

**Wrap Fee Program**

**Brochure Form ADV 2A -**

**Appendix 1 Item 1**



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d/b/a**

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This Wrap Fee Program Brochure (the "Wrap Brochure") provides information about the qualifications and business practices of Texas Capital Bank Wealth Management Services, Inc. d/b/a Texas Capital Bank Private Wealth Advisors (the "Adviser", or "PWA"). If you have any questions about the contents of this Wrap Brochure, please contact us at (214) 932-6852 or [Steve.Orr@texascapitalbank.com](mailto:Steve.Orr@texascapitalbank.com). The information in this Wrap Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state authority.

Additional information about Private Wealth Advisors [PWA?] is also available on the SEC's website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

## **Item 2 - Material Changes**

This Wrap Brochure is a document that we provide to clients of PWA's Wrap Program as required by SEC rules. The purpose of Item 2 of the Wrap Brochure is to provide clients with a summary of new and/or updated information that is contained in the remainder of the Wrap Brochure.

On February 28, 2020, we submitted our annual update filing for fiscal year 2019. In December of 2019, PWA's parent entered into a merger agreement with Independent Bank Group, Inc (NASDAQ: IBTX).

We will provide clients with a new Wrap Brochure as necessary based on changes, new information, or at the request of clients, at any time, without charge.

### Item 3 - Table of Contents

Page

Item 1 - Cover Page .....	1
Item 2 - Material Changes.....	2
Item 3 - Table of Contents .....	3
Item 4 - Services, Fees and Compensation .....	4
Item 5 - Account Requirements and Types of Clients.....	8
Item 6 - Portfolio Manager Selection and Evaluation .....	8
Item 7 - Client Information Provided to Portfolio Managers.....	8
Item 8 - Client Contact with Portfolio Managers.....	8
Item 9 - Additional Information.....	8

#### **Item 4 - Services, Fees and Compensation**

PWA was formed in April 2002 and provides financial planning, wealth strategy and family governance consultation and portfolio management services to its clients. Discretionary portfolio management services are generally, though not exclusively, offered through the "Adviser Wrap Program" or the "Program," which has been designed to simplify the payment of management fees and brokerage expenses.

Texas Capital Bank, N.A. is the sole principal owner of the Adviser. At the outset of each client relationship, we spend with the client, asking questions, discussing the client's investment experience and financial circumstances, and broadly identifying major goals of the client. Specifically, we may discuss with the client cash flows, required distributions, significant life events, risk tolerance and return expectations.

Generally, clients engage PWA to prepare a financial plan. This written report is presented to the client for consideration. The financial plan will typically lead to a recommendation of an investment strategy. Ideally, upon completion of the plan, clients retain PWA to manage the investment portfolio on an ongoing basis. However, there are cases in which clients retain PWA solely to prepare a full financial plan.

When retained to manage the investment portfolio, based on its review of the information provided by the client, we develop with the client, an understanding of the client's financial circumstances and goals, and the client's risk tolerance level (the "Financial Profile"), as well as the client's investment objectives and guidelines (the "Investment Plan").

The Financial Profile is a reflection of the client's current financial situation and future goals of the client. The Investment Plan outlines the types of investments we will make on behalf of the client based on PWA's own research and analysis in order to meet those goals. The elements of the Financial Profile and the Investment Plan are discussed periodically with each client but are not necessarily written documents.

To implement the client's Investment Plan, PWA will manage the client's investment portfolio on a discretionary or non-discretionary basis pursuant to an investment advisory agreement with the client. As a discretionary investment adviser, PWA will have the authority to supervise and direct the portfolio without prior consultation with the client. Clients who choose a non-discretionary arrangement must be contacted prior to the execution of any trade in the account(s) under management. This may result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

Notwithstanding the foregoing, clients may impose certain written restrictions on PWA in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in an investment portfolio at the commencement of the relationship. Each client should note, however, restrictions imposed by a client may adversely affect the composition and performance of the client's

investment portfolio.

Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ, and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of PWA.

Our discretionary investment management is based on our proprietary strategies and process. These strategies vary in risk exposure to various asset classes and sectors. Once the client selects a strategy and allocation, PWA manages and makes changes to the portfolio as directed by PWA's Investment Committee.

