

TEXAS CAPITAL BANCSHARES INC/TX

Form DEF 14A

April 09, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
PROXY STATEMENT**

Pursuant to Section 14(a) of the Securities 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 §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):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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April 9, 2007

Dear TCBI Shareholder:

I am pleased to present your Company's 2006 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 15, 2007  
10:00 a.m.  
2100 McKinney Avenue, 9th 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.

We encourage you to review carefully the accompanying materials and sign, date, and return the enclosed proxy card promptly. If you attend the Annual Meeting, you may vote in person, even if you have previously mailed a proxy.

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,

Joseph M. Grant  
Chairman and Chief Executive Officer

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**TEXAS CAPITAL BANCSHARES, INC.**

2100 McKinney Avenue

9th Floor

Dallas, Texas 75201

**NOTICE OF ANNUAL STOCKHOLDERS MEETING**

**To be held May 15, 2007**

**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 15, 2007, at 10:00 a.m. at the offices of the Company located at 2100 McKinney Avenue, 9th Floor, Dallas, Texas 75201.

A proxy statement and proxy card for this Annual Meeting are enclosed. The Annual Meeting is for the purpose of considering and voting upon the following matters:

1. election of thirteen (13) directors for terms of one year each or until their successors are elected and qualified, and
2. 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 26, 2007 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, sign, date and return the enclosed proxy in the enclosed self-addressed envelope as promptly as possible. If you attend the Annual Meeting, you may vote your shares in person, even though you have previously signed and returned your proxy.

By order of the board of directors,

Joseph M. Grant  
Chairman and Chief Executive Officer

April 9, 2007  
Dallas, Texas

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**TEXAS CAPITAL BANCSHARES, INC.**

2100 McKinney Avenue

9th Floor

Dallas, Texas 75201

**PROXY STATEMENT  
FOR THE ANNUAL STOCKHOLDERS MEETING  
ON MAY 15, 2007**

**MEETING INFORMATION**

This proxy statement is being furnished to the stockholders of Texas Capital Bancshares, Inc. (the Company) on or about April 9, 2007, 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 15, 2007, at 10:00 a.m. at the offices of the Company located at 2100 McKinney, 9th Floor, Dallas, Texas 75201. The Company is the parent corporation of Texas Capital Bank, National Association (the Bank).

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

1. election of thirteen (13) directors for terms of one year each or until their successors are elected and qualified, and
2. 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.

Your proxy will be voted in accordance with the directions you specify in the proxy. If you do not provide directions in the proxy but sign the proxy and return it, your proxy will be voted (a) FOR each of the nominees for director named in the proxy statement, and (b) in the discretion of the proxy holders, for any other proposals that properly come before the Annual Meeting.

Only those stockholders that owned shares of the Company's voting common stock on March 26, 2007, 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 26,101,994 shares of voting common stock outstanding held by 492 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 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. 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.

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**SOLICITATION AND VOTING 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 by completing the enclosed proxy card and returning it signed and dated in the enclosed postage paid envelope. Your proxy will be voted in accordance with the directions you provide. If you sign, date and return your proxy but do not provide any instructions, your proxy will be voted FOR each of the nominees as directors.

Other than the election of thirteen (13) directors, 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.

A plurality of the votes cast in person or by proxy by the holders of voting common stock is required to elect a director. The 13 nominees receiving a plurality of votes cast by the holders of voting common stock will be elected as directors. Abstentions and broker non-votes will have no effect on the outcome of the election of directors, assuming a quorum is present or represented by proxy at the Annual Meeting. There will be no cumulative voting in the election of directors.

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 thirteen (13) directors on the board of directors. 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 thirteen (13) 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>Joseph M. (Jody) Grant</b> | 68         | Director; Chairman, Chief Executive Officer  |
| <b>George F. Jones, Jr.</b>   | 63         | Director; President; President and Chief Executive Officer of Texas Capital Bank, N.A. |
| <b>Peter B. Bartholow</b>     | 58         | Director; Chief Financial Officer  |
| <b>Leo F. Corrigan III</b>    | 53         | Director   |
| <b>Frederick B. Hegi, Jr.</b> | 63         | Director   |
| <b>Larry L. Helm</b>          | 59         | Director   |
| <b>James R. Holland, Jr.</b>  | 63         | Director   |
| <b>W. W. McAllister III</b>   | 65         | Director   |
| <b>Lee Roy Mitchell</b>       | 70         | Director   |
| <b>Steven P. Rosenberg</b>    | 48         | Director   |
| <b>John C. Snyder</b>         | 65         | Director   |
| <b>Robert W. Stallings</b>    | 57         | Director   |
| <b>Ian J. Turpin</b>          | 62         | Director   |

*Joseph M. (Jody) Grant* has been the Chairman of the Board and Chief Executive Officer since the Company commenced operations in 1998. In addition, he currently serves as the Chairman of the Board of the Bank. Prior to co-founding the Company, Mr. Grant served as Executive Vice President, Chief Financial Officer and a member of the board of directors of Electronic Data Systems Corporation from 1990 to March 1998. From 1986 to 1989, Mr. Grant had served as the Chairman and Chief Executive Officer of Texas American Bancshares, Inc.

*George F. Jones, Jr.* has served as the Chief Executive Officer and President of the Bank since its inception in December 1998. Mr. Jones was also a founder of Resource Bank, the predecessor bank. From 1993 until 1995, Mr. Jones served as an Executive Vice President of Comerica Bank, which acquired NorthPark National Bank in 1993. From 1986 until Comerica's acquisition of NorthPark in 1993, Mr. Jones served as either NorthPark's President or President and Chief Executive Officer.

*Peter B. Bartholow* has served as the Chief Financial Officer since October 6, 2003. Mr. Bartholow had served as a Managing Partner with Hat Creek Partners, a Dallas, Texas private equity firm from January 1999 to October 2003. Prior to joining Hat Creek Partners, he was Vice President of Corporate Finance of EDS and also served on A.T. Kearney's board of directors during that time.

*Leo F. Corrigan III* has been a director since September 2001. He has served as President of Corrigan Securities, Inc., a real estate investment company since 1972. Mr. Corrigan was a director of Texas Capital Bank from December 1998 to September 2001.

*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 and Lone Star Technologies, Inc.

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

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*James R. Holland, Jr.* has been a director since June 1999. 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 Chief Trustee of the Lamar Hunt Trust Estate since 1991. Mr. Holland currently serves on the board of directors of Placid Holding Company and International Surface Preparation Corporation.

*W. W. McAllister III* has been a director since June 1999. He served as Chairman of the Texas Insurance Agency Group of Companies, a group of affiliated property and casualty insurance agencies, from 1992 until his retirement in March 2002.

