SP Bancorp, Inc.
Form DEFM14A
August 25, 2014
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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 x 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))**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

SP Bancorp, Inc.

(Name of Registrant as Specified In Its Charter)

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5224 W. Plano Parkway

Plano, Texas 75093

To the Stockholders of SP Bancorp, Inc.:

You are cordially invited to attend a special meeting of stockholders of SP Bancorp, Inc., a Maryland corporation (SP Bancorp, the Company, we, us, or our), at SharePlus Bank, 5224 W. Plano Parkway, Plano, Texas 75093, on Octo 8, 2014, at 2:00 p.m., local time. At the special meeting, you will be asked to consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of May 5, 2014 (as it may be amended from time to time, the merger agreement), among SP Bancorp, Green Bancorp, Inc., a Texas corporation (Green), and Searchlight Merger Sub Corp., a Maryland corporation and wholly owned subsidiary of Green (Merger Sub), and the transactions contemplated thereby, including the merger of Merger Sub with and into SP Bancorp (the merger proposal). Green is headquartered in Houston and operates Green Bank, National Association, in Austin, Dallas and Houston. As a result of the merger, SP Bancorp will become a private company that is wholly owned by Green. The attached proxy statement is dated August 25, 2014 and is first being mailed to stockholders on or about August 25, 2014.

If the merger is completed, each share of our common stock (other than treasury shares and shares owned, directly or indirectly, by Green, Merger Sub or us) will be canceled and converted into the right to receive a cash payment equal to the per share merger consideration of $29.55 per share (without giving effect to any potential adjustments), which is equal to the adjusted aggregate merger consideration (described below) divided by the 1,563,263 shares of our common stock (excluding unvested shares of restricted common stock) outstanding as of the date of the merger agreement. In all cases, the per share merger consideration will be paid without interest and subject to downward adjustment under certain circumstances described below and in the attached proxy statement. The closing price of our common stock on May 2, 2014, the day prior to announcement of the merger, was $20.50. The closing price of our common stock on August 22, 2014 was $28.96.

The adjusted aggregate merger consideration will be determined shortly before the completion of the merger and will equal $46.2 million, reduced dollar-for-dollar if and to the extent that our adjusted tangible book value is less than $29.5 million. Our adjusted tangible book value will be equal to our consolidated stockholders equity, or book value, reduced by any intangible items such as goodwill, as well as certain transaction expenses and the consideration paid to holders of options to purchase shares of our common stock and holders of unvested shares of restricted common stock, as described in greater detail in the attached proxy statement. Our adjusted tangible book value will be calculated at the month-end prior to the closing of the merger, or, if the merger is expected to close in the first ten days of a month, as of the earlier preceding month-end. Green is entitled to withhold from the consideration otherwise payable any amounts required to be withheld under applicable law.

Pursuant to the terms of the merger agreement, Green is not obligated to close the merger if our final adjusted tangible book value, as determined in accordance with the merger agreement, is less than $26 million. Green has informed us that if our final adjusted tangible book value is less than $26 million, it does not intend to waive the related closing condition. Accordingly, if our final adjusted tangible book value is equal to $26 million, the per share merger consideration will be equal to $27.31, which is the lowest amount stockholders may receive in connection with the merger. The per share merger consideration payable if our final adjusted tangible book value is equal to $26 million is

calculated by (x) reducing the adjusted aggregate merger consideration by $3.5 million to $42.7 million pursuant to the adjustment provision in the merger agreement and dividing this amount

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by (y) 1,563,263, which is the number of shares of our common stock (excluding unvested shares of restricted common stock) outstanding as of the date of the merger agreement. If Green waives the satisfaction of the condition to closing the merger related to our final adjusted tangible book value after our stockholders approve the merger proposal, we expect to resolicit proxies.

In addition to the merger proposal, you will be asked to consider and vote, on an advisory (non-binding) basis, on a proposal to approve the compensation that may be paid or become payable to our named executive officers in connection with the merger and a proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are insufficient votes at the time of the special meeting or any adjournment or postponement thereof to adopt the merger proposal.

After careful consideration, and after consultation with the strategic review committee formed for the purpose of overseeing the strategic review process, including the evaluation and negotiation of a potential strategic transaction, our board of directors unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable to, and in the best interests of, SP Bancorp and our stockholders and has unanimously approved the merger agreement and the transactions contemplated thereby, including the merger. **Our board of directors unanimously recommends that you vote FOR the merger proposal**.

Your vote is very important, regardless of the number of shares you own. The merger cannot be completed unless the holders of a majority of the outstanding shares of our common stock vote in favor of the adoption of the merger proposal. The failure of any stockholder to vote to adopt the merger proposal will have the same effect as a vote against the approval of the merger agreement and the transactions contemplated thereby, including the merger. **Whether or not you plan to attend the special meeting, please promptly submit a proxy to vote your shares by telephone or Internet or by completing, signing, dating and returning the enclosed proxy card in the accompanying reply envelope**. Instructions regarding all three methods of voting are provided on the proxy card.

If your shares are held in street name by your bank, broker or other nominee, your bank, broker or other nominee will be unable to vote your shares to adopt the merger proposal or any of the other proposals without instructions from you. You should instruct your bank, broker or other nominee to vote your shares by following the procedures provided by your bank, broker or other nominee.

Thank you in advance for your consideration of this matter.

Sincerely,

Jeffrey L. Weaver
President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the attached proxy statement. Any representation to the contrary is a criminal offense.

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5224 W. Plano Parkway

Plano, Texas 75093

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held on October 8, 2014

To the Stockholders of SP Bancorp, Inc.:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of SP Bancorp, Inc., a Maryland corporation (SP Bancorp the Company, we, us, or our), will be held at SharePlus Bank, 5224 W. Plano Parkway, Plano, Texas 75(on October 8, 2014, at 2:00 p.m., local time, for the following purposes:

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of May 5, 2014, as it may be amended from time to time, among SP Bancorp, Green Bancorp, Inc. (Green), and Searchlight Merger Sub Corp., a wholly owned subsidiary of Green, and the transactions contemplated thereby, including the merger, or the merger proposal, pursuant to which Searchlight Merger Sub Corp. will merge with and into SP Bancorp, with SP Bancorp continuing as the surviving corporation;

2. To consider and vote, on an advisory (non-binding) basis, on a proposal to approve the compensation that may be paid or become payable to our named executive officers in connection with the merger, as discussed in the section of the attached proxy statement entitled *The Merger Interests of Our Directors and Executive Officers in the Merger Advisory Vote on Merger-Related Compensation* beginning on page 36; and

3. To consider and vote on a proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event there are insufficient votes at the time of the special meeting or any adjournment or postponement thereof to approve the merger agreement and the transactions contemplated thereby, including the merger.

For the reasons set forth in the enclosed proxy statement, our board of directors unanimously recommends a vote:

FOR the proposal to approve the merger agreement and the transactions contemplated thereby, including the merger;

FOR the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to our named executive officers in connection with the merger; and

FOR the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies.

Only holders of record of our common stock at the close of business on August 15, 2014, the record date established for the special meeting, are entitled to notice of, and to vote at, the special meeting or at any adjournment or postponement thereof. We encourage you to read the attached proxy statement carefully as it sets forth detailed information about the merger agreement, the merger and other important information related to the merger. A copy of the merger agreement is included as Annex A to the attached proxy statement. A copy of the form of voting agreement, pursuant to which our directors and named executive officers agreed to vote all of their shares of our common stock in favor of the adoption of the merger proposal, is included as Annex B to the attached proxy statement.

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Your vote is very important. The merger cannot be completed unless holders of at least a majority of the issued and outstanding shares of our common stock vote in favor of the adoption of the merger proposal. We encourage you to submit your proxy for voting at the special meeting by telephone or on the internet, or by completing, signing, dating and returning your proxy card as promptly as possible in the accompanying reply envelope, whether or not you plan to attend the special meeting. If you attend the special meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card.

By Order of the Board of Directors,

Diane Stephens
Corporate Secretary

August 25, 2014

Plano, Texas

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SUMMARY TERM SHEET

This summary term sheet, together with *Questions and Answers About the Merger and the Special Meeting*, summarizes material information contained in this proxy statement but may not contain all of the information that is important to you. We encourage you to read the entire proxy statement carefully, including the attached annexes, before voting. See the section of this proxy statement entitled *Additional Information.* Each item in this summary term sheet includes a page reference directing you to a more complete description of that topic in this proxy statement.

The Special Meeting (page 15)

You are being asked to consider and vote to adopt the following proposals:

- to approve the Agreement and Plan of Merger (as amended from time to time, the merger agreement), dated May 5, 2014, among SP Bancorp, Inc. (SP Bancorp, we, or us), Green Bancorp, Inc. (Green) and Searchli Merger Sub Corp. (Merger Sub) and the transactions contemplated thereby, including the merger of Merger Sub with and into SP Bancorp (the merger), or the merger proposal, pursuant to which each outstanding share of our common stock (other than treasury shares and shares owned, directly or indirectly, by Green, Merger Sub or us) will be canceled and converted into the right to receive an amount in cash equal to the per share merger consideration, without interest, subject to reduction for any required withholding taxes and to downward reduction calculated as described in the section of this proxy statement entitled *The Merger Agreement Merger Consideration* beginning on page 43;

- to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to our named executive officers in connection with the merger; and

- to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are insufficient votes to adopt the merger proposal at the special meeting or any adjournment or postponement thereof.

Adoption of the merger proposal requires the affirmative vote of the holders of a majority of the shares of our common stock outstanding and entitled to vote thereon. In addition, the merger agreement provides that such stockholder approval is a condition to the completion of the merger. See *The Special Meeting* beginning on page 15 and *The Merger Agreement* beginning on page 42. The proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to our named executive officers in connection with the merger requires the affirmative vote of a majority of the votes cast on the proposal. The proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the votes cast on the proposal.

Parties to the Merger (page 19)

SP Bancorp, Inc.

SP Bancorp, Inc. is a Maryland corporation with principal executive offices located at 5224 W. Plano Parkway, Plano, Texas 75093, and its telephone number is (972) 931-5311. SP Bancorp is a bank holding company and the parent of SharePlus Bank, a Texas chartered state bank, or the Bank. We are regulated by the Board of Governors of the Federal

Reserve System. The Bank is a member of the Federal Reserve System and operates as a full-service commercial bank, providing services that include the acceptance of checking and savings deposits, the origination of one- to four-family residential mortgage, mortgage warehouse, commercial real estate, commercial business, home equity, automobile and personal loans. Our common stock is listed on the NASDAQ Capital Market under the symbol SPBC. Additional information about us is contained in our filings with the SEC and in the section of this proxy statement entitled *Additional Information* beginning on page 70.

Green and Merger Sub

Green is a Texas corporation with principal executive offices located at 4000 Greenbriar St., Houston, Texas 77098, and its telephone number is (713) 275-8220. Green is a bank holding company and the parent of Green Bank, National Association, or Green Bank.

Searchlight Merger Sub Corp., a wholly owned subsidiary of Green, is a newly formed Maryland corporation created solely for the purpose of engaging in the transactions contemplated by the merger agreement and has not carried on any activities other than in connection with the merger. The address of Merger Sub is 4000 Greenbriar St., Houston, Texas 77098, and its telephone number is (713) 275-8220.

Upon completion of the merger, Merger Sub will merge with and into SP Bancorp and will cease to exist, and SP Bancorp will continue as the surviving corporation.

Structure of the Merger (page 42)

The merger agreement provides for the merger of Merger Sub, a wholly owned subsidiary of Green, with and into SP Bancorp upon the terms and subject to the conditions set forth in the merger agreement. After the merger, SP Bancorp will continue as the surviving corporation and a wholly owned subsidiary of Green.

Merger Consideration (page 43)

The merger agreement provides that holders of shares of our common stock (other than treasury shares and shares owned, directly or indirectly, by Green, Merger Sub or us) will receive a cash payment equal to the per share merger consideration of $29.55 per share (without giving effect to any potential adjustments), which is equal to the adjusted aggregate merger consideration (described below) divided by the 1,563,263 shares of our common stock (excluding unvested shares of restricted common stock) outstanding as of the date of the merger agreement. In all cases, the per share merger consideration will be paid without interest, subject to downward adjustment under certain circumstances described below and rounded to the nearest four decimal points.

The adjusted aggregate merger consideration will be determined shortly before the completion of the merger and will equal $46.2 million, reduced dollar-for-dollar if and to the extent that our adjusted tangible book value is less than $29.5 million. Our adjusted tangible book value will be equal to our consolidated stockholders equity, or book value, reduced by any intangible items such as goodwill, as well as certain transaction expenses and the consideration paid to holders of options to purchase shares of our common stock and holders of unvested shares of restricted common stock. Our adjusted tangible book value will be calculated at the month-end prior to the closing of the merger, or, if the merger is expected to close in the first ten days of a month, as of the earlier preceding month-end. Green is entitled to withhold from the consideration otherwise payable any amounts required to be withheld under applicable law.

Pursuant to the terms of the merger agreement, Green is not obligated to close the merger if our final adjusted tangible book value, as determined in accordance with the merger agreement, is less than $26 million. Green has informed us that if our final adjusted tangible book value is less than $26 million, it does not intend to waive the related closing condition. Accordingly, if our final adjusted tangible book value is equal to $26 million, the per share merger consideration will be equal to $27.31, which is the lowest amount stockholders may receive in connection with the merger. The per share merger consideration payable if our final adjusted tangible book value is equal to $26 million is calculated by (x) reducing the adjusted aggregate merger consideration by $3.5 million to $42.7 million pursuant to the adjustment provision in the merger agreement and dividing this amount by (y) 1,563,263, which is the number of shares of our common stock (excluding unvested shares of restricted common stock) outstanding as of the date of the

merger agreement. If Green waives the satisfaction of the condition to closing the merger related to our final adjusted tangible book value after our stockholders approve the merger proposal, we expect to resolicit proxies.

Recommendation of the Strategic Review Committee and the Board of Directors (page 15)

Our board of directors unanimously recommends that you vote **FOR** the proposal to approve the merger agreement and the transactions contemplated thereby, including the merger; **FOR** the proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to our named executive officers in connection with the merger; and **FOR** the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the merger proposal. See *The Merger Background of the Merger* beginning on page 19 and *The Merger Recommendation of the Strategic Review Committee and the Board of Directors; Reasons for Recommending Adoption of the Merger Proposal* beginning on page 24.

Opinion of Our Financial Advisor (page 26)

On May 5, 2014, Mercer Capital Management, Inc., or Mercer Capital, rendered an opinion that as of such date, the merger was fair, from a financial point of view, to the holders of our common stock. The full text of such opinion is attached as Annex C to this proxy statement and is incorporated herein by reference. Mercer Capital s opinion was directed to our board of directors and is directed only to the fairness of the merger to our stockholders from a financial point of view. It does not address the underlying business decisions to proceed with the merger and does not constitute a recommendation to any of our stockholders as to how the stockholder should vote at the special meeting on the merger proposal or any related matter.

Treatment of Stock Options, Restricted Stock and Employee Stock Ownership Plan (page 46)

Each outstanding option to purchase shares of our common stock granted under or pursuant to our equity incentive plans or any other agreement, or stock option, whether vested or unvested, will be automatically canceled as of the effective time of the merger in exchange for the right to receive an amount in cash (subject to deduction for any required withholding taxes) equal to the product of (a) the positive difference, if any, of the per share merger consideration minus the exercise price per share of such stock option being canceled multiplied by (b) the number of shares of our common stock subject to such stock option immediately prior to the effective time of the merger, payable as soon as reasonably practicable, and in any event within ten days after the effective time of the merger. If the exercise price per share of any stock option is equal to or greater than the per share merger consideration, such stock option will be canceled and the holder will not be entitled to any cash payment in respect thereof.

Each outstanding unvested share of restricted common stock, or restricted stock, will become fully vested at the effective time of the merger and automatically, without any required action on the part of the holder thereof, be canceled and converted into the right to receive an amount in cash (subject to deduction for any required withholding taxes) equal to the per share merger consideration, payable as soon as reasonably practicable, and in any event within ten days after the effective time of the merger.

The SharePlus Bank Employee Stock Ownership Plan, or the ESOP, will be terminated, contingent upon the closing of the merger, effective not later than the day immediately preceding the effective time of the merger. The ESOP trustee will apply the per share merger consideration received with respect to unallocated shares to repay any outstanding debt owed by the ESOP, and any remaining cash will then be allocated to the participants accounts in proportion to their relative amount of applicable compensation consistent with past practice. In addition, the ESOP trustee will apply the per share merger consideration received with respect to each allocated share to the participants accounts. As soon as practicable following the receipt of a favorable determination letter from the Internal Revenue Service regarding the continued qualified status of the ESOP, the ESOP trustee will distribute the account balances of all ESOP participants and their beneficiaries in cash in accordance with the terms of the ESOP.

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Interests of Our Directors and Executive Officers in the Merger (page 33)

In considering the recommendation of our board of directors that you vote to adopt the merger proposal, you should be aware that our executive officers and directors have interests in the merger that are different from, or in addition to, the interests of our stockholders generally. In connection with the merger, our executive officers and directors will receive, in the aggregate, merger consideration consisting of approximately $4,606,285 in respect of shares of common stock (including vested shares of restricted common stock), $128,735 in respect of vested options, $1,016,264 in respect of unvested options and $942,759 in respect of unvested shares of restricted common stock. The members of our board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that our stockholders adopt the merger proposal. See *The Merger Background of the Merger* beginning on page 19, *The Merger Recommendation of the Strategic Review Committee and the Board of Directors; Reasons for Recommending Adoption of the Merger Proposal* beginning on page 24 and *The Merger Interests of Our Directors and Executive Officers in the Merger* beginning on page 33.

Certain Effects of the Merger (page 32)

Upon completion of the merger, SP Bancorp will cease to be a publicly traded company and will become a private company that is wholly owned by Green. Following the completion of the merger, the registration of our common stock and our reporting obligations with respect to our common stock under the Securities Exchange Act of 1934, as amended, are expected to be terminated. In addition, upon the completion of the merger, our common stock will no longer be listed on The NASDAQ Capital Market or any other stock exchange or quotation system. After the effective time of the merger, our wholly owned subsidiary, the Bank, will merge with and into Green Bank, a wholly owned subsidiary of Green (referred to in this proxy statement as the Bank merger). See *The Merger Certain Effects of the Merger* beginning on page 32.

Conditions to the Completion of the Merger (page 56)

As more fully described in this proxy statement and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others:

- the approval of the merger agreement and the transactions contemplated thereby, including the merger, by our stockholders;
- receipt of all required regulatory approvals and, in the case of Green s obligation to complete the merger, no governmental entity having taken any action or made any determination which would impose certain impermissible restrictions or burdens on Green, the surviving corporation or their respective affiliates;
- the absence of any law or order from a governmental entity that prohibits or makes illegal the completion of the merger or the Bank merger;
- final determination of our adjusted tangible book value, which must not be less than $26 million;

- the aggregate amount of core deposit liabilities of the Bank must be equal to, or in excess of, $237 million;
- the accuracy of the representations and warranties of the other party, subject to certain materiality qualifiers; and
- performance in all material respects by the other party of its obligations under the merger agreement.

Termination of the Merger Agreement (page 58)

The merger agreement may be terminated, and the merger may be abandoned at any time prior to the effective time of the merger, whether before or after our stockholders adopt the merger proposal by the required vote:

- by mutual written consent of Green and SP Bancorp;

- by either Green or SP Bancorp if the merger has not been consummated on or before February 5, 2015, unless the terminating party s breach was a cause of the failure of the merger to be consummated by such date;
- by either Green or SP Bancorp in the event of certain breaches of the merger agreement by the other party;
- by either Green or SP Bancorp if a final and non-appealable governmental order restrains, enjoins or prohibits the transactions contemplated by the merger agreement or if a governmental entity gives notice that it will not grant a required regulatory approval or will not grant such an approval without imposing unacceptable restrictions on Green, the surviving company or their respective affiliates;
- by either Green or SP Bancorp if our stockholders do not adopt the merger proposal by the required vote;
- by Green, if our board of directors effects an adverse recommendation change (as defined in this proxy statement), we materially breach our non-solicitation obligations with respect to acquisition proposals (as defined in this proxy statement), or in certain other circumstances related to acquisition proposals; and
- by us, prior to the adoption of the merger proposal by the required vote of our stockholders, in order to enter into a definitive agreement with respect to a transaction that our board of directors has determined constitutes a superior proposal (as defined in this proxy statement).

