individual officers include the officer's performance and contribution to the Company, experience, strategic impact, external equity or market value, internal equity or fairness, and retention priority. The various components of the compensation programs for executive officers are discussed below in the Executive Compensation Program Overview.

**Objectives of Executive Compensation**

We seek to provide a compensation package for our named executive officers that is driven primarily by the overall financial performance of the Company. We believe that the performance of each of the executives impacts our overall, long-term profitability and therefore have the following goals for compensation programs impacting the named executive officers of the Company:

to provide motivation for the named executive officers and to enhance stockholder value by linking their compensation to the value of our common stock;

to retain the executive officers, relationship managers, and key management who lead the Company and the Bank;



to allow the Company and the Bank to attract highly qualified executive officers in the future by providing total compensation opportunities consistent with those provided in the industry and commensurate with the Company's business strategy and performance objectives; and

to maintain reasonable fixed compensation costs by targeting base salaries at a competitive average.

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During 2008, the HR Committee engaged the services of an independent, executive compensation consulting firm, Longnecker and Associates ( L&A ), to assist the HR Committee in its review of total direct compensation and contract provisions for the CEO, CFO and President of the Bank, as well as other senior executives for whom contracts were subject to review and renewal. L&A only provides executive compensation consulting services under the direction of the HR Committee and does not provide any additional services to the Company.

**Market Competitive Analysis Methodology**

L&A provided the HR Committee with a market competitive executive compensation analysis for the named executive officers including: base salary, annual incentives and long-term incentives.

This analysis was performed by utilizing two primary sources of information: 1) peer company proxy statements and 2) published survey sources. Each of the two primary sources were weighted 50% to create a market 50th and 75th percentile for comparison purposes.

*Peer Company Proxy Data.* The HR Committee and L&A, with input from the Company's management established a list of eleven high performance peer companies which historically had records of high performance for 2008 comparison purposes. The following companies were selected based upon long-term performance, asset size, market capitalization size and business operations in commercial banking and financial services (in millions):

<b>Company Name</b>	<b>Total Assets as of 12/31/08</b>	<b>Market Cap as of March 2009</b>
Amegy Bank(1)	\$ 12,354	N/A
Boston Private Financial Holdings	7,266	\$ 223.76