*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. He was a director of Texas Capital Bank from 1999 to September 2001.

*John C. Snyder* has served as a director since June 1999. He has also served as Chairman of Snyder Operating Company LLC, an investment company, since June 2000. From 1977 to 1999, Mr. Snyder served as Chairman of the Board of Directors and Chief Executive Officer of Snyder Oil Corporation, an energy exploration and production company. In 1999, Snyder Oil Corporation was merged into Santa Fe Snyder Corporation, an energy exploration and production company, where Mr. Snyder served as Chairman of the Board of Directors through June 2000 when it was merged into Devon Energy Corporation. He also currently serves as a director of SOCO International plc, a UK oil and gas exploration company and advisory director of 4-D Global Energy, a French private equity company, focused on international energy investments.

*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. From 1991 to 2001, Mr. Stallings served as Chief Executive Officer of Pilgrim Capital Group, an investment company. He is currently Executive Chairman of the Board of Gainsco, Inc.

*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 U.S., 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.**

## **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 one special meeting

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during the 2006 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 2006.

### **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 2006.

*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 James 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).

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 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 Audit Committee is comprised of four independent directors: W. W. McAllister III (Chairman), Leo F. Corrigan III, Steven P. Rosenberg, and Ian J. Turpin. During 2006, the Audit Committee met eight times.

*Audit Committee Financial Expert.* The board of directors has determined that each of the four audit committee members is financially literate under the current listing standards of the Nasdaq. The board

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of directors also determined that W.W. McAllister III, Steven P. Rosenberg, and Ian J. Turpin qualify as audit committee financial experts as defined by the Securities and Exchange Commission ( SEC ) rules adopted pursuant to the Sarbanes-Oxley Act of 2002.

*Human Resources Committee.* The Human Resources 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 Human Resources Committee members are Frederick B. Hegi, Jr. (Chairman), Lee Roy Mitchell, Steven P. Rosenberg, and John C. Snyder. During 2006, the Human Resources Committee met formally three times, and convened numerous additional conferences and other informal meetings without management present.

## **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, 2100 McKinney Avenue, 9th 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. The board of directors adopted a written Amended and Restated Charter of the Audit Committee dated March 16, 2004, a copy of which was included as Exhibit A to the Company's proxy statement in connection with the 2004 annual meeting of stockholders and on the Company's website at [www.texascapitalbank.com](http://www.texascapitalbank.com). 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, 2006.

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 Independence Standards Standard No. 1 (titled, Independence Discussions with Audit Committees ), 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, 2006, filed with the Securities and Exchange Commission.

This report is submitted on behalf of the Audit Committee.

W. W. McAllister III, Chairperson

Leo F. Corrigan III

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 <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, 2007 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, 2007 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<br>of<br>Common Stock<br>Beneficially Owned | Percent of<br>Shares<br>of Common<br>Stock<br>Outstanding** |
|---|--|---|
| Peter B. Bartholow  | 78,163(2)  | *   |
| C. Keith Cargill  | 168,284(3)   | *   |
| Leo F. Corrigan III                                       | 112,700(4)   | *   |
| Joseph M. (Jody) Grant                                    | 805,224(5)   | 3.09%   |
| Frederick B. Hegi, Jr.                                    | 223,218(6)   | *   |
| Larry L. Helm   | 100(7)   | *   |
| James R. Holland, Jr.                                     | 288,736(8)   | 1.11%   |
| George F. Jones, Jr.                                      | 236,239(9)   | *   |
| W. W. McAllister III                                      | 49,700(10)   | *   |
| Lee Roy Mitchell  | 225,918(11)  | *   |
| Steven P. Rosenberg                                       | 45,700(12)   | *   |
| John C. Snyder  | 312,700(13)  | 1.20%   |
| Robert W. Stallings                                       | 64,842(14)   | *   |
| Ian J. Turpin   | 96,717(15)   | *   |
| T. Rowe Price Associates, Inc.                            | 2,198,500(16)  | 8.42%   |
| Transamerica Investment Management, LLC                   | 2,709,847(17)  | 10.38%  |
| All 13 officers and directors as a group (2) through (15) | 2,708,241  | 10.26%**  |

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

\*\* Percentage is calculated on the basis of 26,101,994 shares, the total number of shares of voting common stock outstanding on March 31, 2007.

(1) Unless otherwise stated, the address for each person in this table is 2100 McKinney Avenue, 9th Floor, Dallas, Texas 75201.

- (2) Includes 47,165 shares held by Mr. Bartholow and 30,000 shares of common stock that may be acquired upon exercise of options. Also includes 998 shares of vested restricted stock units. Does not include 878 vested SARs as the exercise price is greater than the current market price.
- (3) Includes 28,502 shares held by Mr. Cargill and 98,976 shares held by Cargill Lakes Partners, Ltd. Mr. Cargill is the President of Cargill Lakes Partners general partner, Cargill Lakes, Inc. Includes 40,000 shares of common stock that may be acquired upon exercise of options and 806 shares of vested restricted stock units. Does not include 709 vested SARs as the exercise price is greater than the current market price.

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- (4) Includes 95,000 shares held by Corrigan Holdings, Inc., of which Mr. Corrigan is President. Includes 17,600 shares that may be acquired upon exercise of options and 100 shares of vested restricted stock units. Does not include 400 vested SARs as the exercise price is greater than the current market price.
- (5) Includes 747,661 shares held by Mr. Grant. Also includes 56,800 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 3,354 vested SARs as the exercise price is greater than the current market price.
- (6) 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 44,134 shares held directly by Mr. Hegi. Also includes 17,600 shares that may be acquired upon exercise of options and 100 shares of vested restricted stock units. Does not include 400 vested SARs as the exercise price is greater than the current market price.
- (7) Includes 100 shares of vested restricted stock units. Does not include 400 vested SARs as the exercise price is greater than the current market price.
- (8) Includes 271,036 shares held by Hunt Capital Partners, L.P. of which Mr. Holland is President and Chief Executive Officer. Also includes 17,600 shares that may be acquired upon exercise of options that are issued in the name of Hunt Capital Group, LLC, of which Mr. Holland is Chief Executive Officer. Also includes 100 shares of vested restricted stock units that are issued in the name of Hunt Capital Group, LLC, of which Mr. Holland is Chief Executive Officer. Does not include 400 vested SARs as the exercise price is greater than the current market price.
- (9) Includes 150,918 shares held by G & M Partners Ltd., of which Mr. Jones is the Managing General Partner, 34,153 shares held directly by Mr. Jones, and 50,000 shares that may be acquired upon exercise of options. Also includes 1,168 shares of vested restricted stock units. Does not include 1,027 vested SARs as the exercise price is greater than the current market price.
- (10) Includes 32,000 shares held directly by Mr. McAllister and 17,600 shares that may be acquired upon the exercise of options. Also includes 100 shares of vested restricted stock units. Does not include 400 vested SARs as the exercise price is greater than the current market price.
- (11) 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. Also includes 17,600 shares that may be acquired upon exercise of options, and 100 shares of vested restricted stock units. Does not include 400 vested SARs as the exercise price is greater than the current market price.
- (12) Includes 28,000 shares held by Mr. Rosenberg and 17,600 shares that may be acquired upon exercise of options, and 100 shares of vested restricted stock units. Does not include 400 vested SARs as the exercise price is greater than the current market price.
- (13) Includes 160,000 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 75,000 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. Also includes 17,600 shares that may be acquired upon exercise of options, and 100 shares of vested restricted stock

units. Does not include 400 vested SARs as the exercise price is greater than the current market price.