Termination Fee; Remedies (page 59)

If the merger agreement is terminated under certain circumstances, including circumstances involving an adverse recommendation change by our board of directors, we may be required to pay Green a termination fee of $2.0 million. The termination fee could discourage other companies from seeking to acquire or merge with SP Bancorp.

Specific Performance (page 60)

Each of the parties is entitled to specific performance of the terms of the merger agreement, including an injunction or injunctions to prevent breaches of the merger agreement and to enforce specifically the terms and provisions of the merger agreement in any state or federal court located in the State of Delaware.

Voting Agreements (page 37)

Our directors and named executive officers entered into voting agreements with Green, pursuant to which they agreed to vote all of their shares of our common stock in favor of the merger proposal. As of August 15, 2014, the record date for the special meeting, our directors and named executive officers owned, in the aggregate, 187,762 shares, or approximately 11.7%, of our outstanding common stock entitled to vote at the special meeting.

Governmental and Regulatory Approvals (page 40)

We must receive regulatory approval or similar clearance from the Federal Reserve, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Texas Department of Banking and certain other

regulatory authorities as a condition to closing the merger. The Office of the Comptroller of the Currency approved the Bank merger on August 1, 2014. On August 15, 2014, the Federal Reserve waived its application requirements that would apply to the merger. In addition, we and Green must file articles of merger with the Maryland State Department of Assessments and Taxation in accordance with the relevant provisions of the Maryland General Corporation Law as soon as practicable on or after the closing date of the merger.

No Rights of Appraisal (page 67)

No appraisal rights are available under Maryland law or under our articles of incorporation to any stockholder who dissents from any proposal described in this proxy statement.

Material United States Federal Income Tax Considerations (page 37)

In general, the receipt of cash pursuant to the merger agreement will be a taxable transaction to U.S. Holders (as defined in *The Merger Material United States Federal Income Tax Considerations*) for U.S. federal income tax purposes. A non-U.S. Holder generally will not be subject to U.S. federal income tax on the receipt of cash pursuant to the merger. Tax matters are complicated. The tax consequences of the merger to each of our stockholders will depend upon such stockholder s personal circumstances. You should consult your tax advisors for a full understanding of the U.S. federal, state, local, foreign and other tax consequences of the merger to you. See *The Merger Material United States Federal Income Tax Considerations* beginning on page 37.

Litigation (page 40)

Two putative class action lawsuits have been filed in Maryland, *Gary W. Stisser v. SP Bancorp, Inc.*, *et al.*, in the Circuit Court for Baltimore City, Case No. 24C14003610 (the Stisser Suit) and *Fundamental Partners v. Jeffrey L. Weaver, et. al.*, in the Circuit Court for Baltimore City, Case No. 24C14003651 (the Fundamental Partners Suit). Both lawsuits name as defendants SP Bancorp, the members of our board of directors, Merger Sub and Green.

The Fundamental Partners Suit alleges that the per share merger consideration is inadequate, that the members of our board of directors breached their fiduciary duties of good faith, loyalty, fair dealing and due care to our stockholders, and that we and our board of directors breached a fiduciary duty by not disclosing certain allegedly material facts in the initial preliminary proxy statement. The Fundamental Partners Suit also alleges that Green aided and abetted the breach of fiduciary duty. The relief sought includes class certification, a declaration that there has been a breach of fiduciary duty, damages, and interest and fees, including attorney s fees.

The Stisser Suit alleges a breach of fiduciary duty by the failure to disclose material facts in the initial preliminary proxy statement. The Stisser Suit also alleges that Green aided and abetted the breach of fiduciary duty. The relief sought includes class certification, an injunction against the merger until all alleged breaches have been cured, damages if the merger has been completed prior to the entry of final judgment, costs and attorney s fees.

The court has consolidated the two cases. A demand for jury trial has been made in each case. The plaintiffs have filed a motion for a preliminary injunction to enjoin the merger pending a trial of the cases. Expedited discovery is underway. We believe that the claims in these lawsuits are without merit and intend to vigorously defend ourselves against them. However, there can be no assurance as to the outcome of these lawsuits. See *The Merger Litigation* beginning on page 40.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following questions and answers are intended to briefly address some commonly asked questions regarding the merger agreement, the merger and the special meeting. You are encouraged to read carefully this entire proxy statement, including the annexes, and the other documents to which this proxy statement refers because the information in this section does not provide all of the information that might be important to you. Unless stated otherwise, all references to SP Bancorp are to SP Bancorp, Inc., a Maryland corporation, on a consolidated basis with its wholly owned subsidiary, SharePlus Bank, a Texas chartered state bank, or the Bank; all references to Green are to Green Bancorp, Inc., a Texas corporation; all references to Green Bank are to Green Bank, National Association, a national bank that is wholly owned by Green; all references to Merger Sub are to Searchlight Merger Sub Corp., a Maryland corporation; and all references to the merger agreement are to the Agreement and Plan of Merger, dated May 5, 2014, as it may be amended from time to time, among SP Bancorp, Green and Merger Sub, a copy of which is included as Annex A to this proxy statement and is incorporated herein by reference.

Q: When and Where Is the Special Meeting?

A: We will hold a special meeting of stockholders of SP Bancorp on October 8, 2014 at 2:00 p.m., local time, at SharePlus Bank, 5224 W. Plano Parkway, Plano, Texas 75093.

Q: What Am I Being Asked to Vote On?

A: You are being asked to vote to adopt the following proposals:

- to approve the merger agreement and the transactions contemplated thereby, including the merger, or the merger proposal, pursuant to which each outstanding share of our common stock (other than treasury shares and shares owned, directly or indirectly, by Green, Merger Sub or us) will be canceled and converted into the right to receive an amount in cash equal to the per share merger consideration, without interest, subject to downward reduction calculated as described in the section of this proxy statement entitled *The Merger Agreement Merger Consideration* beginning on page 43;

- to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to our named executive officers in connection with the merger, or the merger-related compensation proposal; and

- to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are insufficient votes to adopt the merger proposal at the special meeting or any adjournment or postponement thereof, or the adjournment proposal.

As a result of the merger, we will cease to be a publicly held company and will become a private wholly owned subsidiary of Green.

Q: What Will I Be Entitled to Receive in the Merger?

A: If the merger is completed, you will be entitled to receive, for each share of our common stock that you own, a cash payment equal to the per share merger consideration of $29.55 per share (without giving effect to any potential adjustments), which is equal to the adjusted aggregate merger consideration (described below) divided by the 1,563,263 shares of our common stock (excluding unvested shares of restricted common stock) outstanding as of the date of the merger agreement. In all cases, the per share merger consideration will be paid without interest, subject to downward adjustment under certain circumstances described below and rounded to four decimal points.

The adjusted aggregate merger consideration will be determined shortly before the completion of the merger and will equal $46.2 million, reduced dollar-for-dollar if and to the extent that our adjusted tangible book value is less than $29.5 million. Our adjusted tangible book value will be equal to our consolidated

stockholders equity, or book value, reduced by any intangible items such as goodwill, as well as certain transaction expenses and the consideration paid to holders of options to purchase shares of our common stock and holders of unvested shares of restricted common stock. Our adjusted tangible book value will be calculated at the month-end prior to the closing of the merger, or, if the merger is expected to close in the first ten days of a month, as of the earlier preceding month-end. Green is entitled to withhold from the consideration otherwise payable any amounts required to be withheld under applicable law.

Pursuant to the terms of the merger agreement, Green is not obligated to close the merger if our final adjusted tangible book value, as determined in accordance with the merger agreement, is less than $26 million. Green has informed us that if our final adjusted tangible book value is less than $26 million, it does not intend to waive the related closing condition. Accordingly, if our final adjusted tangible book value is equal to $26 million, the per share merger consideration will be equal to $27.31, which is the lowest amount stockholders may receive in connection with the merger. The per share merger consideration payable if our final adjusted tangible book value is equal to $26 million is calculated by (x) reducing the adjusted aggregate merger consideration by $3.5 million to $42.7 million pursuant to the adjustment provision in the merger agreement and dividing this amount by (y) 1,563,263, which is the number of shares of our common stock (excluding unvested shares of restricted common stock) outstanding as of the date of the merger agreement. If Green waives the satisfaction of the condition to closing the merger related to our final adjusted tangible book value after our stockholders approve the merger proposal, we expect to resolicit proxies.

The amount of per share merger consideration to be received by our stockholders is dependent upon a number of factors that are not currently determinable, including our future stockholders equity and our transaction expenses. Consequently, the exact per share merger consideration to be received as a result of the merger will not be known at the time our stockholders vote on the merger proposal. Further information about the calculation of the per share merger consideration is contained in the section of this proxy statement entitled *The Merger Agreement Merger Consideration* beginning on page 43.

Q: How Will SP Bancorp s Stock Options be Treated in the Merger?

A: Each outstanding option to purchase shares of our common stock granted under or pursuant to our equity incentive plans or any other agreement, or stock option, whether vested or unvested, will be automatically canceled as of the effective time of the merger in exchange for the right to receive an amount in cash (subject to deduction for any required withholding taxes) equal to the product of (a) the positive difference, if any, of the per share merger consideration minus the exercise price per share of such stock option being canceled multiplied by (b) the number of shares of our common stock subject to such stock option immediately prior to the effective time of the merger, payable as soon as reasonably practicable, and in any event within ten days after the effective time of the merger. If the exercise price per share of any stock option is equal to or greater than the per share merger consideration, such stock option will be canceled and the holder will not be entitled to any cash payment in respect thereof.

Q: How Will SP Bancorp s Restricted Stock be Treated in the Merger?

A: Each outstanding unvested share of restricted common stock, or restricted stock, will become fully vested at the effective time of the merger and automatically, without any required action on the part of the holder thereof, be

canceled and converted into the right to receive an amount in cash (subject to deduction for any required withholding taxes) equal to the per share merger consideration, payable as soon as reasonably practicable, and in any event within ten days after the effective time of the merger.

Q: How Will the Employee Stock Ownership Plan be Treated in the Merger?

A: The SharePlus Bank Employee Stock Ownership Plan, or the ESOP, will be terminated, contingent upon the closing of the merger, effective not later than the day immediately preceding the effective time of the

merger. The ESOP trustee will apply the per share merger consideration received with respect to unallocated shares to repay any outstanding debt owed by the ESOP, and any remaining cash will then be allocated to the participants accounts in proportion to their relative amount of applicable compensation consistent with past practice. In addition, the ESOP trustee will apply the per share merger consideration received with respect to each allocated share to the participants accounts. As soon as practicable following the receipt of a favorable determination letter from the Internal Revenue Service regarding the continued qualified status of the ESOP, the ESOP trustee will distribute the account balances of all ESOP participants and their beneficiaries in cash in accordance with the terms of the ESOP.

Q: What Vote Is Required to Adopt the Merger Proposal?

A: For us to complete the merger, the holders of a majority of the outstanding shares of our common stock entitled to vote must vote in favor of the approval of the merger agreement and the transactions contemplated thereby, including the merger. A stockholder s failure to vote shares of common stock or an abstention from voting for the merger proposal will have the same effect as a vote against the merger proposal.

Q: What Vote is Required to Adopt the Merger-Related Compensation Proposal?

A: The proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to our named executive officers in connection with the merger requires the affirmative vote of a majority of the votes cast on the proposal. Because this vote is non-binding, even if our stockholders do not approve this proposal, we currently expect that such compensation will be paid to the extent payment is contractually required.

Q: What Vote Is Required to Adopt the Adjournment Proposal?

A: The proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the votes cast on the proposal. In addition, our bylaws authorize the chairman of the meeting to adjourn the special meeting without further notice to a date not more than 120 days after the original record date.

Q: Does SP Bancorp s Board of Directors Recommend Adoption of the Merger Proposal?

A: Yes. Our board of directors unanimously recommends that our stockholders vote to adopt the merger proposal. At a meeting held on May 5, 2014, our board of directors, consisting of nine independent directors and our Chief Executive Officer, reviewed and considered the terms and conditions of the merger agreement and the transactions contemplated thereby, including the merger, and unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable to, and in the best interests of, our stockholders. **Our board of directors unanimously recommends that you vote FOR the merger proposal. Our board of directors also unanimously recommends that you vote FOR the merger-related compensation proposal and FOR the adjournment proposal.**

Q: How Will SP Bancorp s Directors and Executive Officers Vote on the Merger Proposal?

A: On May 5, 2014, each of our directors and named executive officers entered into voting agreements with Green, pursuant to which they agreed, solely in their capacity as stockholders of SP Bancorp, to vote all of their shares of our common stock in favor of the adoption of the merger proposal, among other things. As of the record date for the special meeting, our directors and named executive officers owned, in the aggregate, 187,762 shares, or approximately 11.7%, of our outstanding common stock entitled to vote at the special meeting.

Q: What Is the Record Date for the Special Meeting?

A: The record date for the special meeting is the close of business on August 15, 2014. Only holders of our common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement thereof. As of the record date, we had 1,602,313 shares of common stock outstanding.

Q: What Constitutes a Quorum for the Special Meeting?

A: The required quorum for the transaction of business at the special meeting is the presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock that are entitled to vote at the special meeting.

Q: How Do I Cast My Vote if I am a Holder of Record?

A: If you were a holder of record at the close of business on the record date, you may vote in person at the special meeting by submitting a proxy by completing, signing, dating and returning your proxy card by mail in the accompanying reply envelope or by following the instructions on the proxy card for submitting a proxy via telephone or the Internet.

Whether or not you plan to attend the special meeting, you should complete, sign, date and mail your proxy card or submit your proxy via telephone or the Internet as promptly as possible. If you fail to vote your shares, it will have the same effect as a vote AGAINST the adoption of the merger proposal, and will have no effect on the adoption of the merger-related compensation proposal or the adoption of the adjournment proposal as long as a quorum is present at the meeting.

If you properly transmit your proxy but do not indicate how you wish to vote, your shares will be voted **FOR** the merger proposal, **FOR** the merger-related compensation proposal and **FOR** the adjournment proposal (if necessary or appropriate).

Q: Should I Send in My Stock Certificates Now?

A: No. If the merger is completed, you will receive written instructions for exchanging your common stock certificates for cash.

Q: If My Shares Are Held in Street Name by My Broker, Will My Broker Vote My Shares for Me?

A: Your broker will vote your shares for you only if you provide your broker with your specific voting instructions. You should follow the directions provided by your broker to vote your shares, including telephone and Internet

voting instructions. Without your instructions your shares of common stock will not be voted, which will have the same effect as a vote AGAINST the adoption of the merger proposal, and will have no effect on the adoption of the merger-related compensation proposal or the adjournment proposal (if necessary or appropriate) as long as a quorum is present at the meeting. Please make certain to return your proxy or voting instruction card for each separate account you maintain to ensure that all of your shares are voted.

Q: May I Change My Vote After I Have Mailed My Signed Proxy Card?

A: Yes. If you are a holder of record, you may change your vote in one of the four ways listed below. You may take any of the following actions at any time before your proxy is voted at the special meeting:

- deliver to SP Bancorp, Inc., 5225 W. Plano Parkway, Plano, Texas 75093, Attention: Diane Stephens, Corporate Secretary, a signed written notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked;

- attend the special meeting and vote in person (your attendance at the meeting will not, by itself, change or revoke your proxy-you must vote in person at the meeting to change or revoke a prior proxy);

submit a later-dated proxy card; or

submit a proxy again at a later time by telephone or Internet prior to the time at which the telephone and Internet proxy facilities close by following the procedures applicable to those methods of submitting a proxy.

If your shares are held in street name and you have instructed a broker, bank or other nominee to vote your shares, you must contact such broker, bank or other nominee and follow the directions provided to change your voting instructions. See *The Special Meeting Voting and Revocation of Proxies* beginning on page 17.

Q: When Do You Expect the Merger to be Completed?

A: We are working to complete the merger as quickly as possible after the special meeting if the merger agreement and the transactions contemplated thereby, including the merger, are approved by our stockholders at the special meeting and we obtain the requisite regulatory approvals, subject to the satisfaction of other customary and specific closing conditions as described in the section of this proxy statement entitled *The Merger Agreement Conditions to the Completion of the Merger* beginning on page 56. We hope to complete the merger during the third quarter of 2014, although there can be no assurance that we will be able to do so.

Q: What Happens if I Sell My Shares of Common Stock Before the Special Meeting?

A: The record date for the special meeting will be earlier than the effective time of the merger. If you transfer your shares of common stock after the record date but before the special meeting, you will, unless other arrangements are made, retain your right to vote at the special meeting but will not be entitled to receive the per share merger consideration for such shares. You will be entitled to receive the per share merger consideration only if the merger is completed and only if you own shares of our common stock at the time the merger is completed.

Q: What Effects Will the Merger Have on SP Bancorp?

A: Upon completion of the merger, SP Bancorp will cease to be a publicly traded company and will become a private company that is wholly owned by Green. Following the completion of the merger, the registration of our common stock and our reporting obligations with respect to our common stock under the Securities Exchange Act of 1934, as amended, or the Exchange Act, are expected to be terminated. In addition, upon the completion of the merger, our common stock will no longer be listed on The NASDAQ Capital Market or any other stock exchange or quotation system. After the effective time of the merger, our wholly owned subsidiary, the Bank, will merge with and into Green Bank.

Q: Will I Have the Right to Have My Shares Appraised if I Dissent from the Merger?

A:

No appraisal rights are available under Maryland law or under our articles of incorporation to any stockholder who dissents from any proposal described in this proxy statement.

Q: What Happens if the Merger is Not Consummated?

A: If the merger proposal is not adopted by our stockholders or if the merger is not consummated for any other reason, you will not receive any payment for your shares in connection with the merger. Instead, we will remain an independent public company and our common stock will continue to be listed and traded on The NASDAQ Capital Market. In addition, if the merger is not consummated, we expect that management will operate our business in a manner similar to the manner in which it currently is being operated and that our stockholders will continue to be subject to the same risks and opportunities as they currently are.

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If the merger is not consummated, under specified circumstances we may be required to pay Green a termination fee, as described in the section of this proxy statement entitled *The Merger Agreement Termination Fee; Remedies* beginning on page 59.

Q: What Should I Do if I Receive More Than One Set of Voting Materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement or multiple proxy or voting instruction cards. For example, if you hold your shares of our common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares of our common stock. If you are a stockholder of record and your shares of our common stock are registered in more than one name, you will receive more than one proxy card. **Please submit each proxy and voting instruction card that you receive**.

Q: Who Can Help Answer My Questions?

A: If you have any questions about the merger or the other proposals to be voted on at the special meeting after reading this proxy statement, or if you need additional copies of this proxy statement or require assistance in voting your shares, please contact our proxy solicitor, Laurel Hill Advisory Group, LLC, toll free at 888-742-1305.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. All statements, other than statements of historical fact, are forward-looking statements, including statements identified by words such as may, will, should, believe, expect, anticipate, intend, target, estimate, continue, plan, positions, prospects or potential, or the words and other words or expressions of similar meaning. These forward looking statements are found at various places throughout this proxy statement and relate to a variety of matters, including, but not limited to, effects on the Company if the merger is not completed, our expected financial position, future actions and financial performance, overall trends, liquidity and capital needs, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts.

Such forward-looking statements are necessarily estimates reflecting the best judgment of our management and are subject to numerous assumptions, risks and uncertainties, which change over time and could cause our actual results to differ materially from those suggested by the forward-looking statements.

These forward-looking statements should, therefore, be considered in light of various important factors set forth from time to time in our filings with the Securities and Exchange Commission, or the SEC, including those set forth under the heading Risk Factors in our Current Reports on Form 8-K, Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. In addition to other factors and matters contained in this document, these statements are subject to risks, uncertainties and other factors, including, among others:

- the ability to obtain regulatory approvals and meet the minimum adjusted tangible book value, minimum customer deposits conditions and other closing conditions to the merger, including approval by our stockholders, on the expected terms and schedule;
- delays in closing the merger;
- disruptions and uncertainty, including diversion of management attention, resulting from the merger may make it more difficult for us to maintain relationships with other customers, employees or suppliers, and as a result our business may suffer;
- the restrictions on our conduct prior to closing contained in the merger agreement may have a negative effect on our flexibility and our business operations;
- we have incurred and will continue to incur significant expenses related to the merger prior to its completion and the merger may involve unexpected costs or unexpected liabilities, each of which may impact the merger consideration;
- the possibility that alternative acquisition proposals will or will not be made;

the outcome of any legal proceedings that may be instituted against us or Green and others related to the merger agreement;

changes in asset quality and credit risk;

the inability to sustain revenue and earnings growth;

changes in interest rates, capital markets and inflation;

customer borrowing, repayment, investment and deposit practices;

customer disintermediation;

the introduction, withdrawal, success and timing of business initiatives;

changes in the competitive environment in which we operate; and

the impact, extent and timing of technological changes, capital management activities, and other actions of the Board of Governors of the Federal Reserve System, or the Federal Reserve, and legislative and regulatory actions and reforms.