#### *Separate Account Managers*

In addition to individual securities, mutual funds and other vehicles, PWA may utilize one or more Separate Account Managers, when appropriate and in accordance with the Investment Plan for a client. Having access to a wide array of Managers allows PWA's Investment Committee wide latitude in constructing a portfolio that can best meet a client's goals and plan. PWA will usually select the Manager(s) it deems most appropriate for the client.

The Manager(s) will generally be granted discretionary trading authority to provide investment supervisory services for a specific portion of certain clients' portfolios. In most cases, the client will select one or more managers recommended by PWA and enter into separate agreements with such managers. Under certain circumstances, PWA retains the authority to terminate the Manager's relationship or to add new Managers without specific client consent.

In any case, with respect to assets managed by a Manager, PWA's role will be to monitor the overall financial situation of the client, to monitor the investment approach and performance of the Manager(s), and to assist the client in understanding the investments in the portion of the portfolio managed by the Manager. More information regarding Managers can be found in ***Item 6 - Portfolio Manager Selection and Evaluation***.

#### *General Portfolio Management Fee Information*

Clients enter into one of two fee arrangements. For most, but not all, discretionary portfolio management services, clients generally participate in the Wrap Fee Program sponsored by PWA (the "Wrap Program"). The Wrap Program fee structure includes the brokerage expenses (e.g., commissions, ticket charges, etc.) of the account, charges for custody services and the management fee paid to PWA. Under the Wrap Program, PWA will assess one client fee that captures the management, brokerage, custody and administrative portions collectively. Any portion of Wrap Program fees that PWA does not pay to third parties in connection with transaction and execution expenses is retained by PWA. Because of this, PWA may have a disincentive to trade securities in client accounts. PWA does not have a minimum portfolio asset value size requirement for participation in the Wrap Program but, in its discretion, may establish one in the future.

Fees paid to PWA are exclusive of and distinct from the fees and expenses charged by mutual funds, exchange traded funds ("ETFs") or other investment pools to their shareholders (generally including

a management fee and fund expenses, as described in each fund's prospectus or offering materials), mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from the custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Any portions of the PWA Wrap Program fees that PWA does not pay to third parties in connection with transaction and execution expenses are retained by PWA. Because of this, PWA may have a disincentive to trade securities in client accounts.

The client should review all fees charged by funds, PWA and others to fully understand the total amount of fees paid by the client for investment and financial-related services. Clients participating in our Wrap Program may pay higher or lower fees than clients purchasing such services separately, depending on the cost of services if provided separately and the level of trading in a particular client's account.

### *Program Fees*

With the exception of portfolio management provided in relation to various fixed income strategies, the annual fee schedule for portfolio management for portfolios of less than \$5,000,000, based on a percentage of assets under management, is as follows:

Fee Rate	Assets Under Management
1.25%	of the first \$1,000,000
1.00%	of the next \$1,000,000
0.80%	Remaining Balance

With the exception of portfolio management provided in relation to various fixed income strategies, the annual fee schedule for portfolio management for portfolios of \$5,000,000 or more, based on a percentage of assets under management, is as follows:

Fee Rate	Assets Under Management
0.80%	First \$5,000,000
0.60%	of the next \$5,000,000
0.50%	of the remaining Balance
Negotiated	Greater than \$20,000,000

The annual fee schedule for portfolio management for portfolios managed consisting solely of various fixed income strategies, based on a percentage of assets under management, is as follows:

Fee Rate	Assets Under Management
0.60%	\$0-\$2,500,000
0.55%	\$2,500,001-\$5,000,000
0.50%	\$5,000,001-\$10,000,000
0.45%	More than \$10,000,000

PWA may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where PWA deems it appropriate under the circumstances.

Portfolio management fees are generally payable quarterly, in advance. If management begins after the start of a quarter, fees will be prorated accordingly. Fees are normally debited directly from client account(s), unless other arrangements are made. PWA and our employees do not accept performance-based fees or have side by side management arrangements.

#### *Termination*

Either party may terminate their investment advisory agreement at any time, subject to any written notice requirements in the investment advisory agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to PWA from the client will be invoiced or deducted from the client's account prior to termination. Please see **Item 5 - Fees and Compensation** of ADV Part 2A for more information regarding PWA's Wrap Program fees.