- (14) Includes 47,142 shares of common stock and 17,600 shares that may be acquired upon exercise of options, and 100 shares of vested restricted stock units. Does not include 400 vested SARs as the exercise price is greater than the current market price.

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- (15) Includes 10,000 shares held by Mr. Turpin and 69,017 shares held by his spouse, Luci Baines Johnson. Also includes 17,600 shares that may be acquired upon exercise of options, and 100 shares of vested restricted stock units. Does not include 400 vested SARs as the exercise price is greater than the current market price.
- (16) These securities are owned by various individual and institutional investors 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.
- (17) These securities are owned by various individual and institutional investors which Transamerica Investment 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, Transamerica Investment Management, LLC is deemed to be a beneficial owner of such securities; however, Transamerica Investment 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 ( HR 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 shareholder 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 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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***Compensation Consultants***

The Company uses the services of The Whitney Smith Company to conduct reviews of compensation approaches and levels for relationship managers, key management and the named executives. The study was directed to cover competitive base salaries, annual bonuses, and total annual cash compensation. The survey information provided by The Whitney Smith Company uses survey information compiled from information from recognized sources including the Economic Research Institute, Watson Wyatt, Mercer, Delves Group, and World at Work. In addition to the published survey information, publicly available information from a selected peer group was considered.

In addition to information provided by the consultant to the Company, the HR Committee uses consultants to advise on best practices, industry standards, and general compensation arrangements. During 2005, the HR Committee retained Longnecker and Associates in the evaluation of executive compensation with specific emphasis on long-term and equity-based incentives. This engagement included conducting a third party market assessment to determine the range of competitive compensation with respect to the named executive officers and additional key management positions, and making recommendations for annual and long-term incentive programs. The survey information provided by Longnecker was compiled from recognized sources including those relied upon by The Whitney Smith Company. In addition to the published survey information, publicly available information from a selected peer group was considered.

With a principal focus on those companies with similar commercial banking emphasis and relevance to growth objectives and competitive employment conditions in lines of businesses critical to the Company's success, both consultants considered data for banks with assets of \$2.5 billion to \$3.0 billion as well as banks with \$5.0 billion to \$10.0 billion in assets. Based on our significant growth since inception and future growth aspirations, as well as the fact that key employees are consistently, and almost exclusively, recruited from much larger banks and financial service firms, we believe the approach including commercially-focused competitors with asset sizes ranging from \$2.5 billion to \$10.0 billion was appropriate.

Peer companies considered by the consultants included the following:

Amegy Bancorporation;  
Cullen Frost Bancshares, Inc.;  
East West Bancorp;  
First Charter Corporation;  
Frontier Financial Corporation;  
Private Bancorp, Inc.;  
Prosperity Bancshares, Inc.;  
Sandy Spring Bancorp, Inc.;  
Silicon Valley Bancorp, Inc.;  
Sterling Bancshares, Inc.;  
Summit Bancshares, Inc.;  
Texas Regional Bancshares;  
WestAmerica Bancorporation; and  
Wintrust Financial Corporation.

During 2006, the HR Committee and CEO continued to use the assistance of Longnecker and Associates in establishing long term equity grants for the named executive officers, relationship managers and key management. Equity grants consisting of restricted stock units, or RSUs, and stock appreciation rights, or SARs, were granted in April 2006. As a result of additional consultation and evaluation of market conditions, which have become

increasingly competitive for key personnel, more significant grants were awarded to a limited number of key management in December 2006 and to the named executive officers in January 2007. A description of the executive grants is included in the Executive Compensation Program Overview below.

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***Executive Compensation Program Overview***

The executive compensation package available to our named executive officers is comprised of:

- base salary;
- annual incentive awards;
- long-term incentive compensation, including SARs, Performance SARs ( PSARs ) and RSUs; and
- other welfare and health benefits.

***Base Salary***

Base salary is designed to provide competitive levels of base compensation to our executives and be reflective of their experience, duties and scope of responsibilities. We pay competitive base salaries required to recruit and retain executives of the quality that we must employ to ensure the success of our Company. Base salaries for the named executive officers are not always adjusted on an annual basis. They were adjusted in October 2005, but were not adjusted during 2006. The HR Committee determines the appropriate level and timing of increases in base compensation for the CEO and the other named executive officers upon consideration of the recommendation of the CEO with respect to the other named executives.

In making determinations of salary levels for the named executives, the HR Committee considers the entire compensation package for executive officers, including the equity compensation provided under long-term compensation plans. The Company intends for the salary levels to be consistent with competitive practices of comparable institutions and each executive's level of responsibility. The HR Committee determines the level of any salary increase after reviewing:

- the qualifications, experience and performance of the executive officers;
- the compensation paid to persons having similar duties and responsibilities in other competitive institutions; and
- the nature of the Bank's business, the complexity of its activities and the importance of the executives' experiences to the success of the business.

The HR Committee reviewed a survey of compensation paid to executive officers performing similar duties for depository institutions and their holding companies and considered compensation levels applicable to executives in non-bank financial and professional services companies. The HR Committee reviews and adjusts the base salaries of the Company's executive officers when deemed appropriate.

***Annual Incentive Compensation***

Annual incentive compensation is designed to provide competitive levels of compensation based on experience, duties and scope of responsibilities. In addition, our annual incentive program is designed to insure that variable compensation based on the Company's profitability is a significant component of total cash compensation for the named executives. The HR Committee uses the annual incentive compensation to motivate and reward the named executive officers for achievement of strategic, business and financial objectives.