The forward-looking statements contained in this proxy statement speak only as of the date the statement is made, and we undertake no obligation to publicly update or revise forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. You are cautioned that our forward-looking statements could be wrong in light of these and other risks, uncertainties and assumptions, which change over time. Actual results, developments and outcomes may differ materially from those expressed in, or implied by, our forward-looking statements. All of the forward-looking statements are qualified in their entirety by reference to the risk factors discussed above and under the caption Risk Factors of our most recent filings on Forms 10-Q and 10-K. We operate in a continually changing business environment, and new risk factors emerge from time to time. We cannot predict these new risk factors, nor can we assess the impact, if any, of the new risk factors on our business or the extent to which any factor or combination of factors may cause actual results or outcomes to differ materially from those expressed or implied by any forward-looking statement. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this proxy statement might not occur.

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THE SPECIAL MEETING

Date, Time, Place and Purpose

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by SP Bancorp for use at the special meeting to be held on October 8, 2014 starting at 2:00 p.m., local time at SharePlus Bank, 5224 W. Plano Parkway, Plano, Texas 75093, or at any adjournment or postponement thereof.

The purpose of the special meeting is for our stockholders to consider and vote upon the following proposals:

- to approve the merger agreement and the transactions contemplated thereby, including the merger, or the merger proposal;
- to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to our named executive officers in connection with the merger, or the merger-related compensation proposal; and
- to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are insufficient votes to adopt the merger proposal at the special meeting or any adjournment or postponement thereof, or the adjournment proposal.

Our stockholders holding a majority of the outstanding shares of our common stock must vote to adopt the merger proposal for the merger to occur. If our stockholders fail to adopt the merger proposal, the merger will not occur. A copy of the merger agreement is attached to this proxy statement as Annex A and you are urged to read the merger agreement in its entirety.

Recommendation of the Strategic Review Committee and the Board of Directors

After deliberation and consultation with our financial and legal advisors, and after consultation with the strategic review committee formed for the purpose of overseeing the strategic review process, including the evaluation and negotiation of a potential strategic transaction, our board of directors has determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable to, and in the best interests of, our stockholders. Our board of directors unanimously approved the merger agreement and the transactions contemplated thereby, including the merger, and unanimously recommends that you vote **FOR** the merger proposal. See *The Merger Background of the Merger* and *The Merger Recommendation of the Strategic Review Committee and the Board of Directors; Reasons for Recommending Adoption of the Merger Proposal*.

Our board of directors also unanimously recommends that you vote **FOR** the merger-related compensation proposal and **FOR** the adjournment proposal (if necessary or appropriate).

Record Date and Quorum

The close of business on August 15, 2014 is the record date for determining our stockholders entitled to receive notice of, and to vote at, the special meeting or any postponement or adjournment thereof. On the record date, 1,602,313 shares of our common stock were outstanding. Each share of our common stock entitles its holder to one vote on each matter properly coming before the special meeting.

The presence at the special meeting, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock that are entitled to vote at the special meeting will constitute a quorum, permitting us to conduct business at the special meeting. All shares of our common stock, whether present in person or represented by proxy, including abstentions and broker non-votes, will be counted for purposes of determining whether a quorum is present. See the section of this proxy statement entitled *Abstentions and Broker Non-Votes* for additional information regarding the treatment of shares of our common stock held in street name by brokers, banks and other nominees.

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Required Vote

Adoption of the merger proposal requires the affirmative vote of the holders of a majority of the shares of our common stock outstanding and entitled to vote thereon. Adoption of the merger-related compensation proposal and the adjournment proposal (if necessary or appropriate) each requires the affirmative vote of a majority of the votes cast on the proposal. In addition, the merger agreement provides that stockholder approval of the merger proposal is a condition to the completion of the merger.

Abstentions and Broker Non-Votes

An abstention occurs when a stockholder attends a meeting, either in person or by proxy, but abstains from voting. Abstentions will be included in the calculation of the number of shares of our common stock represented at the special meeting for purposes of determining whether a quorum has been achieved. Abstaining from voting will have the same effect as a vote AGAINST the merger proposal, and will have no effect on the adoption of the merger-related compensation proposal or the adjournment proposal (if necessary or appropriate) as long as a quorum is present at the meeting.

Broker non-votes occur when shares held in street name by brokers, banks and other nominees are present or represented by proxy at the special meeting, but with respect to which the broker, bank or other nominee is not instructed by the beneficial owner of such shares how to vote on a particular proposal and such broker, bank or nominee does not have discretionary voting authority on such proposal. Under NASDAQ rules, brokers, banks and other nominees holding shares in street name do not have discretionary voting authority with respect to any of the three proposals described in this proxy statement. As such, if a beneficial owner of shares of our common stock held in street name does not give voting instructions to the broker, bank or other nominee, then those shares will not be voted at the special meeting. If you fail to issue voting instructions to your broker, bank or other nominee, it will have the same effect as a vote AGAINST the merger proposal, and will have no effect on the adoption of the merger-related compensation proposal or the adjournment proposal (if necessary or appropriate) as long as a quorum is present at the meeting.

Failure to Vote

If you execute and duly return your proxy card, but do not provide instructions as to how to vote the shares of our common stock listed on the proxy card (including no instruction to abstain from voting), the proxy will be voted **FOR** the merger proposal, **FOR** the merger-related compensation proposal and **FOR** the adjournment proposal (if necessary or appropriate).

If you fail to return your proxy card, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting (unless you are a record holder as of the record date and attend the special meeting in person) and will have the same effect as a vote AGAINST the adoption of the merger proposal, and will have no effect on the adoption of the merger-related compensation proposal or the adjournment proposal (if necessary or appropriate) as long as a quorum is present at the meeting.

Stock Ownership and Interests of Certain Persons

On May 5, 2014, each of our directors and named executive officers entered into voting agreements with Green, pursuant to which such directors and executive officers agreed, solely in their capacity as stockholders of SP Bancorp, to, among other things, vote all of their shares of our common stock in favor of the adoption of the merger proposal. As of the record date, our directors and named executive officers were entitled to vote approximately 187,762 shares,

or approximately 11.7%, of our outstanding common stock entitled to vote at the special meeting.

As of the record date, Green and its subsidiaries held no shares of our common stock (other than shares held as a fiduciary, custodian or agent), and its directors and executive officers or their affiliates held no shares of our common stock.

You should be aware that some of our directors and executive officers have interests in the merger that are different from, or in addition to, the interests of our stockholders generally. See *The Merger Interests of Our Directors and Executive Officers in the Merger.*

Voting and Revocation of Proxies

If you hold shares of our common stock in your name as a stockholder of record on the record date, then you received this proxy statement and a proxy card from us. You may submit a proxy for your shares by Internet, telephone, or mail without attending the special meeting. To submit a proxy by Internet or telephone 24 hours a day, seven days a week, follow the instructions on the proxy card. To submit a proxy by mail, complete, sign, and date the proxy card and return it in the accompanying reply envelope. Internet and telephone proxy facilities for stockholders of record will close at 5:00 p.m., eastern time on October 7, 2014. If you hold shares of our common stock in street name through a broker, bank or other nominee, then you received this proxy statement from such nominee, along with the nominee s voting instructions. You should instruct your broker, bank or other nominee on how to vote your shares of common stock using the voting instructions provided to you by your broker, banker or other nominee. If you are an ESOP participant, your ESOP voting instructions must be received no later than 5:00 p.m., eastern time, on October 3, 2014. If you hold shares in the SharePlus Bank 401(k) Plan, your voting instructions must be received no later than 5:00 p.m., eastern time, on October 1, 2014.

Proxies received at any time before the special meeting, and not changed or revoked before being voted, will be voted at the special meeting.

If you hold your shares in your name as a stockholder of record, you have the right to change or revoke your proxy at any time before the vote is taken at the special meeting by:

- delivering to SP Bancorp, Inc., 5225 W. Plano Parkway, Plano, Texas 75093, Attention: Diane Stephens, Corporate Secretary, a signed written notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked;

- attending the special meeting and voting in person (your attendance at the meeting will not, by itself, change or revoke your proxy-you must vote in person at the meeting to change or revoke a prior proxy);

- submitting a later-dated proxy card; or

- submitting a proxy again at a later time by telephone or Internet prior to the time at which the telephone and Internet proxy facilities close by following the procedures applicable to those methods of submitting a proxy.

If your shares are registered differently and are in more than one account, you may receive more than one proxy card or voting instruction form. Please complete, sign, date and return all of the proxy cards and voting instruction forms you receive regarding the special meeting (or submit your proxy for all shares by telephone or Internet) to ensure that

all of your shares are voted.

If you hold your shares through a broker, bank or other nominee, you have the right to change or revoke your proxy at any time before the vote is taken at the special meeting by following the directions received from your broker, bank or other nominee to change or revoke those instructions.

PLEASE DO NOT SEND IN YOUR STOCK CERTIFICATES WITH YOUR PROXY CARD. IF THE MERGER IS COMPLETED, A SEPARATE LETTER OF TRANSMITTAL WILL BE MAILED TO YOU (IF YOU ARE A STOCKHOLDER OF RECORD) THAT WILL ENABLE YOU TO RECEIVE THE PER SHARE MERGER CONSIDERATION IN EXCHANGE FOR YOUR STOCK CERTIFICATES.

Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. We do not anticipate that we will adjourn or postpone the special meeting unless necessary or appropriate to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger proposal or we are advised by counsel that such adjournment or postponement is necessary under applicable law. In addition to the foregoing, our bylaws authorize the chairman of the meeting to adjourn the special meeting without further notice to a date not more than 120 days after the original record date. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow our stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting, as adjourned or postponed.

Solicitation of Proxies

We will bear the cost of solicitation of proxies. These costs include the preparation, assembly and mailing of this proxy statement, the notice of the special meeting of stockholders and the enclosed proxy card and the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of our outstanding common stock. Our directors, officers and regular employees may, without compensation other than their regular compensation, solicit proxies by mail, personal conversation, e-mail, telephone, or via the Internet on our behalf. We have engaged Laurel Hill Advisory Group, LLC, or Laurel Hill, to assist in the solicitation of proxies for the special meeting. We estimate that we will pay Laurel Hill a fee of approximately $6,500 for proxy solicitation services, and have agreed to reimburse Laurel Hill for reasonable expenses it incurs in connection with its engagement.

Attending the Meeting

All holders of our common stock, including stockholders of record and stockholders who hold their shares through a broker, bank or other nominee, are invited to attend the special meeting. Stockholders of record can vote in person at the special meeting. If you are not a stockholder of record, to be able to vote in person at the special meeting you must obtain a proxy executed in your favor from the record holder of your shares, such as a broker, bank or other nominee. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted to the special meeting. We reserve the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the special meeting is prohibited without our express written consent.

Questions and Additional Information

If you have more questions about the merger, or require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy card, please contact our proxy solicitor:

Laurel Hill Advisory Group, LLC

2 Robbins Lane

Suite 201

Jericho, NY 11753

CALL TOLL FREE: (888) 742-1305

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THE MERGER

Parties to the Merger

SP Bancorp, Inc.

SP Bancorp, Inc. is a Maryland corporation with principal executive offices located at 5224 W. Plano Parkway, Plano, Texas 75093, and its telephone number is (972) 931-5311. SP Bancorp is a bank holding company and the parent of the Bank. We are regulated by the Board of Governors of the Federal Reserve System. The Bank is a Texas chartered state bank that is a member of the Federal Reserve System, and it operates as a full-service commercial bank, providing services that include the acceptance of checking and savings deposits, the origination of one- to four-family residential mortgage, mortgage warehouse, commercial real estate, commercial business, home equity, automobile and personal loans. Our common stock is listed on the NASDAQ Capital Market under the symbol SPBC. Additional information about us is contained in our filings with the SEC and in the section of this proxy statement entitled *Additional Information.*

Green and Merger Sub

Green is a Texas corporation with principal executive offices located at 4000 Greenbriar St., Houston, Texas 77098, and its telephone number is (713) 275-8220. Green is a bank holding company and the parent of Green Bank, National Association.

Searchlight Merger Sub Corp., a wholly owned subsidiary of Green, is a newly formed Maryland corporation created solely for the purpose of engaging in the transactions contemplated by the merger agreement and has not carried on any activities other than in connection with the merger. The address of Merger Sub is 4000 Greenbriar St., Houston, Texas 77098, and its telephone number is (713) 275-8220.

Upon completion of the merger, Merger Sub will merge with and into SP Bancorp and will cease to exist, and SP Bancorp will continue as the surviving corporation.

Background of the Merger

As part of their ongoing consideration and evaluation of our long-term prospects and strategies, our board of directors and senior management regularly review and assess our business strategies and objectives, including strategic opportunities and challenges, all with the goal of enhancing value for our stockholders. These strategic discussions have focused on, among other things, the business environment facing financial institutions generally and SP Bancorp in particular, as well as conditions and ongoing consolidation in the financial services industry. The three general long-term strategies our board of directors considered were organic growth, growth through the acquisition of other banks and a business combination, including a merger of equals, that would provide us with improved scale. Historically, our board of directors had focused on the organic growth and earnings potential of the Company.

On October 29, 2010, in connection with a public offering pursuant to which we issued a total of 1,725,000 shares of our common stock for an aggregate of $17.25 million in total gross offering proceeds, we completed the mutual to stock conversion of the Bank to facilitate the growth of our operations and to provide our board of directors with improved capital management alternatives, including the ability to pay dividends to our stockholders and repurchase shares of our common stock from time to time. Under certain Office of Thrift Supervision regulations, for three years following this conversion, no person could acquire or offer to acquire more than ten percent of our common stock without prior written approval from the Office of Thrift Supervision (referred to in this proxy statement as the three

year restriction).

With the three year restriction expiring in October 2013, at a time when there was increasing consolidation in the financial services industry generally and financial institutions were faced with increasing costs of regulatory compliance, our board of directors engaged in periodic discussions regarding the long term prospects and strategies for SP Bancorp, including the prospects of receiving an unsolicited offer upon expiration of the three year restriction.

During the second half of 2012 and the first half of 2013, Jeff Weaver, our chief executive officer, and Paul Zmigrosky, chairman of our board of directors, held several informal discussions with representatives of other financial institutions, including Green, regarding industry trends and customary banking matters.

On August 2, 2012, Messrs. Zmigrosky and Weaver had dinner with Geoff Greenwade, Tom Yenne, and Manny Mehos of Green, during which the representatives of Green initiated a high level discussion of a potential reverse merger with SP Bancorp following expiration of the three year restriction.

On May 8, 2013, Messrs. Zmigrosky and Weaver met with representatives of Commerce Street Capital, LLC, or Commerce Street Capital, to discuss long-term strategic alternatives and capital planning and the process involved in responding to any potential unsolicited offers that may be received by our board of directors following expiration of the three year restriction at the end of October 2013. In addition, due to the increasing regulatory and public company costs and our board s belief that increasing the Company s scale would mitigate the financial impact of these costs, the parties discussed strategies to grow the Company s operations more quickly than provided for in the existing strategic plan.

In early July 2013, the board of directors engaged Commerce Street Capital to assist in the review of strategic alternatives, including the review of any potential unsolicited offers from third parties.

On August 19, 2013, at Green s request, Mr. Weaver and the Bank s chief credit officer, Steve Boswell, met with representatives of Green to discuss their respective companies, industry and market trends, and preliminary views on the possibility of a strategic transaction between the two companies.

At a meeting of our board of directors held on September 14, 2013, members of the board discussed, and received advice from Commerce Street Capital regarding, our potential for organic growth in the current market along with the possibility of engaging in one or more other hypothetical strategic alternatives, including growth through the acquisition of other smaller financial institutions, a merger of equals, a reverse merger or an acquisition of SP Bancorp by a larger company. Representatives of Commerce Street Capital discussed with our board of directors different potential growth strategies to achieve efficiencies that would allow us to improve returns to our stockholders and compared these strategies against the alternative of organic growth.

At our board s request, in October 2013, Commerce Street Capital contacted ten potential parties to determine if they would be interested in a possible transaction. Over the next two months, Messrs. Zmigrosky and Weaver, together with certain members of our senior management and our financial and legal advisors, engaged in preliminary exploratory discussions with several of these parties other than Green.

In November 2013, Messrs. Zmigrosky and Weaver met with one of the parties contacted, a larger private banking institution referred to as Party A, to discuss a possible combination transaction. Certain of our financial advisors were also present for this meeting.

On December 18, 2013, Mr. Weaver met with Messrs. Yenne and Greenwade of Green, who indicated that Green intended to submit a letter of intent to acquire SP Bancorp but did not specify a price.

On January 9, 2014, our board of directors received a letter of intent signed by Green pursuant to which it offered to acquire SP Bancorp for aggregate cash consideration of $43.0 million, which represented a price per share of approximately $25.91, subject to reduction if our adjusted tangible book value at the closing of such transaction was below $32 million.

At a meeting on January 10, 2014, our board of directors discussed the strategic review process, including the receipt of the letter of intent from Green, and the fact that informal discussions were continuing with Party A. To facilitate the strategic review and negotiation process, our board of directors authorized the formation of the M&A sub-committee, referred to as the strategic review committee, comprised entirely of independent directors, including Paul Zmigrosky, Chairman, Carl Forsythe, Stan Keith and Jeff Williams, to oversee the strategic review process and make recommendations to our board of directors as to any possible strategic transaction.

At strategic review committee meetings on January 13, 2014 and January 17, 2014, the strategic review committee met to evaluate the Green letter of intent and whether potential synergies and cost savings that could be achieved by Green could support an increase in the per share consideration that would be received by our stockholders. The strategic review committee discussed, and received advice from its advisors with respect to, a form of response to recommend to our board of directors and how to proceed with the other parties with whom they had had preliminary discussions. Over the following week, members of the strategic review committee, along with representatives of Commerce Street Capital, our financial advisor, discussed with the full board of directors the terms of both the Green letter of intent and a possible transaction with Party A, and our board of directors discussed how it should respond to the Green letter of intent.

At a meeting of our board of directors held on January 23, 2014, the board discussed the Green offer together with representatives of Commerce Street Capital and their legal counsel. Representatives of Commerce Street Capital provided their analysis of the terms of Green s proposal relative to other recent comparable transactions. Following discussion, our board of directors determined to request that Green increase the economic terms of its offer and that the strategic review committee would continue discussions with the other financial institutions who had indicated a preliminary interest in an effort to understand the indicative economic terms, if any, of these other indications of interest.

On January 24, 2014, our board of directors delivered a letter to Green in response to its letter of intent, in which it stated that the strategic review committee and our board of directors had reviewed, together with its legal and financial advisors, the terms in the letter of intent and had determined that they would be interested in exploring a possible transaction in which our stockholders would receive a higher price per share than what Green offered initially.

Over the next several weeks, the strategic review committee, in consultation with the Company s advisors, continued to (a) discuss the metrics of recently announced transactions in the industry, (b) engage in discussions with representatives of Green, Party A and other potential strategic partners with respect to a possible transaction, (c) negotiate the terms of a potential transaction with each of Green and Party A and (d) review scenarios under which we would remain independent and rely on continued earnings to build our book value in preparation for a future strategic transaction.