#### *Sub-Advisory Arrangement Fees*

When one or more Managers are utilized, typically the Manager(s)' fees will be separate from and in addition to PWA's fee, regardless of whether the client is participating in the Wrap Program.

#### *Planning Fees*

Generally, clients are not charged a separate fee for financial planning services or for consulting on wealth strategy and family governance matters. Instead, these services are treated as part of the overall set of services for which compensation is received by PWA through portfolio management fees. In certain cases, however, an additional fee may be charged to clients for financial planning services or for consulting on wealth strategy and family governance matters based on the scope of work required. Any such separate fee would be charged only upon prior written approval from the client as to the amount of such additional fee and the scope of services requested.

#### *Other Compensation*

While not anticipated to be a regular service or product, when requested by a client, PWA may provide brokerage and insurance services as a convenience to the client relationship.

*Insurance Disclosure:* Certain employees of PWA are also licensed to sell insurance products. In providing advisory services, these individuals may recommend the purchase of products under circumstances where they would be entitled to receive a commission or other compensation in the transaction. In all such circumstances, however, the client will be notified of this payment in advance of the transaction, and under no circumstances will the client pay both a commission to an employee of PWA for an insurance product and an advisory fee to PWA on the same pool of assets.

*Broker Disclosure:* Certain employees of PWA are also Registered Representatives of Chalice Capital Partners, LLC ("Chalice"), a FINRA and SIPC member and registered broker-dealer. As such, these employees are entitled to receive brokerage commissions. In order to protect client interests, PWA's policy is to fully disclose all forms of compensation before any such transaction is executed. PWA and

its employees will not charge the same client account for both brokerage commissions generated for an employee of PWA and advisory fees payable to PWA. For the avoidance of doubt, this policy will have no effect on transaction fees and/or custody fees charged by the custodian of a client account.

As a result of this relationship, certain Adviser employees may have access to confidential information (*e.g.*, financial information, investment objectives, transactions, and holdings) about PWA's clients, even if the client does not establish any account through Chalice. Clients may contact PWA for a copy of Chalice's privacy policy.

#### ***Item 5 - Account Requirements and Types of Clients***

PWA serves high net worth individuals, their families, trusts, foundations, endowments, corporate entities, including, but not limited to, family-operated businesses. The Adviser, in its sole discretion, may establish a minimum portfolio asset value size requirement for participation in the Adviser Wrap Program.

#### ***Item 6 - Portfolio Manager Selection and Evaluation***

In order to implement its Wrap Program, PWA utilizes a wide variety of investment managers and strategies. Factors that PWA considers in recommending/selecting or recommending the replacement of/replacing managers generally include the client's stated investment objective(s), the manager's investment philosophy, process, team, risk level, reputation, financial strength, reporting, pricing, and internal research. The Adviser generally considers the investment performance of Managers but does not calculate their performance. Typically, neither PWA nor a third-party reviews Manager performance information for accuracy or compliance with presentation standards.

Investments and allocations for a client portfolio are determined in consultation with the client and guided by PWA's Investment Committee views.

PWA also may act as a portfolio manager for the Program. Please refer to additional information found in the following Items of ADV Part 2A, which accompanies this Wrap Brochure: ***Item 4 - Advisory Business; Item 6 - Performance-Based Fees and Side-By-Side Management; Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss; and Item 17 - Voting Client Securities.***

#### ***Item 7 - Client Information Provided to Portfolio Managers***

PWA provides information about a client's investment objectives to the applicable Manager(s) under the Wrap Program on a periodic basis. PWA will update such information from time to time to the extent it materially changes.

#### ***Item 8 - Client Contact with Portfolio Managers***

PWA is the only direct portfolio manager under PWA Wrap Program. No restrictions are placed on client's ability to contact or consult with PWA.

#### ***Item 9 - Additional Information***

Neither PWA nor its management persons have any required disciplinary disclosure. Please see ADV Part 2A for more information in the following areas: ***Item 10 - Other Financial Industry Activities***



***and Affiliations, Item 11 - Code of Ethics, Item 13 - Review of Accounts, Item 14 - Client Referrals and Other Compensation, and Item 18 - Financial Information.***