Pursuant to the cash incentive program developed by the Company and approved by the HR Committee, the Company establishes a bonus pool each year, and the size of the pool is derived as a percentage of the Company's pre-tax

income. The amount of the incentive pool is incorporated in the annual business and financial plan approved by the Board of Directors and is adjusted during the year, based on actual results compared to the approved financial plan. After verification of final results, the total pool is allocated among three distinct groups: the named executive officers, relationship managers generally responsible for lending and other service offerings, and key management, which includes persons who oversee and provide critical

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support in such areas as finance, operations, funding, investments and credit policy. Executive management determines allocations within production and key management groups pursuant to the approved program. The CEO submits recommendations for incentive compensation for the named executive officers other than the CEO. The HR Committee determines the incentive payment for the CEO and considers the recommendation of the CEO in its final determinations of awards to be paid to the other named executives.

In determining awards of annual cash incentives the HR Committee considers the entire compensation package of each of the executive officers. The bonus awards are intended to be consistent with each executive officer's level of responsibility, competitive practices of financial institutions with comparable business characteristics and interests of shareholders. The HR Committee met in March 2007 to determine bonus compensation paid to the executive officers of the Company and the Bank during the first quarter of 2007 for 2006 performance and the amount of these bonuses paid to the named executive officers are set forth below in the Summary Compensation Table.

### ***Equity Awards***

Equity awards for our executives are granted from our 2005 Long-Term Incentive Plan (the "2005 Plan"). The HR Committee grants awards under the 2005 Plan in order to align the interests of the named executive officers with our stockholders, and to motivate and reward the named executive officers to increase the stockholder value of the Company over the long term.

The 2005 Plan became effective on May 17, 2005 and will terminate on May 17, 2015. Employees (including any employee who is also a director), consultants, contractors and non-employee directors of the Company or its subsidiaries whose judgment, initiative and efforts contributed to or may be expected to contribute to the successful performance of the Company are eligible to participate in the 2005 Plan. The 2005 Plan provides for the grant of all equity awards to officers and directors; grants may include, but are not limited to, awards of SARs, PSARs, RSUs, options, and other performance awards. In addition, the HR Committee may grant other forms of awards payable in cash or common shares if the HR Committee determines that such other form of award is consistent with the purpose and restrictions of the 2005 Plan.

Certain RSU, SAR and PSAR grants were made in April 2006 to the named executive officers and are included in the compensation tables that follow this section. The HR Committee administers awards under the 2005 Plan, sets vesting criteria, establishes performance objectives and may amend the Plan in accordance with authority approved by stockholders.

Executive management and the HR Committee believe that stock ownership is a significant incentive in aligning the interests of employees and stockholders, building stockholder value and retaining the Company's key employees. In January 2007, the named executive officers received sizeable RSU grants under the 2005 Plan outlined as follows: Joseph M. Grant 25,000 RSUs, George Jones 50,000 RSUs, Peter Bartholow 40,000 RSUs, and Keith Cargill 40,000 RSUs. Vesting of these RSUs is tied to certain stock price targets over the next six years. If none of the stock price targets are met, then the RSUs would vest at the end of six years, subject to conditions related to the executives continued employment and other provisions.

### ***Other Benefits***

#### ***2006 Employee Stock Purchase Plan***

On January 17, 2006, the Board of Directors adopted the Company's 2006 Employee Stock Purchase Plan (the "2006 ESPP"), which was approved by our stockholders at our 2006 annual meeting on May 16, 2006. The 2006 ESPP provides eligible employees of the Company (and its participating subsidiaries) with an incentive to advance the best

interests of the Company and its subsidiaries by providing them a means of voluntarily purchasing common stock at a favorable price and upon favorable terms. We believe that the participants in the 2006 ESPP have an additional incentive to promote the success of the Company's business by increasing

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their proprietary interest in the success of the Company. Participation in the 2006 ESPP is voluntary and dependent upon each eligible employee's election to participate and his or her determination of the level of participation. We believe that the 2006 ESPP is a necessary tool to help us compete effectively. At this time, it is the policy of the Company that the named executive officers are not eligible to participate in the 2006 ESPP.

### *Retirement Savings Opportunity*

All employees may participate in our 401(k) Retirement Savings Plan, or 401(k) Plan. Each employee may make before-tax contributions of up to 10% of their eligible compensation up to current Internal Revenue Service limits. We provide this 401(k) Plan to help our employees save some amount of their cash compensation for retirement in a tax efficient manner. As of 2006, the HR Committee decided that the Company would match contributions made by our employees to the 401(k) Plan based upon a formula that considers the amount contributed by the respective employee and such employee's tenure with the Company. We did not make, however, any discretionary contributions to the 401(k) Plan in the fiscal year ended December 31, 2006. We also do not provide an option for our employees to invest in our stock in the 401(k) Plan. Other than the 401(k) Plan, the Company currently does not provide or offer any retirement plans, such as defined benefit, defined contribution, supplemental executive retirement benefits, retiree medical or deferred compensation plans, to its employees or the named executive officers.

### *Health and Welfare Benefits*

All full-time employees, including our named executive officers, may participate in our health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance and life insurance. We provide these benefits to meet the health and welfare needs of employees and their families.

### *Employment Agreements*

In order to retain the Company's senior executive officers, the HR Committee and Board of Directors of the Company determined it was in the best interests of the Company to enter into employment agreements with certain officers. The named executives first entered into employment contracts in 2002 and 2003. The employment agreements with the named executives were amended and extended in December 2004. The employment contracts are referenced as exhibits to our Report on Form 10-K. We entered into these agreements to ensure that the executives perform their respective roles for an extended period of time. In addition, we also considered the critical nature of each of these positions and our need to retain these executives when we committed to the agreements.

Each of the agreements has a term of two years, subject to annual renewal, and has a compensation package that includes a base salary and bonus, as well as certain non-compete, non-solicitation and confidentiality covenants. The initial two-year term of the agreements ended in December 2006, and, upon expiration of the initial term, the agreements were renewed for an additional one-year period. Also, as part of the compensation paid, each executive is eligible to participate in the employee benefit programs and receive other perquisites generally available to the Company's other employees holding positions similar to that of the executives.

Compensation upon termination is outlined in the agreements and described in detail below. Generally, if an executive is terminated without cause or if the executive terminates the agreement for good reason, then the executive would receive:

- twelve months salary;
- an amount equal to the average incentive compensation paid during the prior two-year period; and
- continued medical insurance benefits, at the Company's expense, for a period of twelve months.





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In addition, under the agreements, the executive will receive upon a change in control, if terminated without cause or by the executive for good reason:

2.5 times the executive's base salary;

2.5 times the average of the incentive compensation paid to the executive during the prior two-year period;

immediate vesting of 50% of any equity-linked compensation, with the balance vesting over two years or upon termination; and

continued welfare and health insurance benefits, at the Company's expense, for a period of twenty-four months.