At a meeting of the strategic review committee on February 5, 2014, the strategic review committee discussed the potential terms of a transaction with Party A. Party A proposed a transaction with an aggregate value of approximately $37.2 million, or approximately $23.78 per share, consisting of $7.2 million in cash and the issuance of unregistered securities of Party A that Party A assigned a proposed value of approximately $30.0 million. Party A also proposed to register the securities issued to our stockholders in connection with the proposed transaction. The strategic review committee determined that the terms of the combination stock/cash transaction proposed by Party A were not attractive because the transaction would be materially dilutive, on an economic basis, to our stockholders. Further, the scenarios under which the proposal from Party A would offer comparable value to the Green proposal would be subject to significant execution risk. Specifically, the strategic review committee was concerned about Party A s relatively limited history of financial performance and the uncertainty surrounding the valuation of Party A s common stock after such shares were registered. Further, the strategic review committee believed that the Party A common stock issued to our stockholders would suffer significant economic dilution and would only deliver sufficient value to our stockholders if Party A successfully executed its business plan over multiple fiscal years. The strategic review committee also discussed the Green proposal and whether potential cost savings could help Green increase its price.

At a strategic review committee meeting on February 12, 2014, the strategic review committee discussed a revised proposal from Party A but continued to believe that the transaction would be economically dilutive to our stockholders and subject to significant execution risk.

On February 20, 2014, following an expression of interest in a strategic transaction by a party that had not been contacted initially by Commerce Street Capital, the party executed a confidentiality agreement to facilitate

due diligence and further discussions. However, discussions with this party did not progress beyond a preliminary stage because the party did not believe it could offer a price near the price offered by Green.

At a strategic review committee meeting on February 21, 2014, the strategic review committee discussed a letter of intent from Party A received in February 2014 proposing a reverse merger with terms substantially equivalent to the prior proposal. After discussion and consultation with its advisors, the strategic review committee determined to suspend discussions with Party A because of the economically dilutive terms of Party A s proposal, as well as its belief that the Green offer presented more value to our stockholders and that such offer could moreover be improved through continued negotiations with Green.

On February 26, 2014, the strategic review committee met to evaluate the results of the strategic review process, including the all cash acquisition proposal from Green and the cash-stock proposal from Party A, as well as the alternative of remaining independent. After extensive discussion of the relative terms, current and net present values, execution risks and uncertainties and other factors of each proposal, the strategic review committee agreed to recommend that our board of directors execute the revised Green letter of intent and negotiate with Green on an exclusive basis with respect to a strategic transaction with aggregate cash consideration of $46.2 million, subject to reduction if the Company s adjusted tangible book value at closing was below $29.5 million. Based on certain assumptions and calculations with respect to the anticipated impact of the tangible book value adjustment on the per share merger consideration payable to our stockholders, it was estimated that this enhanced proposal from Green represented an increase of approximately 21% over Green s initial offer.

On February 27, 2014, our board of directors held a meeting to discuss an update from the strategic review committee on the process to date. Our board of directors reviewed the terms of the proposals from Party A and Green as well as the status of discussions with other potential parties. In summary, of the ten parties contacted, two parties signed confidentiality agreements and discussions with eight parties did not progress beyond a preliminary stage, and discussions with the party that was not initially contacted by Commerce Street Capital but executed a confidentiality agreement also did not progress beyond a preliminary stage. Following this discussion, our board of directors determined that the Green offer provided significantly greater value to our stockholders than any other indication of interest or the Company s organic growth options and approved the entry into the non-binding letter of intent with Green. The board also determined to terminate discussions with Party A due to the potential economic dilution and execution risk. Finally, our board of directors directed the strategic review committee to work to negotiate a definitive agreement with Green that would include flexibility in the event of a third party superior proposal to acquire SP Bancorp, as well as other terms that would be in the best interest of our stockholders.

Following the execution of the letter of intent, our board of directors engaged Wachtell, Lipton, Rosen & Katz (Wachtell Lipton), to provide additional legal advice in connection with the proposed transaction and to help negotiate the terms of definitive transaction documents with Green s outside counsel, Skadden Arps, Slate, Meagher & Flom LLP (Skadden).

Over the course of the following weeks, representatives of SP Bancorp and Green (including outside legal counsel and other advisors and consultants) conducted mutual due diligence involving the management teams from both companies.

At a meeting of the strategic review committee on March 31, 2014, the committee discussed an approximate 3% interest in Green common stock held by Commerce Street Financial Partners, LP, a fund managed by an affiliate of Commerce Street Capital (the Company s financial advisor). The committee determined that Commerce Street Capital had no current, recent or pending commercial relationship with Green. Following this discussion, in consultation with our legal advisors, the strategic review committee decided to seek to engage an independent financial advisor for the

purposes of rendering an independent fairness opinion on any transaction that might result with Green.

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Following contact with several independent financial advisory firms, on April 3, 2014, our board of directors engaged Mercer Capital Management, Inc., or Mercer Capital, to opine as to the fairness of the proposed merger, from a financial point of view, to the Company s stockholders. Mercer Capital was engaged based on its familiarity with the Company and the regional community banking industry, its knowledge of the banking industry as a whole, and its experience in evaluating acquisitions and other significant corporate events and in rendering fairness opinions. See the section of this proxy statement entitled *Opinion of Our Financial Advisor* for a description of Mercer Capital s analysis and the fee to be paid to Mercer Capital.

Over the course of the following weeks, Green and its advisors continued to conduct due diligence with respect to the Company, and the Company and Wachtell Lipton negotiated the terms of the draft merger agreement that had been prepared by Skadden. In connection with such due diligence investigation and the negotiation of the provisions of the merger agreement relating to final adjusted tangible book value, the Company disclosed to Green that it estimated that the Company s earnings from March 31, 2014 to August 31, 2014 would be $585,000 (not taking into account expenses to be incurred in connection with the proposed merger).

Given the possible continuing role of our executives in the post-merger entity, our executives were not actively involved in the negotiation of the merger agreement. During the course of negotiations, representatives of Green also discussed their expectation that our directors and certain of our officers would enter into customary voting agreements agreeing to vote their shares in favor of the proposed transaction with Green. During this period, the Company s advisors regularly updated the strategic review committee and the board of directors regarding the status of negotiations with Green.

At a meeting of the strategic review committee on April 22, 2014, the committee members continued to discuss the offer from Green, together with representatives of Commerce Street Capital and one of our legal advisors, Haynes and Boone, LLP. Following such discussion, the strategic review committee determined to recommend approval of the Green transaction to our full board of directors, subject to the satisfactory conclusion of remaining open negotiating points.

On April 24, 2014, our board of directors met with representatives of Commerce Street Capital, Mercer Capital and Wachtell Lipton to discuss the status of the proposed transaction with Green. The Commerce Street Capital representatives presented a slide deck summarizing the negotiation history with Green and various other parties, the terms of the proposed transaction and certain valuation analyses. Representatives of Wachtell Lipton then reviewed the terms of the current draft of the definitive merger agreement and related transaction documents. A representative of Mercer Capital reviewed their preliminary conclusions in preparing their fairness opinion for the transaction, indicating a strong comfort level that the proposed transaction met or exceeded fair value for our stockholders. After extensive discussion of various other terms of the transaction, all of the directors indicated that they supported the transaction. At the conclusion of the meeting, our board of directors instructed our outside advisors to continue to work to finalize negotiations with Green.

During the following week, the parties and their advisors continued to negotiate and finalize the merger agreement and the other transaction documents.

On May 1, 2014, our board of directors held a meeting to consider the proposed merger. The strategic review committee provided our board of directors with its perspective on the proposed merger and representatives of Wachtell Lipton reviewed with our board of directors the legal standards applicable to our board of directors decisions and actions on the proposed merger. Our board of directors considered presentations from our outside financial advisors regarding the key financial terms of the transaction and the strategic and financial rationales for the proposed merger. Representatives of Mercer Capital and Commerce Street Capital reviewed with our board of directors

additional information, including financial information regarding SP Bancorp, Green and the proposed transaction. In addition, representatives of Wachtell Lipton reviewed the most

recent draft of the proposed merger agreement and related transaction documents. Our senior management and outside legal and financial advisors responded to questions from the directors throughout the meeting and there were discussions among the directors and management. Following our board of directors meeting, the parties and their outside counsel worked to finalize the terms of the merger agreement and the related transaction documents.

Over the course of the following days, the parties finalized the merger agreement and the other transaction documents.

On May 5, 2014, our board of directors held a telephonic meeting during which representatives of Mercer Capital, Commerce Street Capital and Wachtell Lipton presented updates regarding the status of the definitive transaction documents. Mercer Capital delivered its opinion to the effect that, as of such date and subject to the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Mercer Capital as set forth in such opinion, the proposed merger was fair, from a financial point of view, to our stockholders. Following a discussion among the members of our board of directors, including consideration of the factors described in the section of this proxy statement entitled *Recommendation of the Strategic Review Committee and the Board of Directors; Reasons for Recommending Adoption of the Merger Proposal*, our board of directors unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable to, and in the best interests of, our stockholders, approved the merger agreement and the transactions contemplated thereby, including the merger, and recommended that our stockholders adopt the merger proposal.

Pursuant to the engagement letter with Commerce Street Capital, upon completion of the merger, we will pay Commerce Street Capital a fee of approximately $562,000 (plus expenses).

Readers of this proxy statement are cautioned that any financial projections contained herein reflect the Company s judgment, as of the time that these projections were prepared, as to the occurrence or nonoccurrence of certain future events and of expected future operating performance and business conditions, which are subject to change. The projections were not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants or the Financial Accounting Standards Board, or the rules and regulations of the SEC regarding projections. Furthermore, the projections have not been audited or reviewed by the Company s registered independent public accounting firm. The projections are based upon a variety of estimates and assumptions, which may not be realized, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, including, without limitation, the factors identified in the section of this proxy statement entitled *Cautionary Statement Concerning Forward-Looking Information* and those set forth under the heading Risk Factors in the Company s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Consequently, the projections should not be regarded as a representation or warranty by the Company, or any other person, as to the accuracy of the projections or that the projections will be realized. Actual results may differ materially from those presented in the projections. Readers of this proxy statement are cautioned not to place undue reliance on any projections contained herein, and must make their own determinations as to the reasonableness of such assumptions and the reliability of the projections in making any decision with respect to the merger.

Except as required by applicable law, the Company does not intend to update or otherwise revise any projections to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error.

Recommendation of the Strategic Review Committee and the Board of Directors; Reasons for Recommending Adoption of the Merger Proposal

Our board of directors created the strategic review committee for administrative purposes to oversee the strategic review process and make recommendations to our board of directors as to any possible strategic transaction, including the merger. Our board of directors authorized the strategic review committee to make

recommendations to the board, but the strategic review committee did not have authority to approve or reject a strategic transaction.

After consideration of the factors described below and subject to the satisfactory conclusion of remaining open items the strategic review committee unanimously determined to recommend approval of the Green transaction to our full board of directors.

Following the recommendation of the strategic review committee, our board of directors carefully considered the terms of the merger agreement and the value of the consideration to be received by our stockholders upon completion of the merger. In reviewing the merger agreement and the consideration to be received by our stockholders, our board of directors took into consideration several issues including, among others, the recommendation of the strategic review committee, the feasibility of remaining independent, our ability to compete with much larger regional banks and the need to eventually raise additional capital to facilitate growth, which could be dilutive to our existing stockholders. **After careful consideration, our board of directors determined that it was advisable to, and in the best interests of, SP Bancorp and our stockholders to enter into the merger agreement. Accordingly, our board of directors unanimously recommends that our stockholders vote FOR the merger proposal.**

In reaching its decision to approve and adopt the merger agreement and the transactions contemplated by the merger agreement, including the merger, and recommend that our stockholders approve the merger proposal, the strategic review committee and our board of directors consulted their legal and financial advisors as well as our management, and considered a number of factors, including:

- their knowledge and understanding of our business, operations, financial condition, asset quality, earnings and prospects;

- their understanding of the current environment in the financial services industry in which we operate, including national, regional and local economic conditions and the interest rate environment, continued consolidation, increased operating costs resulting from regulatory initiatives and compliance mandates, increasing competition, the current environment for community banks (particularly in Texas) and current financial market conditions and the likely effects of these factors on our potential for growth, development, productivity, profitability and strategic options;

- the financial analyses and opinion of Mercer Capital presented to our board of directors on May 5, 2014, to the effect that, as of such date, and subject to and based on the qualifications and assumptions set forth in the opinion, the merger was fair, from a financial point of view, to our stockholders (as more fully described in the section of this proxy statement entitled *Opinion of Our Financial Advisor*);

- a review of the risks and prospects of remaining independent, including the challenges of the current financial, operating and regulatory climate and the belief that our ability to grow organically or through the acquisition of other banks was limited by our size relative to our peers;

the fact that the per share merger consideration will be paid in cash, which provides certainty of value and liquidity to our stockholders;

the process conducted by, and financial analyses delivered by, Commerce Street Capital to assist our board of directors in its review of strategic alternatives; and

the structure of the merger and the terms of the merger agreement, including the ability of our board of directors, under certain circumstances, to withdraw or adversely modify its recommendation to our stockholders, and to terminate the merger agreement in order to enter into a definitive agreement with respect to a superior proposal (as defined in the section of this proxy statement entitled *The Merger Agreement No Solicitation*) subject to payment of a $2.0 million termination fee.

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The strategic review committee and our board of directors also considered potential risks and a variety of potentially negative factors in connection with its deliberations concerning the merger agreement and the merger, including:

- the potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to complete the merger;

- the fact that the interests of some of our directors and officers may be different from those of our stockholders generally, and our directors and officers may be participants in arrangements that are different from, or are in addition to, those of our stockholders;

- the fact that the aggregate merger consideration is subject to reduction if our adjusted tangible book value is not $29.5 million or greater at the month-end near the completion of the merger;

- the fact that the merger agreement prohibits us, our subsidiaries and our and their officers, directors, agents, advisors and affiliates from soliciting acquisition proposals or, subject to certain exceptions, engaging in negotiations concerning or providing nonpublic information to any person relating to an acquisition proposal (as defined in the section of this proxy statement entitled *The Merger Agreement No Solicitation*);

- the risk that the merger will not be consummated;

- the restrictions on the conduct of our business prior to the completion of the merger; and

- the possible effects of the pendency or consummation of the transactions contemplated by the merger agreement, including any suit, action or proceeding initiated in respect of the merger.

The foregoing discussion of the factors considered by the strategic review committee and our board of directors is not intended to be exhaustive, but, rather, includes certain factors considered by the strategic review committee and our board of directors. In reaching its decision to approve and adopt the merger agreement and the transactions contemplated thereby, including the merger, the strategic review committee and our board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The strategic review committee and our board of directors considered all of these factors as a whole, including discussions with, and questioning of, our management and our financial and legal advisors, and our board of directors consultation with the strategic review committee, and overall considered the factors to be favorable to, and to support, their determination. The strategic review committee and our board of directors also relied on the experience of Commerce Street Capital and Mercer Capital, their financial advisors, for analyses of the financial terms of the merger and for the opinion of Mercer Capital as to the fairness of the merger, from a financial point of view, to our stockholders.

For the reasons set forth above, our board of directors has unanimously approved the merger agreement and the transactions contemplated thereby, including the merger, and recommends that our stockholders vote FOR the merger proposal, FOR the merger-related compensation proposal and FOR the adjournment proposal (if

necessary or appropriate).

Each of our directors and named executive officers has entered into a voting agreement, solely in their capacity as stockholders of SP Bancorp, pursuant to which they have agreed to vote all shares of our common stock held by them in favor of adopting the merger proposal, among other things. For more information regarding the voting agreements, please see the section of this proxy statement entitled *Voting Agreements.*

Opinion of Our Financial Advisor

We engaged Mercer Capital to opine as to the fairness of the merger, from a financial point of view, to our stockholders. We selected Mercer Capital because the firm is regularly engaged to assist financial and non-financial companies to evaluate acquisitions and other significant corporate events, including rendering fairness opinions, and because of its familiarity with us and the regional community banking industry, as well as its

knowledge of the banking industry as a whole. Mercer Capital was paid a fee of $45,000 (plus reimbursement of expenses) to conduct its analysis and render its opinion which is not contingent on the completion of the merger. Within the prior three years, Mercer Capital has not provided valuation services to or received compensation from either SP Bancorp or Green. Mercer Capital does not have and has not had an interest in the common stock, debt or any other security issued by SP Bancorp or Green.

On May 5, 2014, Mercer Capital rendered an opinion that as of such date, the merger was fair, from a financial point of view, to the holders of our common stock.

Our stockholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Mercer Capital. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion which is attached as Annex C to this proxy statement and is incorporated herein by reference.

Mercer Capital s opinion speaks only as of the date of the opinion. Such opinion is directed to our board of directors and addresses only the fairness of the merger, from a financial point of view, to our stockholders. It does not address the underlying business decisions to proceed with the merger and does not constitute a recommendation to any of our stockholders as to how the stockholder should vote at the special meeting on the merger proposal or any related matter.

In rendering its opinion, Mercer Capital reviewed, among other things:

Successive drafts of the merger agreement with the execution version dated May 5, 2014;

Consolidated and parent-only financial statements for SP Bancorp filed with the Federal Reserve;

Quarterly call reports for the Bank for 2012 and 2013;

Certain public filings for SP Bancorp including its annual report for the fiscal years ended December 31, 2010 to 2013 (including those filed on Form 10-K for fiscal years 2010 to 2013), earnings release for the fourth quarter of 2013 and an investor presentation for the fourth quarter of 2013;

An overview of SP Bancorp s strategic considerations and marketing process that led to the merger agreement as prepared by Commerce Street Capital;

Board packages for the December 2013 and January 2014 meetings of our board of directors;

Schedule of individual securities owned by the Bank as of February 28, 2014;

- SP Bancorp s loan loss reserve analysis as of December 31, 2013;
- Loan watch list for SP Bancorp as of February 28, 2014; and
- Certain other materials provided by management or otherwise obtained by Mercer Capital deemed relevant to prepare its opinion.

As part of its analysis, Mercer Capital visited with our management to gain insight into the historical financial performance, prospective performance, regulatory relations and other factors that led to the decision to pursue the marketing of SP Bancorp to potential acquirers. In addition, Mercer Capital visited with Commerce Street Capital and our corporate counsel to obtain additional insight into the marketing process.

Mercer Capital relied upon financial and other information we provided without independent verification. Mercer Capital did not examine our loan portfolio or the adequacy of the loan loss reserve. Mercer Capital was supplied with certain forecasts for SP Bancorp. For purposes of the analysis, Mercer Capital consulted with our management regarding future financial performance expectations, the reasonableness of the forecasts, and certain other assumptions to extrapolate from the forecasts through 2017.

The following is a summary of the material analyses performed by Mercer Capital, which were summarized by Mercer Capital in its presentation to our board of directors in connection with the rendering of its fairness opinion. The summary is not a complete description of the analyses underlying the Mercer Capital opinion, or the presentation, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description.

Summary of the Proposed Transaction.

Mercer Capital noted that Green will acquire 100% of the Company s common stock for $46.2 million of cash, or $29.55 per share before any closing adjustments or reductions for withholding taxes. Should the adjusted tangible book value (as described in the section of this proxy statement entitled *The Merger Agreement Merger Consideration*) be less than $29.5 million, the aggregate merger consideration will be adjusted downward on a dollar-for-dollar basis. In connection with the fairness opinion delivered on May 5, 2014, Mercer Capital estimated that the per share merger consideration would be approximately $29.43 per share based upon adjustments identified by our management as of such date. As part of the merger agreement, Green has represented and warranted that it will have sufficient cash to consummate the transaction immediately prior to the effective time of the merger.

Mercer Capital calculated the following transaction multiples:

Transaction Multiples

	($000)	**P/S**	**Multiple**
Price / FY13A Net Income	$ 1,245	$ 0.81	36.5x
Price / LTM Net Inc @ 3/31	$ 956	$ 0.62	47.7x
Price / LTM Core EPS[1]	$ 1,060	$ 0.68	43.4x
Price / BVPS @ 3/31/14	$ 33,136	$ 20.68	142%
Price / Tangible BVPS	$ 33,136	$ 20.68	142%
Adj Price / Core TBVPS[2]	$ 28,425	$ 17.74	149%
Ent Value / Bank Equity	$ 31,066		149%
Core Deposit Premium	$ 13,064	$ 259,809	5.0%

1 *Core EPS x-$158k pre-tax charter conversion costs*

2 *Adjusted price/core TBVPS assumes core equity = 9.0% with the purchase price reduced dollar for dollar by the amount of excess equity*

The estimated purchase price per share of $29.43 represented a 44% premium to the closing price of our common stock at April 28, 2014 and a 46% premium to the closing price of our common stock for the 30-day period ending April 28, 2014.

SP Bancorp Historical Financial Perspective.