## ***Indemnification Agreements***

The Company has entered into indemnification agreements with each of its directors and officers, which may be broader than the specific indemnification provisions contained in its certificate of incorporation, bylaws or under Delaware law. These indemnification agreements may require the Company, among other things, to indemnify its officers and directors against liabilities that may arise by reason of their status or service as directors or officers. These indemnification agreements also may require the Company to advance any expenses incurred by the Company's directors or officers as a result of any proceeding against them as to which they could be indemnified. As of the date of this filing, there is no pending litigation or proceeding involving any of the Company's directors, officers, employees or agents in which indemnification by it is sought, nor is the Company aware of any threatened litigation or proceeding that may result in a claim for indemnification. The Company has purchased a policy of directors' and officers' liability insurance that insures its directors and officers against the cost of defense, settlement or payment of a judgment in certain circumstances

## ***Tax Implications of Executive Compensation***

We do not currently intend to award compensation that would result in a limitation on the deductibility of a portion of such compensation pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, other than awards that may be made under the 2005 Long-Term Incentive Plan; however, we may in the future decide to authorize other compensation in excess of the limits of Section 162(m) if we determine that such compensation is in the best interests of the Company.

Although deductibility of compensation is preferred, tax deductibility is not a primary objective of our compensation programs. We believe that achieving our compensation objectives set forth above is more important than the benefit of tax deductibility and we reserve the right to maintain flexibility in how we compensate our executive officers that may result in limiting the deductibility of amounts of compensation from time to time.

## **Report of the Human Resources Committee on the Compensation Discussion and Analysis**

The Human Resources Committee has reviewed and discussed with management the Compensation Discussion and Analysis ( CD&A ) included in this Proxy Statement. Based on such review and discussion, the HR Committee recommended to the Board that this CD&A be included in the Company's Report on Form 10-K and this Proxy Statement for filing with the Securities and Exchange Commission.

Submitted by the Human Resources Committee of the Board of Directors of Texas Capital Bancshares, Inc.

Frederick B. Hegi, Chairman  
Lee Roy Mitchell  
Steven P. Rosenberg  
John C. Snyder

Table of Contents**2006 Summary Compensation Table**

| Name and Principal Position   | Year | Salary     | Bonus | Stock Awards (A) | Option Awards (A) | Incentive Plan Compensation | Change in Pension Value and Non-qualified |                            | Total      |
|---|------|------------|-------|------------------|-------------------|-----------------------------|---|----------------------------|------------|
|   |      |            |       |                  |                   |                             | Deferred Compensation                     | All Other Compensation (B) |            |
| <b>Joseph M. Grant</b><br><i>Chairman and CEO of Texas Capital Bancshares</i>   | 2006 | \$ 340,000 | \$    | \$ 75,683        | \$ 66,598         | \$ 213,500                  | \$  | \$ 16,598                  | \$ 712,379 |
| <b>George F. Jones, Jr.</b><br><i>President of Texas Capital Bancshares and President and CEO of Texas Capital Bank</i> | 2006 | 295,000    |       | 75,136           | 42,110            | 187,250                     |   | 20,798                     | 620,294    |
| <b>Peter B. Bartholow</b><br><i>Chief Financial Officer</i>   | 2006 | 270,000    |       | 79,209           | 59,857            | 172,750                     |   | 8,300                      | 590,116    |
| <b>C. Keith Cargill</b><br><i>Chief Lending Officer</i>   | 2006 | 235,000    |       | 48,184           | 28,588            | 144,500                     |   | 14,676                     | 470,948    |

(A) The amounts in these columns reflect the dollar amount expensed for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with FAS 123(R) of awards pursuant to the 2005 Plan and 1999 Plan and thus may include amounts from awards granted in and prior to 2006. Assumptions used in the calculation of these amounts are included in footnote 10 of the Company's audited financial statements for the fiscal year ended December 31, 2006, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on or around March 2, 2007. Stock awards are comprised of restricted stock units (RSUs). Option awards are comprised of stock options, stock appreciation rights (SARs) and performance stock appreciation rights (PSARs).

(B) See additional description in 2006 All Other Compensation Table below.

**2006 All Other Compensation Table**

| Perquisites and Other Personal | Tax | Insurance | Company Contributions to Retirement | Severance Payments | Change in Control Payments/ |
|--------------------------------|-----|-----------|-------------------------------------|--------------------|-----------------------------|
|--------------------------------|-----|-----------|-------------------------------------|--------------------|-----------------------------|

| Name                 | Year | and 401(k) |                |          |          | Total     |
|----------------------|------|------------|----------------|----------|----------|-----------|
|                      |      | Benefits   | Reimbursements | Premiums | Plans    |           |
| Joseph M. Grant      | 2006 | \$ 10,653  | \$             | \$ 1,545 | \$ 4,400 | \$ 16,598 |
| George F. Jones, Jr. | 2006 | 14,734     |                | 1,664    | 4,400    | 20,798    |
| Peter B. Bartholow   | 2006 | 7,200      |                |          | 1,100    | 8,300     |
| C. Keith Cargill     | 2006 | 10,131     |                | 145      | 4,400    | 14,676    |

(A) Perquisites include a car allowance of \$7,200 for each of the executives as well as the following club dues:  
Joseph M. Grant \$3,453; George Jones \$7,534, C. Keith Cargill \$2,931.

Table of Contents**2006 Grants of Plan Based Awards Table**

|                      |           | Estimated Future Payouts Under Non-Equity Incentive Plan Awards |             | Estimated Future Payouts Under Equity Incentive Plan Awards (A) |             | All Other Stock Awards: Number of | All Other Option Awards: Number of Securities Underlying Options | Exercise or Base Price | Grant Date Fair Value of Stock and Option Awards |          |            |
|----------------------|-----------|---|-------------|---|-------------|-----------------------------------|--|------------------------|--|----------|------------|
| Grant Date           | Threshold | Target  | Maximum (B) | Target  | Maximum (B) | (B)                               | (C)  | (D)                    | Awards   |          |            |
| Joseph M. Grant      | 4/24/06   | \$  | \$          | \$  | \$          | \$ 205,174                        | \$   | 3,816                  | 16,773   | \$ 22.65 | \$ 214,578 |
| George F. Jones, Jr. | 4/24/06   |   |             |   |             | 154,799                           |  | 5,842                  | 5,137  | 22.65    | 171,568    |
| Peter Bartholow      | 4/24/06   |   |             |   |             | 127,515                           |  | 4,991                  | 4,388  | 22.65    | 146,570    |
| C. Keith Cargill     | 4/24/06   |   |             |   |             | 104,819                           |  | 4,033                  | 3,547  | 22.65    | 118,447    |

(A) Represents award of performance stock appreciation rights on 4/24/2006 which vest if certain EPS targets are met within a three year period. If the targets are not met within their stated timeframes, they will be forfeited. The grant date fair value of the PSARs was \$5.65 utilizing the Black-Scholes option valuation model. The target estimated future payout is calculated by multiplying the fair value by the number of PSARs granted.