Mercer Capital reviewed SP Bancorp s historical financial performance and near-term earnings outlook based upon management s 2014 budget. Mercer Capital noted that from 2010 through 2013 earnings ranged from $524 thousand (2010) to $1.5 million (2012) with an ROA range of 0.23% (2010) to 0.53% (2012). A significant contributor to rising

earnings during 2010-2012 was the SP Bancorp mortgage banking unit. Mercer Capital noted that gains on the sale of mortgages ranged between 118% of pre-tax income in 2010 to 98% in 2012 when origination volumes and secondary market sales were higher than 2010 as a result of a refinancing wave that was benefiting the industry. A subsequent increase in intermediate- and long-term interest rates during 2013 led to a reduced level of mortgage banking originations and secondary market sales, which in turn contributed to a reduction in SP Bancorp s 2013 net income to $1.2 million from $1.5 million in 2012. Mercer Capital noted this negative

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trend continued into 2014 when we reported first quarter net income of $96 thousand compared to $385 thousand in the same period of 2013 as gains on sales of loans declined to $153 thousand from $576 thousand. Mercer Capital also noted that we did not pay any dividends from 2010 through 2013 and that SP Bancorp s tangible book value per share increased from $18.61 per share at year-end 2010 to $20.68 per share at March 31, 2014.

Peer Comparison. Mercer Capital compared SP Bancorp s recent financial performance and pricing multiples to other publicly traded banks located in Texas and/or nearby states to provide additional perspective on SP Bancorp s performance and relative valuation in the public market. The peer group consisted of:

BancFirst Corporation	Hilltop Holdings Inc.	Prosperity Bancshares, Inc.
BOK Financial Corporation	Independent Bank Group, Inc.	Southside Bancshares Inc.
Comerica Incorporated	IBERIABANK Corporation	Southwest Bancorp, Inc.
Cullen/Frost Bankers, Inc.	International Bancshares Corp	Texas Capital Bancshares
First Financial Bankshares	OmniAmerican Bancorp, Inc.	ViewPoint Financial Group

The table below sets forth the data for SP Bancorp and the median data for the peer group as of April 28, 2014:

	SPBC	SPBC Peer Median
Assets	$ 304	$ 12,079
LTM ROA	0.41	1.05
LTM ROAE	3.7	9.9
LTM ROTE	3.7	12.2
Net Interest Margin	3.39	3.39
Efficiency Ratio	82.8	64.4
NPAs / Loans	1.79	1.13
Tangible Common Equity to Tang. Assets	10.4	9.9
P/E LTM	34.4	18.4
P/T BV	0.99	2.37
Market Cap	$ 33	$ 1,904

Recent Transactions Analysis**.**

Mercer Capital reviewed acquisition multiples for banks and thrifts with similar characteristics to SP Bancorp as reported by SNL Financial, a firm that tracks public market and M&A pricing in the financial services industry. The database was screened for the following characteristics to derive five groups of banks and thrifts that had agreed to be acquired in deals announced after December 31, 2012. All transaction groups were also screened to exclude targets with non-performing assets as a percentage of assets greater than 3%.

(a) Forty targets with assets between $200 and $500 million and profitable (no negative earnings in the YTD or prior YTD period).

(b) Seven targets located in Arizona, New Mexico, Oklahoma, or Texas and having assets between $100 and $750 million.

(c) Twenty three targets with return on average assets between 0.20% and 0.80% in the trailing twelve month period and assets between $200 and $500 million.

(d) Twenty eight targets with tangible common equity as a percentage of assets greater than 9.5% and assets between $200 million and $500 million.

(e) Nine targets where consideration paid for the target was 100% cash and the target was profitable (no negative earnings in year-to-date or prior year-to-date period) and the target had assets between $200 and $500 million.

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The table below details the price/earnings and price/core earnings multiples for SP Bancorp relative to the five transaction groups.

	Based on Announced Deal Value			
	P/E (LTM Reported)		P/E (LTM Core)	
Transactions Since YE2012	Average	Median	Average	Median
Asset Size ($200-$500M, Profitable)	22.5x	20.4x	32.6x	30.0x
Regional (AZ, NM, OK, TX, $100-750M)	23.2x	17.9x	NA	NA
Performance (ROA 0.2-0.8%, $200-500M)	28.4x	26.1x	38.6x	33.0x
High Capital (TCE > 9.5%, $200-500M)	19.6x	19.1x	33.5x	28.4x
Cash Only ($200-500M, Profitable)	25.6x	28.9x	33.0x	33.0x
Median	**23.2x**	**20.4x**	**33.3x**	**31.5x**
SP Bancorp, Inc.	**47.7x**		**43.4x**	

The table below details the price/book multiples, price/tangible book multiples and core deposit premiums for SP Bancorp relative to the five transaction groups.

	Price / Book Value		Price / Tangible BV		Core Dep Premium	
Transactions Since YE2012	Average	Median	Average	Median	Average	Median
Asset Size ($200-$500M, Profitable)	132%	130%	136%	133%	5.0%	4.7%
Regional (AZ, NM, OK, TX, $100-750M)	137%	127%	139%	130%	6.6%	5.9%
Performance (ROA 0.2-0.8%, $200-500M)	128%	126%	134%	133%	5.1%	4.5%
High Capital (TCE > 9.5%, $200-500M)	120%	123%	124%	128%	3.7%	3.8%
Cash Only ($200-500M, Profitable)	119%	113%	132%	133%	4.2%	4.1%
Median	**128%**	**126%**	**134%**	**133%**	**5.0%**	**4.5%**
SP Bancorp, Inc.	**142%**		**142%**		**5.0%**	

Mercer Capital determined a range of value based upon the multiples observed for the recent transactions as follows:

Price to Earnings: The multiples applied were based upon the range of 18x to 29x observed for the median and averages of the five transaction groups described previously. The range of value for SP Bancorp was $17 to $28 million ($10.85 to $17.90 per share) and was derived from the product of SP Bancorp s earning power and the P/E multiples.

Price to Core Earnings: The multiples applied were based upon the range of 28x to 39x observed for the median and averages of the five transaction groups described previously. The range of value for SP Bancorp was $30 to $41 million ($19.20 to $26.25 per share) and equaled the product of SP Bancorp s core earnings for the LTM period-ended March 31, 2014 as calculated by Mercer Capital and the P/E multiples.

Price to Tangible Book Value. The indicated value range was equal to the product of the price/tangible book value multiple range observed for the median and average of the five transaction groups of 1.2x to 1.4x and SP Bancorp s tangible equity as of March 31, 2014. The range of values for SP Bancorp was $40 to $46 million ($25.60 to $29.45 per share).

***Discounted Cash Flow Analysis*.**

Mercer Capital used the discounted cash flow method to derive a range of values for SP Bancorp based upon projected cash flows that would accrue to our stockholders. The analysis examined two scenarios: an organic growth scenario whereby the forecasts were based upon our management s organic growth forecasts for 2014 through 2017 and a milk scenario in which Mercer Capital adjusted our management s organic growth forecasts to reflect slower growth and the implementation of a common dividend such that all tangible

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equity in excess of 9.0% were deemed to be distributed to our stockholders. Both scenarios assume that SP Bancorp is sold at the end of the forecast period with a terminal year price/earnings multiple range of 17x to 22x.

Projected cash flows for the organic growth scenario were discounted to a present value based upon a discount rate of 15.62%. Mercer Capital derived the discount rate from the sum of (a) 3.20% for the risk-free rate derived from the yield on 20-year U.S. Treasuries; (b) the product of the estimated small-cap banking industry beta of 1.02x and the common stock premium of 5.50% based upon Mercer Capital s review of long-term market return data; (c) the small capitalization stock equity premium of 3.81% based upon the micro-cap size premium derived by Ibbotson & Associates and (d) 3.0% for an incremental risk premium Mercer Capital deemed to be appropriate given the execution risk for SP Bancorp s transition towards rapid commercial growth and the significant improvement in SP Bancorp s profitability forecast relative to recent historical performance. The discount rate for the milk scenario was 13.62% as only a 1% specific company risk premium was applied to reflect that execution risks were deemed to be lower by Mercer Capital than the organic growth scenario.

Organic Growth DCF Indicated Value.

Mercer Capital derived a value of $40.9 million ($26.15 per share) for the organic growth scenario based upon the present value of the product of forecasted 2017 net income and a terminal value P/E multiple of 20.0x. Mercer Capital also presented a sensitivity analysis in which the terminal value was varied based upon a range of forecasted 2017 net income of $2.9 to $3.9 million and P/E multiples of 17x to 22x. The range of values was $28.8 to $50.1 million ($18.40 to $32.05 per share). Lastly, Mercer Capital presented a sensitivity analysis in which the discount rate was varied from 12.6% to 17.6% and forecasted 2017 net income was varied from $2.9 to $3.9 million. The range of values was $37.4 million to $42.8 million ($23.90 to $27.35 per share).

Milk DCF Indicated Value.

Mercer Capital derived a value of $36.2 million ($23.15 per share) for the milk scenario based upon the present value of the product of (a) excess capital that was assumed to be distributed in 2014, 2015, 2016, and 2017 and (b) forecasted 2017 net income and a terminal value P/E multiple of 20.0x. Mercer Capital also presented a sensitivity analysis in which the terminal value was varied based upon a range of forecasted 2017 net income of $1.8 to $2.8 million and P/E multiples of 17x to 22x. The range of values was $25.3 to $44.6 million ($16.20 to $28.55 per share). Lastly, Mercer Capital presented a sensitivity analysis in which the discount rate was varied from 10.6% to 15.6% and forecasted 2017 net income was varied from $1.8 to $2.8 million. The range of values was $31.1 million to $38.1 million ($19.90 to $24.35 per share).

Other Considerations

Mercer Capital noted that the merger agreement included a representation and warranty by Green that it would have sufficient cash at the time the merger is to be consummated to pay the merger consideration. Mercer Capital also reviewed Green s cash and capital structure at the parent and subsidiary bank levels as well as certain schedules provided by Green s management detailing pro forma capital ratios to assess Green s capacity to consummate the merger. Mercer Capital also noted that the implied return to our stockholders since SP Bancorp s initial public offering in 2010 vastly outstripped industry and broad market indices.

Returns Since 10/29/10 SPBC IPO	**Total Return (%)**

SPBC (@$20)	100.0
SPBC (@$30)	200.0
S&P 500	70.3
Russell 2000	66.5
SNL Micro Cap Banks	69.3
SNL Small Cap Banks	63.4
SNL Mid Cap Banks	55.0
SNL Large Cap Banks	61.3

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Certain Effects of the Merger

If the merger proposal is adopted by our stockholders and the other conditions to the closing of the merger are either satisfied or waived, Merger Sub will be merged with and into SP Bancorp with SP Bancorp continuing as the surviving corporation and each share of our common stock (other than treasury shares and shares owned, directly or indirectly, by Green, Merger Sub or us) will be canceled and converted into the right to receive a cash payment equal to the per share merger consideration of $29.55 per share (without giving effect to any potential adjustments), which is equal to the adjusted aggregate merger consideration (described below) divided by the 1,563,263 shares of our common stock (excluding unvested shares of restricted common stock) outstanding as of the date of the merger agreement. In all cases, the per share merger consideration will be paid without interest and subject to downward adjustment under certain circumstances described below.

The adjusted aggregate merger consideration will be determined shortly before the completion of the merger and will equal $46.2 million, reduced dollar-for-dollar if and to the extent that our adjusted tangible book value is less than $29.5 million. Our adjusted tangible book value will be equal to our book value reduced by any intangible items such as goodwill, as well as certain transaction expenses and the consideration paid to holders of stock options and holders of unvested restricted stock. Our adjusted tangible book value will be calculated at the month-end prior to the closing of the merger, or, if the merger is expected to close in the first ten days of a month, as of the earlier preceding month-end. Green is entitled to withhold from the consideration otherwise payable any amounts required to be withheld under applicable law.

Pursuant to the terms of the merger agreement, Green is not obligated to close the merger if our final adjusted tangible book value, as determined in accordance with the merger agreement, is less than $26 million. Green has informed us that if our final adjusted tangible book value is less than $26 million, it does not intend to waive the related closing condition. Accordingly, if our final adjusted tangible book value is equal to $26 million, the per share merger consideration will be equal to $27.31, which is the lowest amount stockholders may receive in connection with the merger. The per share merger consideration payable if our final adjusted tangible book value is equal to $26 million is calculated by (x) reducing the adjusted aggregate merger consideration by $3.5 million to $42.7 million pursuant to the adjustment provision in the merger agreement and dividing this amount by (y) 1,563,263, which is the number of shares of our common stock (excluding unvested shares of restricted common stock) outstanding as of the date of the merger agreement. If Green waives the satisfaction of the condition to closing the merger related to our final adjusted tangible book value after our stockholders approve the merger proposal, we expect to resolicit proxies.

The amount of per share merger consideration to be received by our stockholders is dependent upon a number of factors that are not currently determinable, including our future stockholders equity and our transaction expenses. Consequently, the exact per share merger consideration to be received as a result of the merger will not be known at the time our stockholders vote on the merger proposal. Further information about the calculation of the per share merger consideration is contained in the section of this proxy statement entitled *The Merger Agreement Merger Consideration* beginning on page 43. You will not be entitled to receive shares of the surviving corporation or of Green or any of its affiliates.

Our common stock is currently registered under the Exchange Act and is quoted on The NASDAQ Capital Market under the symbol SPBC. As a result of the merger, we will be a privately held corporation, and there will be no public market for our common stock. After the merger, our common stock will cease to be quoted on The NASDAQ Capital Market and the registration of our common stock under the Exchange Act is expected to be terminated.

After completion of the merger, the board of directors of Merger Sub will become the board of directors of the surviving corporation until the earlier of their death, resignation or removal or until their respective successors are

duly elected and qualified. The officers of Merger Sub immediately prior to the effective time of the merger will become the officers of the surviving corporation, until the earlier of their death, resignation or removal or until their respective successors are duly appointed and qualified. At the effective time of the merger,

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the articles of incorporation of Merger Sub will become the articles of incorporation of the surviving corporation and the bylaws of Merger Sub will become the bylaws of the surviving corporation.

Interests of Our Directors and Executive Officers in the Merger

In considering the recommendation of our board of directors that you vote to adopt the merger proposal, you should be aware that our executive officers and directors have interests in the merger that are different from, or in addition to, the interests of our stockholders generally. In connection with the merger, our executive officers and directors will receive, in the aggregate, merger consideration consisting of approximately $4,606,285 in respect of shares of common stock (including vested shares restricted common stock), $128,735 in respect of vested options, $1,016,264 in respect of unvested options and $942,759 in respect of unvested shares of restricted common stock. The members of our board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that our stockholders adopt the merger proposal. These interests are described in further detail below, and certain of them are quantified in the narrative and table below. For purposes of the following description, references to executive officer shall be deemed to refer to named executive officer because SP Bancorp s named executive officers are its only executive officers. See *Background of the Merger,* and *Recommendation of the Strategic Review Committee and the Board of Directors; Reasons for Recommending Adoption of the Merger Proposal.*

Summary of Consideration to be Received Pursuant to the Merger

The following table sets forth the estimated consideration that each of our named executive officers and directors will receive in connection with the completion of the merger (without accounting for any applicable withholding taxes), based on his or her ownership of our common stock, stock options and restricted stock as of August 15, 2014. The amounts in the table below assume that (a) the merger is consummated on August 15, 2014 and (b) there is no downward adjustment to the aggregate merger consideration and each share of our common stock is entitled to receive an amount in cash equal to $29.55. The amounts reported below are estimates based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including assumptions described in this document, and do not reflect certain compensation actions that may occur before the completion of the merger. As a result, the actual amounts, if any, to be received by a named executive officer or director may materially differ from the amounts set forth below.

	Merger Consideration to be Received for Common Stock(1) ($)	Merger Consideration to be Received for Vested Options ($)	Merger Consideration to be Received for Unvested Options ($)	Merger Consideration to be Received for Unvested Restricted Common Stock ($)	Total ($)
Executive Officers					
Jeffrey L. Weaver	630,260(2)	42,911	313,794	159,589	1,146,554
Suzanne C. Salls	249,432(3)	14,304	97,829	76,839	438,404
M. Gaye Rowland	191,419(4)	14,304	92,752	76,839	375,314
Non-Employee Directors					

Paul M. Zmigrosky	738,958	7,152	59,068	87,183	892,361
Christopher C. Cozby	458,081	7,152	59,068	73,884	598,185
Carl W. Forsythe	462,514	7,152	59,068	73,884	602,618
P. Stan Keith	255,639	7,152	59,068	73,884	395,742
David C. Rader	605,849	7,152	59,068	73,884	745,953
Randall E. Sloan			39,345	25,121	64,466
David Stephens	546,742	7,152	59,068	73,884	686,845
Lora J. Villarreal	70,929	7,152	59,068	73,884	211,032
Jeffrey B. Williams	396,462	7,152	59,068	73,884	536,565
Total	4,606,285	128,735	1,016,264	942,759	6,694,039

(1) Includes per share merger consideration to be received for shares of vested restricted stock.

(2) Includes per share merger consideration to be received for 1,541 shares of common stock held by the ESOP and allocated to Mr. Weaver s account. It is not possible at this time to determine the number of any unallocated shares held by the ESOP that may be allocated to Mr. Weaver s account in the future.
(3) Includes per share merger consideration to be received for 1,165 shares of common stock held by the ESOP and allocated to Ms. Salls s account. It is not possible at this time to determine the number of any unallocated shares held by the ESOP that may be allocated to Ms. Salls s account in the future.
(4) Includes per share merger consideration to be received for 1,182 shares of common stock held by the ESOP and allocated to Ms. Rowland s account. It is not possible at this time to determine the number of any unallocated shares held by the ESOP that may be allocated to Ms. Rowland s account in the future.

Treatment of Equity-Based Awards

Stock Options. Each outstanding stock option, including those held by our executive officers and directors, whether vested or unvested, will be automatically canceled as of the effective time of the merger in exchange for the right to receive an amount in cash (subject to deduction for any required withholding taxes) equal to the product of (a) the positive difference, if any, of the per share merger consideration minus the exercise price per share of such stock option being canceled multiplied by (b) the number of shares of our common stock subject to such stock option immediately prior to the effective time of the merger, payable as soon as reasonably practicable, and in any event within ten days after the effective time of the merger. If the exercise price per share of any stock option is equal to or greater than the per share merger consideration, such stock option will be canceled and the holder will not be entitled to any cash payment in respect thereof. As of the record date, our directors and named executive officers owned, in the aggregate, options to purchase 94,375 shares of our common stock, with exercise prices ranging from $15.25 to $19.40 per share.

Restricted Stock. Each outstanding unvested share of restricted stock, including those held by our executive officers and directors, will become fully vested at the effective time of the merger and automatically, without any required action on the part of the holder thereof, be canceled and converted into the right to receive an amount in cash (subject to deduction for any required withholding taxes) equal to the per share merger consideration, payable as soon as reasonably practicable, and in any event within ten days after the effective time of the merger. As of the record date, our directors and named executive officers owned, in the aggregate, 31,900 shares of unvested restricted stock.

Summary of Consideration to be Received in Connection with the Treatment of Equity-Based Awards. For an estimate of the amounts that will become payable to SP Bancorp s named executive officers in respect of their stock options and unvested restricted stock in connection with the merger, see *Interests of Our Directors and Executive Officers in the Merger Advisory Vote on Merger-Related Compensation*. The aggregate amount that would become payable to all of our non-employee directors in respect of their stock options and unvested restricted stock if the effective time of the merger were August 15, 2014, and based on a per share merger consideration of $29.55, is estimated to be $1,198,595. The actual amounts to be received by our named executive officers and directors in respect of their stock options and restricted shares in connection with the merger will depend on certain factors, including the adjustments to adjusted tangible book value (as described in the section of this proxy statement entitled *The Merger Agreement Merger Consideration*).

Treatment of Employee Stock Ownership Plan

The ESOP will be terminated, contingent upon the closing of the merger, effective not later than the day immediately preceding the effective time of the merger. The ESOP trustee will apply the per share merger consideration received with respect to unallocated shares to repay any outstanding debt owed by the ESOP, and any remaining cash will then be allocated to the participants accounts in proportion to their relative amount of applicable compensation consistent with past practice. In addition, the ESOP trustee will apply the per share merger consideration received with respect to

each allocated share to the participants accounts. As soon as practicable following the receipt of a favorable determination letter from the Internal Revenue Service regarding

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the continued qualified status of the ESOP, the ESOP trustee will distribute the account balances of all ESOP participants and their beneficiaries in cash in accordance with the terms of the ESOP. Each of our named executive officers is an ESOP participant.