(B) Represents award of restricted stock units granted on 4/24/2006 which vest equally over a five year period.

(C) Represents award of stock appreciation rights granted on 4/24/2006 which vest equally over a five year period.

(D) The exercise price for each SAR award is the closing price on the date of grant.

**Table of Contents****2006 Outstanding Equity Awards at Fiscal Year-end Table**

| Name                 | Number of Securities Underlying Unexercised Options (#) (A) | Number of Securities Underlying Unexercised Options (#) (B) | Option Awards Equity Incentive Plan Awards:                 |                       | Option Exercise Price | Option Expiration Date | Market Value of Shares or Units of Stock That Have Not Vested |   | Stock Awards Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (E) |  |
|----------------------|---|---|---|-----------------------|-----------------------|------------------------|---|---|--|--|
|                      |   |   | Number of Securities Underlying Unexercised Options (#) (C) | Option Exercise Price |                       |                        | Number of Shares or Units of Stock That Have Not Vested (D)   | Market Value of Shares or Units of Stock That Have Not Vested (D) | Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (E)  |  |
| Joseph M. Grant      |   | 36,314  | 16,773  | \$ 22.65              | 04/24/2016            | \$                     | 3,816   | \$  | 75,862   |  |
| George F. Jones, Jr. | 50,000  | 27,398  | 5,137   | 22.65                 | 04/24/2016            |                        | 5,842   |   | 116,139  |  |
|                      |   |   |   | 6.25                  | 10/01/2008            |                        |   |   |  |  |
| Peter B. Bartholow   |   | 22,569  | 4,388   | 22.65                 | 04/24/2016            |                        | 4,991   |   | 99,221   |  |
|                      | 30,000  | 20,000  |   | 8.25                  | 07/09/2013            |                        |   |   |  |  |
| C. Keith Cargill     |   | 18,552  | 3,547   | 22.65                 | 04/24/2016            |                        | 4,033   |   | 80,176   |  |
|                      | 40,000  |   |   | 6.25                  | 10/01/2008            |                        |   |   |  |  |

(A) Represents stock options awarded under the 1999 Omnibus Plan that are exercisable.

(B) The first line represents performance stock appreciation rights granted on 4/24/2006 under the 2005 Plan, which vest if certain EPS targets are met within a three year period. If the targets are not met within their stated timeframes, they will be forfeited. The second line represents stock option awards granted under the 1999 Omnibus Plan which are not yet vested.

- (C) Represents award of stock appreciation rights on 4/24/2006 under the 2005 Plan which vest equally over a five year period.
- (D) Represents award of restricted stock units on 4/24/2006 under the 2005 Plan which vest equally over a five year period.
- (E) Uses 12/31/06 ending market price of \$19.88.

**Table of Contents****2006 Option Exercises and Stock Vested Table**

| Name                 | Option Awards                         |                                | Stock Awards                         |                               |
|----------------------|---------------------------------------|--------------------------------|--------------------------------------|-------------------------------|
|                      | Number of Shares Acquired on Exercise | Value Realized on Exercise (B) | Number of Shares Acquired on Vesting | Value Realized on Vesting (C) |
| Joseph M. Grant      | 34,575                                | \$ 894,600                     | 22,500(A)                            | \$                            |
| George F. Jones, Jr. |                                       |                                | 13,710                               | 475,000                       |
| Peter B. Bartholow   |                                       |                                | 8,385                                | 270,750                       |
| C. Keith Cargill     |                                       |                                | 9,194                                | 296,875                       |

(A) Mr. Grant has a tax deferral agreement and the shares were issued into a trust that is not controlled by Mr. Grant.

(B) The value realized is equal to the amount that is taxable to the executive, which was the difference between the market price of the underlying securities at exercise and the exercise price of the options.

(C) The value realized by the named executive officer upon the vesting of stock or the transfer of such instruments for value is the aggregate dollar amount realized upon vesting by multiplying the number of shares of stock or units by the market value of the underlying shares on the vesting date and is equal to the amount that is taxable to the executive.

**2006 Pension Benefits**

The table disclosing the actuarial present value of each Senior Executive's accumulated benefit under defined benefit plans, the number of years of credited service under each plan, and the amount of pension benefits paid to each Senior Executive during the year is omitted because the Company does not have a defined benefit plan for Senior Executives. The only retirement plan available to Senior Executives in 2006 was the Company's qualified 401(k) savings and retirement plan, which is available to all employees.

**2006 Non-qualified Deferred Compensation**

The table disclosing contributions to non-qualified and other deferred compensation plans, each Senior Executive's withdrawals, earnings and fiscal year balances in those plans is omitted because, in 2006 the Company had no non-qualified deferred compensation plans or benefits for executive officers or other employees of the Company.



**Table of Contents****2006 Potential Payments Upon Termination or Change in Control Table**

The following table summarizes the estimated payments to be made under each executive's contract, described more completely in the *Employment Agreements* section in the Compensation Disclosure and Analysis starting on page 16. For the purposes of the quantitative disclosure in the following table, and in accordance with SEC regulations, we have assumed that the termination took place on December 31, 2006 and that the price per share of our common stock is the closing market price as of that date, 19.88.

| Name  | Voluntary Termination for Cause | Termination Without Cause | Involuntary or For Good Reason Termination Change in Control | Death      | Disability |
|---|---------------------------------|---------------------------|--|------------|------------|
|   |                                 | or For Good Reason (E)    | (A)(B)(C)  |            |            |
| Joseph M. Grant                             |                                 |                           |  |            |            |
| Severance                                   |                                 | \$ 502,750                | \$ 1,256,875   | \$ 340,000 | \$ 340,000 |
| Death/disability                            |                                 |                           |  |            |            |
| Accelerated vesting of long-term incentives |                                 |                           | 37,931   |            |            |
| Other benefits(D)                           |                                 | 22,394                    | 44,789   |            | 22,394     |
| George F. Jones, Jr.                        |                                 |                           |  |            |            |
| Severance                                   |                                 | 448,625                   | 1,121,563  | 295,000    | 295,000    |
| Death/disability                            |                                 |                           |  |            |            |
| Accelerated vesting of long-term incentives |                                 |                           | 58,070   |            |            |
| Other benefits(D)                           |                                 | 30,015                    | 60,030   |            | 30,015     |
| Peter B. Bartholow                          |                                 |                           |  |            |            |
| Severance                                   |                                 | 412,625                   | 1,031,563  | 270,000    | 270,000    |
| Death/disability                            |                                 |                           |  |            |            |
| Accelerated vesting of long-term incentives |                                 |                           | 282,211  |            |            |
| Other benefits(D)                           |                                 | 23,490                    | 46,980   |            | 23,490     |
| C. Keith Cargill                            |                                 |                           |  |            |            |
| Severance                                   |                                 | 346,175                   | 865,438  | 235,000    | 235,000    |
| Death/disability                            |                                 |                           |  |            |            |
| Accelerated vesting of long-term incentives |                                 |                           | 40,088   |            |            |
| Other benefits(D)                           |                                 | 21,406                    | 42,811   |            | 21,406     |

(A) Assumes 50% vesting of RSUs. SARs and PSARs are not included in the accelerated vesting for Long Term Incentives as the exercise price is greater than the 12/31/06 stock price of 19.88.