Indemnification of Directors and Officers; Directors and Officers Insurance

Pursuant to the terms of the merger agreement, our directors and executive officers will be entitled to certain ongoing indemnification and coverage under directors and officers liability insurance policies from Green following the effective time of the merger. See *The Merger Agreement Other Covenants and Agreements Indemnification and Insurance*.

Severance and Change in Control Agreements

Each of our named executive officers and directors previously entered into change in control agreements with SP Bancorp that provide for certain severance payments to be paid in the event that his or her employment with, or service to, us is terminated (a) by us without cause or (b) by the executive or director for good reason (each of (a) and (b), a qualifying separation from service), within the two-year period following a change in control of SP Bancorp, provided that the executive or director executes a release of claims against us, our subsidiaries and affiliates within 50 days following a qualifying separation from service. The merger will constitute a change in control under the change in control agreements. An executive or director would forfeit any right to receive severance payments if he or she violates the terms of any restrictive covenants contained in any written agreement with us or if his or her employment with, or service to, us is terminated (x) by us for cause, (y) by the executive or director without good reason, or (z) due to the executive s or director s death or disability.

If Mr. Weaver experiences a qualifying separation from service within the two-year period following the merger, Mr. Weaver s change in control agreement provides for severance payments equal to one year of his then current base salary (or, if his base salary was reduced following the change in control, his base salary as in effect immediately preceding the reduction), payable in equal installments over the one-year period beginning on the first payroll date on or immediately following the date that is 60 days after his qualifying separation from service. If Ms. Salls or Ms. Rowland experiences a qualifying separation from service within the two-year period following the merger, each of their respective change in control agreements provides for severance payments equal to nine months of her then current base salary (or, if her base salary was reduced following the change in control, her base salary as in effect immediately preceding the reduction), payable in equal installments over the nine-month period beginning on the first payroll date on or immediately following the date that is 60 days after a qualifying separation from service.

For an estimate of the amount of cash severance payments that could become payable to each of SP Bancorp s named executive officers pursuant to their change in control agreements following completion of the merger, see *Interests of Our Directors and Executive Officers in the Merger Advisory Vote on Merger-Related Compensation.*

Under their respective change in control agreements, upon completion of the merger each director will be entitled to receive severance payments equal to the total value of director fees (retainer fees and meeting fees) he or she received in the nine-month period immediately preceding the completion of the merger, payable in equal installments over the nine-month period beginning on the first payroll date on or immediately following the date that is 60 days after the merger. The aggregate amount of the cash severance payments that could become payable to all of our non-employee directors pursuant to their change in control agreements if the effective time of the merger were August 15, 2014 and they all experienced a qualifying separation from service at such time is estimated to be $224,500.

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Advisory Vote on Merger-Related Compensation

The discussion and table below reflect the estimated amount of compensation and benefits that each of our named executive officers is entitled to receive where the compensation or benefits are based on or otherwise relate to the merger. This compensation is referred to as golden parachute compensation by the applicable SEC disclosure rules and is the subject of the merger-related compensation proposal.

The amounts in the table below assume that (a) the merger is consummated on August 15, 2014, (b) there is no downward adjustment to the aggregate merger consideration and each share of our common stock is entitled to receive an amount in cash equal to $29.55, and (c) each named executive officer experiences a qualifying separation from service on August 15, 2014. Amounts in the table below do not include compensation under the ESOP and other compensation and benefits available to all of our employees generally on a non-discriminatory basis. The amounts reported below are estimates based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including assumptions described in this document, and do not reflect certain compensation actions that may occur before the completion of the merger. As a result, the actual amounts, if any, to be received by a named executive officer may materially differ from the amounts set forth below.

Name	Cash ($)(1)	Equity ($)(2)	Total ($)
Jeffrey L. Weaver *President and Chief Executive Officer*	255,691	516,294	771,985
Suzanne C. Salls *Executive Vice President and Chief Financial Officer*	116,471	188,972	305,443
M. Gaye Rowland *Senior Vice President, Retail Lending*	117,310	183,895	301,205

(1) With respect to Mr. Weaver, this amount represents one year of his base salary, which is payable in equal installments over the one-year period beginning on the first payroll date on or immediately following the date that is 60 days after his qualifying separation from service. With respect to each of Ms. Salls and Ms. Rowland, this amount represents nine months of her base salary, which is payable in equal installments over the nine-month period beginning on the first payroll date on or immediately following the date that is 60 days after her qualifying separation from service. The amounts in this column are all double trigger in nature, which means that payment of these amounts is conditioned on both the occurrence of a change in control and a qualifying separation from service.

(2) Represents the aggregate payments to be made in respect of stock options that have an exercise price less than the per share merger consideration and unvested restricted stock. As described in more detail in *Interests of Our Directors and Executive Officers in the Merger Treatment of Equity-Based Awards*, all unvested stock options for which the exercise price is less than the per share merger consideration and all restricted stock awards held by Mr. Weaver, Ms. Salls and Ms. Rowland will be vested and settled upon the completion of the merger. Set forth below are the values of each type of equity-based award that would become payable to our named executive officers in connection with the merger. All such amounts are single-trigger.

	Vested Options	Unvested Options	Unvested Restricted	Total ($)

	($)	**($)**	**Stock ($)**	
Jeffrey L. Weaver	42,911	313,793	159,589	516,294
Suzanne C. Salls	14,304	97,829	76,839	188,972
M. Gaye Rowland	14,304	92,752	76,839	183,895

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Employment Arrangements

As of the date of this proxy statement, none of our executive officers has entered into any agreement, arrangement or understanding with Green or any of its subsidiaries regarding employment with, or the right to purchase or participate in the equity of, Green or the surviving corporation. Although no such agreement, arrangement or understanding exists as of the date of this proxy statement, certain of our executive officers may, prior to the completion of the merger, enter into new arrangements with Green or its subsidiaries regarding employment with, or the right to purchase or participate in the equity of, Green, certain of its subsidiaries or the surviving corporation.

Voting Agreements

As of May 5, 2014, each of Jeffrey L. Weaver, Suzanne C. Salls, M. Gaye Rowland, Paul M. Zmigrosky, Christopher C. Cozby, Carl W. Forsythe, P. Stan Keith, David C. Rader, Randall E. Sloan, David Stephens, Lora J. Villarreal and Jeffrey B. Williams (solely in their capacities as stockholders of SP Bancorp) entered into a voting agreement with Green, pursuant to which each of them agreed to, among other things, vote his or her shares of our common stock in favor of the adoption of the merger proposal at the special meeting, and against certain other actions, proposals, transactions or agreements that would be detrimental to the completion of the merger. Pursuant to the voting agreements, the above-referenced directors and officers also agreed not to sell or otherwise dispose of any shares of our common stock held by them, subject to limited exceptions. The voting agreements will terminate automatically upon the earlier of (a) the effective time of the merger and (b) the termination of the merger agreement in accordance with its terms. The directors and executive officers who are parties to the voting agreements collectively owned approximately 11.7% of the outstanding shares of our common stock as of the record date. The foregoing description is not intended to be complete and is qualified in its entirety by the form of voting agreement attached as Annex B to this proxy statement, which you should read in its entirety.

Effects on SP Bancorp if the Merger is Not Completed

If the merger is not completed for any reason, our stockholders will not receive the per share merger consideration, our current management, under the direction of our board of directors, will continue to manage us as a stand-alone, independent public company and the value of shares of our common stock will continue to be subject to the risks and uncertainties identified in our Annual Report on Form 10-K for the year ended December 31, 2013, as amended. See *Additional Information*.

Material United States Federal Income Tax Considerations

The following summary is a general discussion of the material U.S. federal income tax consequences to holders of our common stock whose shares of common stock are converted into the right to receive cash in the merger, or the Holders. This summary is based on the current provisions of the Internal Revenue Code of 1986, as amended, or the Code, applicable Treasury Regulations, judicial authority, and administrative rulings, all of which are subject to change, possibly with retroactive effect. Any such change could alter the tax consequences to the Holders as described herein. No ruling from the Internal Revenue Service, or the IRS, has been or will be sought with respect to any aspect of the merger. This summary is for the general information of the Holders only and does not purport to be a complete analysis of all potential tax effects of the merger. For example, it does not consider the effect of any applicable state, local, or foreign income tax laws, or of any non-income tax laws. In addition, this discussion does not address the tax consequences of transactions effectuated prior to or after the completion of the merger (whether or not such transactions occur in connection with the merger), including, without limitation, the acquisition or disposition of shares of common stock other than pursuant to the merger, or the tax consequences to holders of stock options issued by SP Bancorp which are canceled or converted, as the case may be, in connection with the merger. Furthermore, this

summary only applies to Holders that hold their shares of common stock as capital assets within the meaning of Section 1221 of the Code (generally, property

held for investment). In addition, it does not address all aspects of U.S. federal income taxation that may affect particular Holders in light of their particular circumstances, including Holders:

- who are subject to special tax rules under the U.S. federal income tax, such as dealers or brokers in securities or foreign currencies, traders in securities who elect the mark-to-market method of accounting, mutual funds, regulated investment companies, real estate investment trusts, partnerships, financial institutions, insurance companies, tax-exempt entities, certain expatriates or former long-term residents of the United States, or persons that have a functional currency other than the U.S. dollar;

- who hold their shares of common stock through a partnership or another pass-through entity;

- who are subject to the alternative minimum tax provisions of the Code;

- who acquired their shares of common stock in connection with stock option or stock purchase plans or in other compensatory transactions; or

- who hold their shares of common stock as part of a hedging, straddle, or other risk reduction strategy.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership generally will depend on the status of the partner and on the activities of the partner and the partnership. We encourage partners of partnerships holding our common stock to consult their own tax advisors.

U.S. Holders

For purposes of this summary, a U.S. Holder is a Holder that is, for U.S. federal income tax purposes:

- An individual citizen or resident of the United States

- A corporation, or any other entity or arrangement treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state of the United States, or the District of Columbia;

- An estate, the income of which is subject to U.S. federal income tax regardless of its source; or

- A trust, (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has validly elected to be treated as a U.S. person for U.S. federal income tax purposes, under the applicable

regulations.

Payments with Respect to Common Stock. The conversion of our common stock into the right to receive cash in the merger will be a taxable transaction for U.S. federal income tax purposes. Generally, this means that each U.S. Holder will recognize capital gain or loss, if any, equal to the difference between the amount of cash received by such U.S. Holder in the merger and the U.S. Holder s adjusted tax basis in its shares of common stock (generally the purchase price paid by the U.S. Holder to acquire such shares of common stock). For this purpose, U.S. Holders who acquired different blocks of shares of common stock at different times for different prices must calculate gain or loss separately for each identifiable block of shares of common stock surrendered in the merger. Any such capital gain or loss will be long-term capital gain or loss if the holding period for the shares of common stock exceeds one year as of the date of the completion of the merger. For non-corporate U.S. Holders, short-term capital gains are taxable at the ordinary income tax rate of up to 39.6% and long-term capital gains generally are taxable at a reduced rate (either 20% for individuals in the 39.6% income tax bracket or up to 15% for other individuals). The deductibility of capital losses is subject to certain limitations. Certain U.S. Holders may be subject to an additional 3.8% tax on net investment income, which generally includes capital gains from the sale of stock.

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Backup Withholding Tax. U.S. Holders may be subject to backup withholding at a rate of 28% with respect to the cash received in the merger for the U.S. Holder s shares of common stock. Backup withholding will generally not apply, however, to a U.S. Holder who furnishes the disbursing agent with a correct taxpayer identification number on Form W-9 (and who does not subsequently become subject to backup withholding) or who otherwise establishes a basis for exemption from backup withholding (such as a corporation). Each U.S. Holder should complete and sign an IRS Form W-9 in order to provide the information and certification necessary to avoid the imposition of backup withholding, unless an exemption applies and is established in a manner satisfactory to the disbursing agent. Backup withholding is not an additional tax and any amounts withheld from payments to a U.S. Holder under the backup withholding rules generally will be allowed as a credit against the U.S. Holder s U.S. federal income tax liability and may entitle the holder to a refund, provided that the U.S. Holder furnishes the required information to the IRS. U.S. Holders who fail to provide the correct taxpayer identification numbers and the appropriate certifications, or to establish an exemption as described above, will be subject to backup withholding on cash they receive in the merger and may be subject to a penalty imposed by the IRS. If the disbursing agent withholds on a payment to a U.S. Holder and the withholding results in an overpayment of taxes by that U.S. Holder, a refund may be obtained from the IRS, provided that the U.S. Holder furnishes the required information to the IRS.

Non-U.S. Holders

The following is a summary of the material U.S. federal income tax consequences that will apply to Non-U.S. Holders of our common stock exchanged in the merger. For purposes of this discussion, a Non-U.S. Holder is a beneficial owner of any shares of our common stock (other than a partnership or any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder as described above.

Payments with Respect to Common Stock. The receipt of cash in exchange for shares of common stock pursuant to the merger by a Non-U.S. Holder generally will be exempt from U.S. federal income tax unless:

- The gain is effectively connected with a trade or business carried on by such Non-U.S. Holder within the United States (and, if required by an applicable tax treaty, is attributable to a permanent establishment in the United States);

- Such Non-U.S. Holder is an individual, holds common stock as a capital asset, is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions exist; or

- SP Bancorp is or has been a United States real property holding corporation for U.S. federal income tax purposes and such Non-U.S. Holder held, directly or indirectly, at any time during the five-year period ending on the date of disposition, more than 5% of our common stock.

In the case of a corporate Non-U.S. Holder, effectively connected gains that are recognized may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if such Non-U.S. Holder is eligible for the benefits of an income tax treaty that provides for a lower rate.

SP Bancorp has not been, is not and does not anticipate becoming, a United States real property holding corporation for U.S. federal income tax purposes.

Backup Withholding Tax. In general, a Non-U.S. Holder will not be subject to backup withholding or information reporting with respect to cash received in exchange for the Non-U.S. Holder s shares of common stock in the merger if the Non-U.S. Holder certifies the Non-U.S. Holder s non-U.S. status on a properly executed Form W-8BEN or W-8ECI (if the gain is effectively connected with the conduct of a U.S. trade or business). If the Non-U.S. Holder s shares of common stock are held through a foreign partnership or other flow-through entity, such holder will be required to furnish a properly executed Form W8-IMY associated with certain other documentation requirements also apply to the partnership or other flow-through entity. Backup withholding

is not an additional tax and any amounts withheld under the backup withholding rules will generally be credited against a Non-U.S. Holder s U.S. federal income tax liability, and the Non U.S. Holder may obtain a refund of any amounts withheld in excess of its U.S. federal income tax liability provided that the Non-U.S. Holder furnishes the required information to the IRS in a timely manner.

BECAUSE YOUR INDIVIDUAL CIRCUMSTANCES MAY DIFFER, WE ENCOURAGE YOU TO CONSULT WITH YOUR TAX ADVISOR WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR SITUATION, AS WELL AS ANY TAX CONSEQUENCES OF THE MERGER ARISING UNDER THE FEDERAL ESTATE OR GIFT TAX RULES OR UNDER THE LAWS OF ANY STATE, LOCAL, FOREIGN OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Anticipated Accounting Treatment of the Merger

The merger will be accounted for as a purchase transaction for financial accounting purposes.

Governmental and Regulatory Approvals

We must receive regulatory approval or similar clearance from the Federal Reserve, the Office of the Comptroller of the Currency, or the OCC, the Federal Deposit Insurance Corporation, or the FDIC, and the Texas Department of Banking and certain other regulatory authorities as a condition to closing the merger. In connection with the merger, we and Green must file articles of merger with the Maryland State Department of Assessments and Taxation in accordance with the relevant provisions of the Maryland General Corporation Law as soon as practicable on or after the closing date of the merger. As of the date of this proxy statement, Green has submitted applications with respect to the required regulatory approvals. By letter dated August 1, 2014, the OCC informed Green that the Bank merger had been approved. On August 15, 2014, the Federal Reserve waived its application requirements that would apply to the merger.

In connection with the merger, we and Green have agreed to use reasonable best efforts to take, or cause to be taken, all actions that are necessary, proper or advisable to (a) obtain all necessary actions or nonactions, waivers, consents, approvals, orders and authorizations from governmental entities, make all necessary registrations, declarations and filings and take all steps as may be necessary to obtain an approval or waiver from, or to avoid any action by, any governmental entity and (b) vigorously resist and contest any action, including administrative or judicial action, and seek to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) that is in effect and that could restrict, prevent or prohibit consummation of the transactions contemplated by the merger agreement, including, without limitation, by vigorously pursuing all avenues of administrative and judicial appeal.

However, Green and its affiliates are not required to take any action if the taking of such action or the obtaining of or compliance with any permits, consents, approvals or authorizations is reasonably likely to result in a restriction, requirement or condition having a material adverse effect on Green, the surviving company, or any of their affiliates, in each case measured on a scale relative to the Company (including any requirement to maintain certain capital ratios).

Litigation

Two putative class action lawsuits have been filed in Maryland, *Gary W. Stisser v. SP Bancorp, Inc.*, *et al.*, in the Circuit Court for Baltimore City, Case No. 24C14003610 (the Stisser Suit) and *Fundamental Partners v. Jeffrey L.*

Weaver, et. al., in the Circuit Court for Baltimore City, Case No. 24C14003651 (the Fundamental Partners Suit). Both lawsuits name as defendants SP Bancorp, the members of our board of directors, Merger Sub and Green.

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The Fundamental Partners Suit alleges that the per share merger consideration is inadequate, and that the members of our board of directors were operating under a conflict of interest because of the benefits to be received by them from the merger, resulting in a breach of their fiduciary duties of good faith, loyalty, fair dealing and due care to our stockholders. The Fundamental Partners Suit also alleges that we and our board of directors breached a fiduciary duty by not disclosing certain allegedly material facts in the initial preliminary proxy statement on subjects which include alleged conflicts of interest, our financial projections, additional information about actions of the strategic review committee, and additional information about the analysis performed by Mercer Capital. Finally, the Fundamental Partners Suit alleges that Green aided and abetted the breach of fiduciary duty. The relief sought includes class certification, a declaration that there has been a breach of fiduciary duty, damages, and interest and fees, including attorney s fees.

The Stisser Suit alleges a breach of fiduciary duty by the failure to disclose material facts in the initial preliminary proxy statement on subjects which include our financial projections, the process leading to the proposed transaction, potential conflicts of interest, and additional information about the analysis performed by Mercer Capital. The Stisser Suit also alleges that Green aided and abetted the breach of fiduciary duty. The relief sought includes class certification, an injunction against the merger until all alleged breaches have been cured, damages if the merger has been completed prior to the entry of final judgment, costs and attorney s fees.

The court has consolidated the two cases. A demand for jury trial has been made in each case. The plaintiffs have filed a motion for a preliminary injunction to enjoin the merger pending a trial of the cases. Expedited discovery is underway. We believe that the claims in these lawsuits are without merit and intend to vigorously defend ourselves against them. However, there can be no assurance as to the outcome of these lawsuits.

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THE MERGER AGREEMENT

The following discussion of the merger agreement is only a summary of its material terms and may not include all of the information that is important to you. You are urged to read the merger agreement, a copy of which has been included as Annex A to this proxy statement and is incorporated by reference herein. The rights and obligations of the parties are governed by the express terms and conditions of the merger agreement and not the summary set forth in this section or any other information contained in this proxy statement, and such summaries are qualified in their entirety by reference to the complete text of the merger agreement.

The merger agreement has been included to provide you with information regarding its terms and provisions. The merger agreement contains, among other things, representations, warranties and covenants of SP Bancorp, Green and Merger Sub, which are solely for the benefit of the parties to the merger agreement. These representations, warranties and covenants may be subject to important limitations and qualifications agreed to by the contracting parties, including being qualified by confidential disclosures exchanged between the parties, and qualifications with respect to materiality and knowledge. Furthermore, these representations and warranties in the merger agreement were used for the purpose of allocating risk between the parties to the merger agreement rather than establishing matters as facts and may be subject to a contractual standard of materiality or material adverse effect different from that generally applicable to public disclosures to stockholders and are qualified in some cases by confidential disclosures which are not reflected in the merger agreement. Factual disclosures about SP Bancorp, Green, Merger Sub or their respective affiliates contained in this proxy statement or in SP Bancorp s public reports filed with the SEC, which are available without charge at www.sec.gov, may supplement, update or modify the factual disclosures about SP Bancorp, Green, Merger Sub or their respective affiliates contained in the merger agreement.