- (B) Stock options are vested for Mr. Grant, Mr. Jones, and Mr. Cargill, therefore a change in control is not a triggering event for accelerated vesting. Mr. Bartholow has 20,000 unvested stock options that would vest immediately due to a change in control.
- (C) Severance is equal to two and a half times annual salary and an amount equal to the average incentive compensation paid during the prior two-year period. Severance will be paid in a lump sum within thirty days of the Executive's termination.
- (D) Other benefits include the following insurance: medical, dental, vision, life, accidental death and disability, short term disability, long term disability and supplemental long term disability. Cost includes both employer and employee coverage.
- (E) Severance includes twelve months salary and an amount equal to the average incentive compensation paid during the prior two-year period. Severance will be paid on a semi-monthly basis over a period of 12 months

**Table of Contents****2006 Director Compensation Table**

The following table contains information pertaining to the compensation of the Company's Board of Directors for the 2006 fiscal year. On May 16, 2006, each director was granted 2,000 stock appreciation rights and 500 restricted stock units. The SAR grant date fair value is \$7.64 and the RSUs were granted at \$23.

| Name                     | Fees            |              | Option Awards | Change in Pension Value and Nonqualified |                                |                        | Total     |
|--------------------------|-----------------|--------------|---------------|--|--------------------------------|------------------------|-----------|
|                          | Or Paid In Cash | Stock Awards |               | Non-Equity Incentive Plan Compensation   | Deferred Compensation Earnings | All Other Compensation |           |
| Leo Corrigan III         | \$ 14,750       | \$ 11,500    | \$ 15,280     | \$                                       | \$                             | \$                     | \$ 41,530 |
| Frederick B. Hegi, Jr.   | 21,000          | 11,500       | 15,280        |  |                                |                        | 47,780    |
| Larry L. Helm            | 10,500          | 11,500       | 15,280        |  |                                |                        | 37,280    |
| James R. Holland, Jr.    | 20,000          | 11,500       | 15,280        |  |                                |                        | 46,780    |
| Walter W. McAllister III | 15,250          | 11,500       | 15,280        |  |                                |                        | 42,030    |
| Lee Roy Mitchell         | 8,500           | 11,500       | 15,280        |  |                                |                        | 35,280    |
| Steve Rosenberg          | 12,750          | 11,500       | 15,280        |  |                                |                        | 39,530    |
| John C. Snyder           | 10,000          | 11,500       | 15,280        |  |                                |                        | 36,780    |
| Robert W. Stallings      | 27,500          | 11,500       | 15,280        |  |                                |                        | 54,280    |
| Ian J. Turpin            | 10,000          | 11,500       | 15,280        |  |                                |                        | 36,780    |

**Non-director Management Biography**

Set forth below is the biography of the Company's executive officer who is not a member of its board of directors, and his age and positions as of the date of this Proxy Statement.

**C. Keith Cargill** (54) has served as an Executive Vice President and Chief Lending Officer of the Bank since its inception in December 1998. Mr. Cargill has more than 20 years of banking experience. He began his banking career at Texas American Bank in 1977, where he was the manager of the national corporate lending division of the flagship bank in Fort Worth. In 1985, Mr. Cargill became President and Chief Executive Officer of Texas American Bank/Riverside, Ft. Worth. In 1989, Mr. Cargill joined NorthPark National Bank as an Executive Vice President and Chief Lending Officer. When NorthPark was acquired by Comerica Bank in 1993, Mr. Cargill joined Comerica as Senior Vice President and middle market banking manager.

**HUMAN RESOURCES COMMITTEE INTERLOCKS AND  
INSIDER PARTICIPATION**

None of the executive officers of the Company or the Bank serves on the Human Resources Committee of the board of directors of the Company or any Human Resources Committee or Compensation Committee of any other company.

**INDEBTEDNESS OF MANAGEMENT AND TRANSACTIONS WITH  
CERTAIN RELATED PERSONS**

In the ordinary course of business, the Bank has made loans, and may continue to make loans in the future, to the Bank's and the Company's officers, directors and employees. The Bank makes all loans to executive officers and directors in the ordinary course of business, on substantially the same terms as those with other customers.

In June 2003, the Company committed to invest up to \$500,000 in Blue Sage Investments, LP, a limited partnership approved as a Small Business Investment Company by the U.S. Small Business Administration

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and has invested approximately \$305,000 as of December 31, 2006. Blue Sage Investments may be considered to be an affiliate of Ian J. Turpin, a member of the Company's board of directors.

In June 2003, the Company relocated its Austin office to a building owned by a company that may be considered to be an affiliate of Ian J. Turpin, a member of the Company's board of directors. The lease expense is approximately \$145,000 annually.

The Company has entered into indemnification agreements with each of its directors and officers, which may be broader than the specific indemnification provisions contained in its certificate of incorporation, bylaws or under Delaware law. These indemnification agreements may require the Company, among other things, to indemnify its officers and directors against liabilities that may arise by reason of their status or service as directors or officers. These indemnification agreements also may require the Company to advance any expenses incurred by the Company's directors or officers as a result of any proceeding against them as to which they could be indemnified. As of the date of this filing, there is no pending litigation or proceeding involving any of the Company's directors, officers, employees or agents in which indemnification by it is sought, nor is the Company aware of any threatened litigation or proceeding that may result in a claim for indemnification. The Company has purchased a policy of directors' and officers' liability insurance that insures its directors and officers against the cost of defense, settlement or payment of a judgment in certain circumstances.

**SECTION 16 (a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities and Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10% of a registered class of its equity securities, to file initial reports of ownership and reports of changes in ownership with the SEC. During 2006, based solely on the Company's review of these reports, it believes that the Company's Section 16(a) reports were filed timely by its executive officers and directors, except that Larry Makel, a former director, inadvertently filed three Form 4's late and Robert Stallings inadvertently filed one Form 4 late.