Structure of the Merger

The merger agreement provides for the merger of Merger Sub, a wholly owned subsidiary of Green, with and into SP Bancorp upon the terms and subject to the conditions set forth in the merger agreement. After the merger, SP Bancorp will continue as the surviving corporation and a wholly owned subsidiary of Green.

The surviving corporation will be a privately held corporation and our current stockholders will cease to have any ownership interest in the surviving corporation or rights as stockholders. Therefore, such current stockholders will not participate in any future earnings or growth of the surviving corporation and will not benefit from any appreciation in value of the surviving corporation.

At the effective time of the merger, the directors of Merger Sub will become the directors of the surviving corporation and the officers of Merger Sub will become the officers of the surviving corporation. The articles of incorporation of Merger Sub will be the articles of incorporation of the surviving corporation and the bylaws of Merger Sub will be the bylaws of the surviving corporation. After the merger, our common stock will be delisted from The NASDAQ Capital Market and it is expected that it will be deregistered under the Exchange Act.

Effective Time

The merger will be effective at such time as the articles of merger are accepted by the Maryland State Department of Assessments and Taxations or such later time as may be agreed upon by us and Green and specified in the articles of merger. Unless otherwise agreed to in writing by us and Green, the closing of the merger will occur on the fifth business day following the satisfaction or, to the extent permitted by applicable law, waiver of the conditions described in this proxy statement under *The Merger Agreement Conditions to the Completion of the Merger.*

Merger Consideration

If the merger is completed, each share of our common stock (other than treasury shares and shares owned, directly or indirectly, by Green, Merger Sub or us) will be canceled and converted into the right to receive a cash payment equal to the per share merger consideration of $29.55 per share (without giving effect to any potential adjustments), which is equal to the adjusted aggregate merger consideration (described below) divided by the 1,563,263 shares of our common stock (excluding unvested shares of restricted common stock) outstanding as of the date of the merger agreement. In all cases, the per share merger consideration will be paid without interest, subject to downward adjustment under certain circumstances described below and rounded to four decimal points.

The aggregate merger consideration will be adjusted downward on a dollar-for-dollar basis if and to the extent that our final adjusted tangible book value is less than $29.5 million. Our final adjusted tangible book value is our adjusted tangible book value at the month-end prior to the closing of the merger, or, if the merger is expected to close in the first ten days of a month, as of the earlier preceding month-end. Adjusted tangible book value is calculated as our consolidated tangible stockholders equity, also referred to as our tangible book value (which is calculated as our consolidated stockholders equity, or book value, less goodwill and other customary intangible deductions), less, to the extent not already included in tangible book value, the sum of (x) all financial advisory and opinion fees, costs and expenses, legal fees and expenses, fees in connection with the preparation and filing of this proxy statement and the special meeting (including printing costs, solicitation expenses and meeting expenses) and any other out-of-pocket costs, fees or expenses, in each case incurred or to be incurred by us or our subsidiaries in connection with the merger agreement, the merger and the other transactions contemplated thereby, (y) the cost of the directors and officer s liability tail insurance policy and fiduciary liability tail insurance policy to be purchased prior to the effective time of the merger as described elsewhere in this proxy statement, any retention expenses of SP Bancorp or any of its subsidiaries resulting from arrangements adopted or implemented after the date of the merger agreement and prior to the closing date other than at the written request or direction of Green, severance payable pursuant to certain change in control agreements to persons specified by Green prior to closing, any merger related litigation and settlement costs and expenses (if any), exclusive of any amounts covered or reasonably expected to be covered by insurance (regardless of whether such amounts are expected to be paid by the insurer prior to or following the effective time), as mutually determined by the parties in good faith, and certain costs incurred in obtaining specified contractual consents or extensions and (z) fifty percent (50%) of the fees, expenses and other costs of the neutral auditor as described below (if any), in the case of each of clauses (x), (y) and (z) on an after-tax basis and without duplication that are incurred as of a given date and/or anticipated to be incurred through the closing date (the items set forth in (x), (y) and (z), collectively, are referred to as the transaction expenses), and less amounts payable pursuant to the merger agreement to holders of unvested restricted stock and stock options (outstanding as of the date of the merger agreement) on a pre-tax basis, or the options/restricted stock costs.

As of the date of this proxy statement, we estimate that the total transaction expenses will be approximately $1,643,615, which does not include any amounts attributable to litigation that may arise with respect to the merger, if any. We can make no assurances as to the final amount of transaction expenses, which may ultimately be more or less than the amount set forth above. The options/restricted stock costs are currently expected to be approximately $2,944,772.78, but we can make no assurances as to the ultimate amount of the options/restricted stock costs, which will depend on our adjusted tangible book value.

Pursuant to the terms of the merger agreement, Green is not obligated to close the merger if our final adjusted tangible book value, as determined in accordance with the merger agreement, is less than $26 million. Green has informed us that if our final adjusted tangible book value is less than $26 million, it does not intend to waive the related closing condition. Accordingly, if our final adjusted tangible book value is equal to $26 million, the per share merger consideration will be equal to $27.31, which is the lowest amount stockholders may receive in connection with the

merger. The per share merger consideration payable if our final adjusted tangible book value is equal to $26 million is calculated by (x) reducing the adjusted aggregate merger consideration by $3.5

million to $42.7 million pursuant to the adjustment provision in the merger agreement and dividing this amount by (y) 1,563,263, which is the number of shares of our common stock (excluding unvested shares of restricted common stock) outstanding as of the date of the merger agreement. If Green waives the satisfaction of the condition to closing the merger related to our final adjusted tangible book value after our stockholders approve the merger proposal, we expect to resolicit proxies.

The amount of per share merger consideration to be received by our stockholders is dependent upon a number of factors that are not currently determinable, including our future stockholders equity and our transaction expenses. Consequently, the exact per share merger consideration to be received as a result of the merger will not be known at the time our stockholders vote on the merger proposal.

Not later than ten (10) days after each month-end until the effective time, we will prepare in good faith and deliver to Green an updated preliminary closing statement setting forth (a) the book value, (b) tangible book value, (c) transaction expenses, (d) the options/restricted stock costs, and (e) adjusted tangible book value, as of such month-end (each such statement referred to in this proxy statement as an interim closing statement). Each such interim closing statement will be prepared in a manner consistent with the preliminary closing statement delivered to Green as of the date of the merger agreement and each earlier interim closing statement and will set forth our estimate of the book value and the tangible book value as of such month-end, a breakdown of the transaction expenses incurred as of such month-end and/or anticipated to be incurred through the closing date and the adjusted tangible book value resulting therefrom. In the event Green disputes any part of any interim closing statement (including the adjusted tangible book value stated therein), it will give prompt notice to us of such disputed item or items and we and Green will cooperate in good faith to resolve such dispute as promptly as possible.

Not later than three (3) business days prior to the anticipated closing date, we will prepare in good faith and deliver to Green an updated preliminary closing statement as of the month-end immediately preceding the anticipated closing date (such statement, the final closing statement); provided, however, that if the closing date is anticipated to occur in the first ten (10) days of a calendar month, then the final closing statement will be prepared as of the month-end of the earlier preceding month (i.e., if the closing date is anticipated to occur on August 1, then the final closing statement will be prepared as of June 30). Such final closing statement will be prepared in a manner consistent with the preliminary closing statement and the interim closing statements and will set forth the book value and the tangible book value as of the month-end immediately preceding the anticipated closing date (or the prior month-end, if applicable), a breakdown of the transaction expenses incurred as of such month-end and/or anticipated to be incurred through the closing date and the final adjusted tangible book value resulting therefrom.

Subject to applicable law, Green will have the right to review, and will have reasonable access to, all relevant work papers, schedules, memoranda and other documents prepared by us or the Bank or our respective accountants in connection with the preparation of the preliminary closing statement, the interim closing statements and the final closing statement, as well as to executive, finance and accounting personnel of the Company and the Bank and any other information which Green may reasonably request in connection with its review of the preliminary closing statement, the interim closing statements and the final closing statement; provided that we and our subsidiaries will not be required to provide Green access to or to disclose information where such access or disclosure would reasonably be expected to waive the protection of any privilege or the work product doctrine. The parties will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

In the event Green disputes the final closing statement (including the final adjusted tangible book value), Green will, within five (5) business days following the delivery of the final closing statement, give us written notice of its objections thereto (the objection notice), describing the nature of the dispute in reasonable detail and specifying those

items and amounts as to which Green disagrees and, based on the information at its disposal, specifying Green s good faith proposed calculation of final adjusted tangible book value. If Green does

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not timely deliver an objection notice within such five (5) business day period, the final adjusted tangible book value set forth in the final closing statement delivered by us will be utilized for the calculation of the aggregate merger consideration and, absent fraud, will be final and binding on all the parties. Any items or amounts set forth in the final closing statement as to which Green does not specifically and timely disagree in the manner set forth above will be final and binding on all the parties, absent fraud.

If Green timely delivers an objection notice, we and Green will cooperate in good faith to resolve such dispute; provided, however, that if we and Green cannot resolve the dispute within five (5) business days after the date of the objection notice, or the initial resolution period, we and Green will appoint KPMG LLP, or if KPMG LLP is unwilling or unable to serve in such capacity, such other mutually acceptable independent accounting firm of national or regional reputation, or the neutral auditor, to arbitrate the dispute under the rules the neutral auditor imposes. The neutral auditor will be limited to addressing only the particular disputes referred to in the objection notice, and the neutral auditor s resolution of any disputed item will be no greater than the higher amount, and no less than the lower amount, calculated or proposed by the us and Green with respect to such disputed item, as the case may be. Upon reaching its determination of the final adjusted tangible book value, the neutral auditor will deliver a copy of its calculation of the final adjusted tangible book value to us and Green. The determination of the neutral auditor will be made within twenty (20) days after its engagement (which engagement will be made no later than five (5) days after the end of the initial resolution period) and, absent fraud, will be final and binding on all the parties. No party or its affiliates will seek further recourse to courts, other tribunals or otherwise, other than to enforce the final decision of the neutral auditor as to the determination of the final adjusted tangible book value. Fifty percent (50%) of the aggregate fees, expenses and costs of the neutral auditor will be borne by Green, and the other fifty percent (50%) of such fees, expenses and costs will be reflected in transaction expenses. The dispute resolution process contemplated above will be only to determine the disputed items reflected on the final closing statement and necessary to the calculation of the final adjusted tangible book value as of the applicable month-end, regardless of the date on which the neutral auditor delivers its calculation.

At the effective time of the merger, each holder of shares of our common stock, whether in certificate or book-entry form, will no longer have any rights with respect to the shares, except for the right to receive the per share merger consideration upon surrender thereof.

Payment Procedures

On or prior to the closing date, Green will deposit (or cause to be deposited) with a paying agent cash in an amount equal to the aggregate merger consideration. The paying agent will use these funds solely to pay the merger consideration to those stockholders entitled to receive such payment.

Promptly after the effective time of the merger, and in any event within three business days thereafter, Green and the surviving corporation will cause the paying agent to mail all stockholders a letter of transmittal and instructions advising stockholders how to surrender their stock certificates in exchange for the per share merger consideration. If you hold your shares in street name, your broker, bank or other nominee will provide you with instructions on how to surrender your shares of our common stock in exchange for the per share merger consideration. Upon surrender of your stock certificates, together with a properly completed letter of transmittal and any other items required pursuant to the instructions to the letter of transmittal, the paying agent will pay you cash in the amount of the per share merger consideration multiplied by the number of shares of common stock formerly represented by such stock certificates, and your stock certificates will be canceled. If you hold your shares in book-entry form, you will not be required to deliver a letter of transmittal and will be entitled to receive cash in the amount of the per share merger consideration multiplied by the number of shares of common stock formerly represented by such book-entry shares upon the paying agent s receipt of an agent s message. Interest will not accrue or be paid in respect of the per share merger

consideration. The paying agent and the surviving corporation are entitled to reduce the amount of any consideration paid to stockholders by any applicable withholding taxes. YOU SHOULD NOT FORWARD YOUR STOCK CERTIFICATES TO THE PAYING

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AGENT WITHOUT A LETTER OF TRANSMITTAL, AND YOU SHOULD NOT RETURN YOUR STOCK CERTIFICATES WITH THE ENCLOSED PROXY.

If your stock certificates have been lost, stolen or destroyed, you will be required to provide an affidavit to that fact (in form and substance reasonably acceptable to Green) and, if required by Green or the paying agent, post a bond as an indemnity against any claim that may be made against such certificate.

Treatment of Stock Options, Restricted Stock and Employee Stock Ownership Plan

Stock Options

Under the merger agreement, each outstanding stock option will be automatically canceled as of the effective time of the merger in exchange for the right to receive an amount in cash (subject to deduction for any required withholding taxes) equal to the product of (a) the positive difference, if any, of the per share merger consideration minus the exercise price per share of such stock option being canceled multiplied by (b) the number of shares of our common stock subject to such stock option immediately prior to the effective time of the merger, payable as soon as reasonably practicable, and in any event within ten days after the effective time of the merger. If the exercise price per share of any stock option is equal to or greater than the per share merger consideration, such stock option will be canceled and the holder will not be entitled to any cash payment in respect thereof.

Restricted Stock

Under the merger agreement, each outstanding share of unvested restricted stock will become fully vested at the effective time of the merger and automatically, without any required action on the part of the holder thereof, be canceled and converted into the right to receive an amount in cash (subject to deduction for any required withholding taxes) equal to the per share merger consideration, payable as soon as reasonably practicable, and in any event within ten days after the effective time of the merger.

Employee Stock Ownership Plan

The ESOP will be terminated, contingent upon the closing of the merger, effective not later than the day immediately preceding the effective time of the merger. The ESOP trustee will apply the per share merger consideration received with respect to unallocated shares to repay any outstanding debt owed by the ESOP, and any remaining cash will then be allocated to the participants accounts in proportion to their relative amount of applicable compensation consistent with past practice. In addition, the ESOP trustee will apply the per share merger consideration received with respect to each allocated share to the participants accounts. As soon as practicable following the receipt of a favorable determination letter from the IRS regarding the continued qualified status of the ESOP, the ESOP trustee will distribute the account balances of all ESOP participants and their beneficiaries in cash in accordance with the terms of the ESOP.

Representations and Warranties

The merger agreement contains representations and warranties of SP Bancorp that relate to, among other things:

- corporate matters including due organization, good standing and power;

capitalization, the absence of stockholder and voting agreements and certain related matters;

the Bank s FDIC-insured deposit accounts;

corporate authority and authorization to enter into, and enforceability of, the merger agreement, determinations and recommendations by our board of directors, and the required stockholder vote to consummate the merger;

absence of conflicts with, violations of or defaults under, organizational documents, other contracts, and applicable judgments or laws;

required regulatory filings and consents and approvals of governmental authorities;

financial statements, disclosure controls and procedures and systems of internal control over financial reporting;

absence of undisclosed liabilities;

the accuracy of information supplied by us in relation to this proxy statement;

absence of litigation, proceedings and government orders;

absence of certain changes or events;

adequacy and possession of licenses, permits and registrations; compliance with laws and obligations related to such licenses, permits and registrations;

administration by us and our subsidiaries of accounts for which we or they act as fiduciaries;

compliance with the requirements of the Federal Reserve, the FDIC, the OCC, the Texas Department of Banking, the SEC and the NASDAQ Capital Market and other applicable laws and regulations;

employee benefit and labor matters;

tax matters;

material contracts (including the enforceability thereof and compliance therewith);

matters relating to the Bank s loan portfolio;

insurance matters;

- real property;
- intellectual property;
- application of certain anti-takeover statutes;
- absence of any stockholder rights plan, poison pill anti-takeover plan or other similar device;
- transactions with affiliates;
- brokers and finders fees;
- the opinion of our financial advisor;
- environmental matters; and
- derivative contracts.

The merger agreement also contains various representations and warranties made by each of Green and Merger Sub relating to, among other things:

- corporate matters including due organization, good standing and qualification;
- their corporate authority and authorization to enter into, and enforceability of, the merger agreement;
- absence of conflicts with, violations of or defaults under, organizational documents, other contracts and applicable judgments or laws;
- required regulatory filings and consents and approvals of governmental authorities;
- information supplied by Green or Merger Sub in relation to this proxy statement;
- absence of brokers and finders fees;

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- sufficiency of funds necessary to consummate the merger and the other transactions contemplated by the merger agreement; and

- absence of litigation, proceedings and government orders.

Green has represented that it will have at the closing sufficient funds to consummate the merger.

Some of the representations and warranties in the merger agreement are qualified by materiality qualifications or a material adverse effect clause. For purposes of the merger agreement, a material adverse effect means, with respect to any party:

a material adverse effect on (a) the ability of such party to timely consummate the transactions contemplated by the merger agreement or (b) the financial condition, results of operations, assets, liabilities or business of such party and its subsidiaries taken as a whole other than to the extent caused by:

- changes in applicable GAAP or regulatory accounting requirements;

- changes in laws of general applicability to banks or savings associations or their holding companies;

- changes in global, national or regional political conditions or general economic or market conditions affecting other banks or savings associations or their holding companies;

- any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism;

- actions or omissions taken with the prior written consent of the other party or expressly required by the merger agreement;

- any failure, in and of itself, by such party to meet internal or other estimates, projections or forecasts; or

- the execution or public disclosure of the merger agreement or the transactions contemplated thereby or the consummation thereof, including the impact thereof on relationships with customers and employees, except in the case of the first four bullets above to the extent the effects are disproportionately adverse to the financial condition, results of operations, assets, liabilities or business of such party and its subsidiaries taken as a whole as compared to other banks or savings associations or their holding companies.

Conduct of Business Prior to Closing

We agreed in the merger agreement that, until the effective time of the merger, except as consented to in writing in advance by Green (which consent will not be unreasonably withheld, conditioned or delayed) or as otherwise specifically required or permitted by the merger agreement, we will, and will cause each of our subsidiaries to:

- carry on our or its business in all material respects in the ordinary course consistent with past practice; and
- use reasonable best efforts to preserve intact our business organization, assets, rights and properties, and keep available the services of our current officers, employees and consultants, and preserve our goodwill and relationships with customers, suppliers, licensors, licensees, distributors and others having business dealings with us.