**EQUITY COMPENSATION PLAN INFORMATION**

| <b>Plan Category</b>  | <b>Number of Securities To Be</b>                                       |    | <b>Number of Securities</b>  |  |
|---|---|----|--|--|
|   | <b>Issued Upon Exercise of Outstanding Options, Warrants and Rights</b> |    | <b>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</b> | <b>Remaining Available for Future Issuance Under Equity Compensation Plans</b> |
| Equity compensation plans approved by security holders        | 3,026,001   | \$ | 12.97  | 695,902  |
| Equity compensation plans not approved by security holders(1) | 84,274  |    | 6.80   |  |
| Total   | 3,110,275   | \$ | 12.80  | 695,902  |

(1) Refers to deferred compensation agreement.

#### **AUDITOR FEES AND SERVICES**

A representative of Ernst & Young LLP is expected to be present at the Annual Meeting and will be available to respond to appropriate questions.

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Fees for professional services provided by the Company's independent registered public accounting firms in each of the last two fiscal years, in each of the following categories (in thousands) are:

|                    | <b>2006</b>   | <b>2005</b>   |
|--------------------|---------------|---------------|
| Audit fees         | \$ 621        | \$ 591        |
| Audit-related fees |               | 20            |
| Tax fees           | 196           | 156           |
| Other fees         |               |               |
|                    | <b>\$ 817</b> | <b>\$ 767</b> |

Fees for audit services include fees associated with the audit of the Company's annual consolidated financial statements, the reviews of the consolidated financial statements included in the Company's Forms 10-Q, accounting consultations and management's assertions regarding effective internal controls in compliance with the requirements of Section 404 of the Sarbanes Oxley Act and Federal Deposit Insurance Corporation Improvement Act. Audit-related fees included but are not limited to procedures required by the Federal Home Loan Bank in 2005. Tax fees included various federal, state and local tax services.

**Pre-approval Policies and Procedures**

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related and tax services performed by the independent registered public accounting firm. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent registered public accounting firm is engaged to perform it. The Audit Committee has delegated to the Chairman of the Audit Committee authority to approve permitted services provided that the Chairman reports any decisions to the Audit Committee at its next scheduled meeting.

**ADDITIONAL INFORMATION****Stockholder Nominees for Director**

Stockholders may submit nominees for director in accordance with the Company's bylaws. Nominations for director for the 2008 annual meeting of stockholders must be delivered no later than 180 days, or November 23, 2007, nor more than 270 days, or August 26, 2007 prior to the 2008 annual meeting of stockholders. Nominations should be directed to: Texas Capital Bancshares, Inc., 2100 McKinney Avenue, 9th Floor, Dallas, Texas 75201, Attn: Secretary.

**Stockholder Proposals for 2008**

Stockholders interested in submitting a proposal for inclusion in the proxy materials for the Company's annual meeting of stockholders in 2008 may do so by following the procedures prescribed in SEC Rule 14a-8. To be eligible for inclusion, stockholder proposals must be received by the Company at the following address: Texas Capital Bancshares, Inc., 2100 McKinney Avenue, 9th Floor, Dallas, Texas 75201, Attn: Secretary, no later than January 15, 2008.

**Advance Notice Procedures**

Under the Company's Bylaws, no business may be brought before an annual meeting unless it is brought before the meeting by or at the direction of the Board or by a stockholder who has delivered timely notice to the Company. Such notice must contain certain information specified in the Bylaws and be delivered no later



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than 180 days, or November 23, 2007, nor more than 270 days, or August 26, 2007, prior to the meeting to the following address: Texas Capital Bancshares, Inc., 2100 McKinney Avenue, 9th Floor, Dallas, Texas 75201, Attn: Secretary. These requirements are separate from the SEC's requirements that a stockholder must meet in order to have a stockholder proposal included in the Company's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934.

**Annual Report**

A copy of the Company's 2006 Annual Report to Stockholders accompanies this proxy statement. This report is not part of the proxy solicitation materials.

Upon written request, the Company will furnish to any stockholder without charge a copy of its annual report on Form 10-K for the year ended December 31, 2006. Such written requests should be directed to Texas Capital Bancshares, Inc., 2100 McKinney Avenue, 9th Floor, Dallas, Texas 75201, Attn: Secretary.

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**REVOCABLE PROXY**

**TEXAS CAPITAL BANCSHARES, INC.  
ANNUAL MEETING OF STOCKHOLDERS  
MAY 15, 2007, 10:00 A.M**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Joseph M. Grant and Peter B. Bartholow, each with full power of substitution, to act as proxies for the undersigned, and to vote all shares of preferred stock and common stock of Texas Capital Bancshares, Inc. that the undersigned is entitled to vote at the Annual Meeting of Stockholders on Tuesday, May 15, 2007 at 10:00 a.m. at the offices of Texas Capital Bank, National Association at 2100 McKinney Avenue, 9th Floor, Dallas, Texas 75201, and at any and all adjournments thereof, as set forth below.

This proxy is revocable and will be voted as directed, but if no instructions are specified, this proxy will be voted:

**FOR the nominees for directors specified**

If any other business is presented at the annual meeting, including whether or not to adjourn the meeting, this proxy will be voted by those named in this proxy in their discretion. At the present time, the board of directors knows of no other business to be presented at the annual meeting.

**(CONTINUED AND TO BE SIGNED ON REVERSE SIDE)**

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**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES FOR DIRECTOR.**

þ Please mark your votes as indicated

**Election as Director of all Nominees (except as marked by ~~striking through~~ the Nominee s name below):**

- o FOR ALL NOMINEES EXCEPT AS INDICATED
- o VOTE WITHHELD FROM ALL NOMINEES

|                     |                    |                        |                |               |
|---------------------|--------------------|------------------------|----------------|---------------|
| Peter B. Bartholow  | Frederick B. Hegi, | George F. Jones, Jr.   | Steven P.      | Robert W.     |
| Leo F. Corrigan III | Jr                 | W.W. Bo McAllister III | Rosenberg      | Stallings     |
| Joseph M. Grant     | Larry L. Helm      | Lee Roy Mitchell       | John C. Snyder | Ian J. Turpin |
|                     | J.R. Holland, Jr.  |                        |                |               |

**Please complete, date, sign and promptly mail this proxy in the enclosed postage-paid envelope.** Please sign exactly as your name appears on the label on the reverse side of this card. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If shares are held jointly, each holder may sign but only one signature is required.

The undersigned acknowledges receipt from Texas Capital Bancshares, Inc. prior to the execution of this proxy of a Notice of Annual Meeting of Stockholders, dated April 9, 2007, a Proxy Statement, dated April 9, 2007, and the Annual Report on Form 10-K for the year ended December 31, 2006.

Signature of Stockholder                      Date

Signature of Stockholder                      Date