We also agreed that, until the effective time of the merger, subject to certain exceptions, except as expressly required by the merger agreement or with Green s prior written consent (which consent will not be unreasonably withheld, conditioned or delayed) or as required by law, we will not, and will not permit our subsidiaries to:

- declare, set aside or pay any dividends on, or make any other distributions in respect of our capital stock;

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purchase, redeem or otherwise acquire shares of our capital stock or other equity interests;

effect a stock-split or dividend or amend the terms of our capital stock;

issue, deliver, sell, grant, pledge or otherwise encumber any shares of our capital stock or derivative rights;

amend, authorize or propose to amend our articles of incorporation or bylaws (or similar organizational documents);

acquire by merger, stock purchase, asset acquisition or otherwise, a business organization or material assets other than in the ordinary course consistent with past practice;

subject to certain ordinary course exceptions, encumber or subject to any lien or otherwise dispose, of any of our material properties, assets or rights or any material interest therein;

adopt or enter into a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;

subject to certain ordinary course exceptions, incur or guaranty any indebtedness for borrowed money, obligations under conditional or installment sale contracts or relating to purchased property or capital lease obligations or issue or sell any debt securities or other rights to acquire any debt securities;

incur or commit to incur capital expenditures in excess of $50,000 in the aggregate;

pay, discharge, settle or satisfy any material claims, liabilities or obligations outside of the ordinary course of business consistent with past practice;

waive, release, grant or transfer any right of material value to us or our subsidiaries;

modify, amend, terminate, cancel or extend any material contract or enter into any contract that if in effect on the date the merger agreement would be a material contract;

commence or settle certain material legal proceedings;

change our financial accounting methods, principles or practices, or revalue any of our material assets except, in each case, insofar as is required by a change in GAAP, applicable law or regulatory accounting policies;

make or change any material tax election except as required by applicable law, settle, compromise or enter into any closing agreement with any tax authority with respect to any material tax claim, audit or assessment surrender any right to claim a material refund of taxes, consent to any extension or waiver of the limitation period applicable to any tax claim, audit or assessment or change any annual tax accounting period or method of tax accounting, in each case except in the ordinary course of business consistent with past practice;

change our fiscal or tax year;

except as required by applicable law or the terms of an SP Bancorp benefit plan as in effect on the date of the merger agreement, (a) grant any increase in compensation, bonus or other benefits, other than increases in annual base salaries or wage rates in the ordinary course of business consistent with past practice that do not exceed 3% for any individual, or pay any bonus of any kind or amount, (b) grant or pay any severance, change in control or termination pay, or modifications thereto or increases therein, (c) grant or amend any equity or equity-based award, (d) adopt or enter into any collective bargaining agreement or other labor union contract, (e) take any action to accelerate the vesting or payment of any compensation or benefit under any SP Bancorp benefit plan or other contract, (f) adopt any new employee benefit plan or amend, modify or terminate any existing SP Bancorp benefit plan or (g) hire or terminate, other than for cause, the employment of any officer holding the position of senior vice president or above or any employee with base salary in excess of $100,000; provided, however, that we

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may establish a retention program with a retention pool in the aggregate amount of up to $200,000 to be allocated to employees and other service providers in our discretion;

fail to keep in force insurance policies or replacement or revised provisions regarding insurance coverage with respect to our or our subsidiaries assets, operations and activities as currently in effect;

renew or enter into any non-compete, exclusivity, non-solicitation or similar agreement that would restrict or limit, in any material respect, our operations or the operations of any of our subsidiaries;

subject to certain exceptions, waive any material benefits of, or agree to modify in any adverse respect, or fail to enforce, or consent to any matter with respect to which our consent is required under, any confidentiality, standstill or similar agreement to which we or any of our subsidiaries is a party;

enter into any new line of business outside of our existing business;

enter into any new lease of real property other than ordinary course renewals or materially amend the terms of any existing lease of real property;

change, in any material respect, our or our subsidiaries credit, loan pricing, loan risk rating, underwriting, recognition of charge-offs or other material policies except as required by law or by rules or policies imposed by a governmental entity;

make certain new or amend such existing loans;

pay or offer to pay interest rates on any deposits, including new and renewed time deposits, that are materially inconsistent with prevailing market rates for such deposits or solicit or accept any brokered deposits, including brokered certificates of deposit;

sell or transfer any existing investment securities or otherwise manage our investment securities portfolio or our derivatives portfolio in a manner outside the ordinary course or inconsistent with past practice;

make application for the opening, relocation or closing of any, or open, relocate or close any, branch office, loan production office or other significant office or operations facility;

engage in (or modify in a manner adverse to us or our subsidiaries) any transactions (except for any ordinary course banking relationships permitted under applicable law) with any affiliate or any director or officer (senior vice president or above) (or any affiliate or immediate family member of any such person or any

affiliate of such person s immediate family members); or

authorize any of, or commit, resolve or agree to take any of, the foregoing actions.

No Solicitation

We may not permit or authorize any of our subsidiaries or any of our or our subsidiaries directors, officers, employees, investment bankers, financial advisors, attorneys, accountants or other advisors, agents or representatives (collectively referred to as representatives), directly or indirectly, to:

solicit, initiate, endorse, or knowingly encourage or facilitate any inquiry, proposal or offer with respect to, or the making or completion of, any acquisition proposal (as defined below), or any inquiry, proposal or offer that is reasonably likely to lead to any acquisition proposal;

subject to certain exceptions described below, enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person any non-public information or data with respect to, or otherwise cooperate in any way with, any acquisition proposal;

subject to certain exceptions described below, approve, recommend, agree to or accept, or publicly propose to approve, recommend, agree to or accept, any acquisition proposal; or

resolve, publicly propose or agree to do any of the foregoing.

We must, and are required to cause each of our subsidiaries and our and our subsidiaries representatives to, (a) immediately cease and cause to be terminated all existing discussions or negotiations with any person conducted prior to the date of the merger agreement with respect to any acquisition proposal, (b) request and confirm the prompt return or destruction of all confidential information previously furnished with respect to any acquisition proposal and (c) not terminate, waive, amend, release or modify any provision of any confidentiality or standstill agreement to which we or any of our affiliates or representatives is a party with respect to any acquisition proposal, and must enforce the provisions of any such agreement.

Notwithstanding the limitations described above, we will not be prohibited from, at any time prior to obtaining the approval of the merger by the holders of at least a majority of the outstanding shares of our common stock entitled to vote thereon, (a) furnishing information regarding us and our subsidiaries to a person making an acquisition proposal (subject to the execution of an acceptable confidentiality agreement and provided that any non-public information provided to any person given such access has been previously provided to Green or is provided to Green prior to or concurrently with the time it is provided to such person) and (b) participating in discussions and negotiations with the person making such acquisition proposal regarding such acquisition proposal if:

- we receive a written acquisition proposal that our board of directors believes in good faith to be bona fide;
- such acquisition proposal was unsolicited and did not otherwise result from a breach of the non-solicitation provisions of the merger agreement;
- our board of directors determines in good faith that such acquisition proposal constitutes or is reasonably likely to result in a superior proposal (as defined below); and
- our board of directors determines in good faith, after consultation with its outside counsel, that the failure to furnish such information to a person making an acquisition proposal or to participate in discussions and negotiations with such person would be reasonably likely to constitute a breach of its fiduciary duties to our stockholders under applicable law.

In addition to the obligations set forth above, we are also required to:

- promptly, and in any event within 24 hours of receipt, advise Green in writing in the event we or any of our subsidiaries or representatives receives any acquisition proposal or indication by any person that it is considering making an acquisition proposal, any request for information, discussion or negotiation that is reasonably likely to lead to or that contemplates an acquisition proposal or any inquiry, proposal or offer that is reasonably likely to lead to an acquisition proposal, in each case together with the terms and conditions of such acquisition proposal, request, inquiry, proposal or offer and the identity of the person making any such acquisition proposal, request, inquiry, proposal or offer, and furnish Green with a copy of such acquisition proposal (or, where such acquisition proposal is not in writing, with a description of the material terms and conditions thereof);

keep Green informed in all material respects on a timely basis of the status and details (including, within 24 hours after the occurrence of any material amendment, modification, development, discussion or negotiation) of any such acquisition proposal, request, inquiry, proposal or offer, including furnishing copies of any written inquiries, correspondence and draft documentation; and

promptly (and in any event within 24 hours) notify Green orally and in writing if we determine to begin providing non-public information or to engage in discussions or negotiations concerning an acquisition proposal.

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Subject to certain exceptions described below, we have agreed that neither our board of directors nor any of its committees will take any of the following actions, each of which is referred to in this proxy statement as an adverse recommendation change :

- withdraw (or modify or qualify in any manner adverse to Green or Merger Sub) the approval, recommendation or declaration of advisability by our board of directors or any such committee of the merger agreement, the merger or any of the other transactions contemplated by the merger agreement;
- adopt, approve, recommend, endorse or otherwise declare advisable the adoption of any acquisition proposal;
- resolve, agree or publicly propose to take any such actions; or
- submit the merger agreement to our stockholders without recommendation.

Further, subject to certain exceptions described below, we also agreed that neither our board of directors nor any of its committees will cause or permit us to enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or other contract (other than a confidentiality agreement pursuant to and consistent with the terms of the non-solicitation provisions of the merger agreement) (each being referred to in this proxy statement as an alternative acquisition agreement) constituting or related to, or which is intended to or is reasonably likely to lead to, any acquisition proposal, or resolve, agree or publicly propose to take any such actions.

Notwithstanding the foregoing, if at any time prior to obtaining the approval of the merger agreement by the holders of at least a majority of the outstanding shares of our common stock, (a) we receive a written acquisition proposal that has not been withdrawn that our board of directors believes in good faith to be bona fide, (b) such acquisition proposal was unsolicited and did not otherwise result from a breach of the non-solicitation provisions of the merger agreement, (c) our board of directors determines in good faith (after consultation with outside counsel and our financial advisor) that such acquisition proposal constitutes a superior proposal and (d) our board of directors determines in good faith (after consultation with outside counsel) that the failure to do so would be reasonably likely to constitute a breach of its fiduciary duties to our stockholders under applicable law, our board of directors may (x) effect an adverse recommendation change or (y) terminate the merger agreement in accordance with its terms in order to enter into a definitive binding agreement with respect to such superior proposal; provided however that our board of directors may not take either of the actions described in clause (x) or (y) unless:

- we promptly notify Green in writing at least five business days before taking that action of our intention to do so, and specify the reasons therefor, including the terms and conditions of, and the identity of any person making, such superior proposal, and contemporaneously furnish a copy of the relevant alternative acquisition agreement and any other relevant transaction documents (it being understood and agreed that any amendment to the financial terms or any other material term of such superior proposal will require a new written notice by us and a new five business day period); and

prior to the expiration of such five business day period, Green does not make a proposal to adjust the terms and conditions of the merger agreement that our board of directors determines in good faith (after consultation with outside counsel and our financial advisor) that the failure to take such action is no longer reasonably likely to constitute a breach of its fiduciary duties to our stockholders under applicable law.

During the five business day period prior to effecting an adverse recommendation change or terminating the merger agreement as described above, we must, and must cause our financial and legal advisors to, negotiate with Green in good faith (to the extent Green seeks to negotiate) regarding any revisions to the terms of the transactions contemplated by the merger agreement proposed by Green.

Any material violation of the non-solicitation provisions of the merger agreement by a representative of us or any of our subsidiaries, whether or not such person is purporting to act on behalf of us or any of our subsidiaries or otherwise, will be deemed to be a breach of the merger agreement by us.

As described in this proxy statement, acquisition proposal means any inquiry, proposal or offer from any person or group of persons (other than Green and its affiliates) (whether or not acting in concert) relating to, or that is reasonably likely to lead to, any direct or indirect acquisition or purchase, in one transaction or a series of transactions, including any merger, reorganization, consolidation, tender offer, self-tender, exchange offer, stock acquisition, asset acquisition, binding share exchange, business combination, recapitalization, primary investment, liquidation, dissolution, joint venture or similar transaction, (a) of assets or businesses of SP Bancorp and its subsidiaries that generate 20% or more of the net revenues or net income or that represent 20% or more of the total assets (based on fair market value), of SP Bancorp and its subsidiaries, taken as a whole, immediately prior to such transaction or (b) of 20% or more of any class of capital stock, other equity security or voting power of SP Bancorp or any resulting parent company of SP Bancorp, in each case other than the transactions contemplated by the merger agreement.

As described in this proxy statement, superior proposal means any unsolicited bona fide binding written acquisition proposal that (x) our board of directors reasonably determines in good faith (after consultation with outside counsel and its financial advisor), taking into account all legal, financial, regulatory and other aspects of the proposal and the person or persons making the proposal, (1) is more favorable to our stockholders from a financial point of view than the transactions contemplated by the merger agreement (including any adjustment to the terms and conditions proposed by Green in response to such proposal and including any break-up fees and expense reimbursement provisions), and (2) is reasonably likely to be completed on the terms proposed on a timely basis and (y) is not subject to any due diligence investigation or financing condition; provided that, for purposes of this definition of superior proposal, references in the term acquisition proposal to 20% shall be deemed to be references to a majority.

Other Covenants and Agreements

Access to Information; Confidentiality

Until the earlier of the effective time of the merger and the date of termination of the merger agreement, we will, and will cause our subsidiaries to, provide to Green, Merger Sub and their respective representatives, reasonable access during normal business hours to our and our subsidiaries respective properties, assets, books, contracts, commitments, personnel and records. We also will, and will cause our subsidiaries to, furnish promptly to Green (a) a copy of each report, schedule, registration statement and other document filed or received by us during such period pursuant to the requirements of federal or state securities laws and (b) all other information concerning our business, properties and personnel as Green or Merger Sub may reasonably request (including tax returns filed and those in preparation and the workpapers of its auditors); provided, however, that we will not be required to disclose any information to the extent such disclosure would contravene applicable law.

We and our subsidiaries will not be required to provide access to or to disclose information where such access or disclosure would reasonably be expected to violate a contract or obligation of confidentiality owing to a third party, or waive the protection of attorney-client privilege, work product doctrine or other legal privilege. In such circumstances, the parties will make appropriate substitute disclosure arrangements and all information so disclosed must be held confidential in accordance with the terms of a confidentiality agreement between us and Green.

Anti-Takeover Laws

We and our board of directors have agreed not to take any action to cause any anti-takeover law to become applicable to the merger agreement, the merger or any of the other transactions contemplated by the merger

agreement. If any anti-takeover law is, becomes, or is reasonably likely to become applicable to the merger agreement, the merger, or any of the other transactions contemplated by the merger agreement, we and our board of directors have agreed to take all action necessary to ensure that the merger and the other transactions contemplated by the merger agreement may be consummated as promptly as practicable on the terms contemplated by the merger agreement and otherwise to minimize the effect of such anti-takeover law with respect to the merger agreement, the merger and the other transactions contemplated by the merger agreement.

Notification of Certain Matters

We and Green must promptly notify each other of (a) any notice or other communication received by such party from any governmental entity in connection with the merger or the other transactions contemplated by the merger agreement or from any person alleging that the consent of such person is or may be required in connection with the merger or the other transactions contemplated by the merger agreement, (b) any other notice or communication from any governmental entity in connection with the transactions contemplated by the merger agreement, (c) any action, suit, claim, arbitration, investigation, inquiry, grievance or other proceeding commenced or, to such party s knowledge, threatened against, relating to or involving or otherwise affecting such party or any of its subsidiaries which relate to the merger or the other transactions contemplated by the merger agreement or (d) any change, condition or event (1) that renders or would reasonably be expected to render any representation or warranty of such party set forth in the merger agreement (disregarding any materiality qualification contained therein) to be untrue or inaccurate in any material respect or (2) that results or would reasonably be expected to result in any failure of such party to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied under the merger agreement; provided, however, that no such notification will affect any of the representations, warranties, covenants, rights or remedies, or the conditions to the obligations of, the parties under the merger agreement.

Indemnification and Insurance

Following the effective time of the merger, Green has agreed to indemnify, defend and hold harmless each of our present and former directors and officers (determined as of the effective time of the merger), and their heirs, estates, executors and administrators, against all costs or expenses (including reasonable attorneys fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of actions or omissions occurring at or prior to the effective time of the merger which were committed by such directors or officers in their capacity as such (including the transactions contemplated by the merger agreement) to the same extent that such person would be indemnified, defended and held harmless under our articles of incorporation and bylaws, each as in effect on the date of the merger agreement as if the claim arose on the date of the merger agreement.

The merger agreement also provides that, prior to the effective time of the merger, in consultation with Green, we must purchase a directors and officers liability tail insurance policy and a fiduciary liability tail insurance policy that, for a period of six years after the effective time of the merger, serves to reimburse our present and former officers and directors and fiduciaries (determined as of the effective time of the merger) with respect to claims against such officers and directors and fiduciaries arising from facts or events occurring at or before the effective time of the merger (including the transactions contemplated by the merger agreement).

Employee Benefit Matters

The merger agreement provides that, following the date of the closing of the merger, Green shall maintain or cause to be maintained employee benefit plans for the benefit of each SP Bancorp employee that provide employee benefits which are substantially comparable to the employee benefits that are provided to similarly situated Green employees

(excluding benefits provided pursuant to any closed or frozen Green employee benefit plan). The merger agreement further provides that until such time as Green causes the SP Bancorp employees to

participate in Green s employee benefit plans, an SP Bancorp employee s continued participation in SP Bancorp employee benefit plans shall be deemed to satisfy the obligation described in the preceding sentence. In addition, pursuant to the merger agreement, with respect to any SP Bancorp employee (other than an SP Bancorp employee who is party to an individual agreement that provides for severance) whose employment is terminated by Green for any reason other than cause on or before the date that is six months after the date of the closing of the merger, Green shall pay or cause to be paid to such SP Bancorp employee an amount of cash severance that is no less than one week of severance for each year of employment, with a maximum of six weeks of severance, determined taking into consideration the service crediting provision described below.

Each SP Bancorp employee will be given full credit for such employee s service with SP Bancorp for purposes of eligibility, vesting, determination of the level of benefits, and benefit accruals (other than benefit accruals under a defined benefit or post-retirement welfare plan), under any benefit plans maintained by Green or the surviving corporation in which an SP Bancorp employee participates to the same extent recognized by SP Bancorp immediately prior to the effective time of the merger (except that such service shall not be recognized to the extent that such recognition would result in a duplication of benefits with respect to the same period of service). Further, Green will, or will cause the surviving corporation to, use commercially reasonable efforts to, (a) waive any preexisting condition limitations otherwise applicable to SP Bancorp employees and their eligible dependents under any Green employee benefit plan that provides health benefits in which SP Bancorp employees may be eligible to participate following the closing of the merger, other than any limitations that were in effect with respect to such employees as of the effective time of the merger under the analogous SP Bancorp employee benefit plan, (b) honor any deductible, co-payment and out-of-pocket maximums incurred by the SP Bancorp employees and their eligible dependents under the health plans in which they participated immediately prior to the effective time of the merger during the portion of the calendar year prior to the effective time of the merger in satisfying any deductibles, co-payments or out-of-pocket maximums under health plans of Green and the surviving corporation in which they are eligible to participate after the effective time of the merger in the same plan year in which such deductibles, co-payments or out-of-pocket maximums were incurred and (c) waive any waiting period limitation or evidence of insurability requirement that would otherwise be applicable to an SP Bancorp employee and his or her eligible dependents on or after the effective time of the merger, in each case to the extent such employee or eligible dependent had satisfied any similar limitation or requirement under an analogous SP Bancorp employee benefit plan prior to the effective time of the merger.

Bank Merger

We and Green have agreed to take, and to respectively cause the Bank and Green Bank to take, all actions necessary for the Bank and Green Bank to consummate the Bank merger immediately following the effective time of the merger described in this proxy statement, including entering into an agreement and plan of merger to be effective immediately following the effective time of the merger described in this proxy statement in a form reasonably acceptable to Green and to us and executing such other documents as may be reasonably requested by Green or by us in connection with the Bank merger.

Other Covenants

The merger agreement contains additional agreements between us and Green relating to, among other things:

- cooperation to facilitate an orderly transition of our operations to Green and Green Bank in connection with the merger and the Bank merger, including facilitation of the transition of data processing and similar services and systems, as well as the development of a transition implementation plan;

the delisting of our shares of common stock from The NASDAQ Capital Market; and

cooperation with Green s reasonable requests in connection with the arrangement, syndication (including marketing efforts in connection therewith) and consummation of any financing, or sale or distribution of any equity or debt securities (whether registered or otherwise), made by Green or any of its affiliates.

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Conditions to the Completion of the Merger

Our obligation and the obligations of Green and Merger Sub to consummate the merger are subject to the satisfaction or waiver of the following conditions on or prior to the closing of the merger:

- the approval of the merger agreement and the transactions contemplated thereby, including the merger, by our stockholders;

- all regulatory approvals, consents and non-objections from the Federal Reserve, the FDIC, the OCC and the Texas Department of Banking and any other regulatory approvals, notices and filings set forth in certain provisions of the merger agreement the failure of which to obtain or make would have or be reasonably expected to have a material adverse effect on Green or us, in each case required to consummate the transactions contemplated by the merger agreement, including the merger and the Bank merger, must have been obtained or made and must remain in full force and effect and all statutory waiting periods in respect thereof must have expired (all such approvals and the expiration of all such waiting periods being referred to in this proxy statement as requisite regulatory approvals);

- the absence of any law or order from a governmental entity that prohibits or makes illegal the completion of the merger or the Bank merger; and

- either (a) we and Green have agreed in writing regarding the final adjusted tangible book value or (b) the neutral auditor appointed to resolve any dispute regarding the final adjusted tangible book value has made its final and binding determination of the final adjusted tangible book value.

In addition to the conditions for all parties to the merger agreement, the obligations of Green and Merger Sub to complete the merger are subject to the satisfaction or waiver of the following conditions at or prior to the effective time of the merger:

- our representations and warranties regarding our capitalization, the absence of voting agreements and certain related matters must be true and correct, except if such failures to be true and correct are de minimis, as of the date of the merger agreement and as of the closing date of the merger as if made as of the closing date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date);

- our representations and warranties regarding the following matters must be true and correct as of the date of the merger agreement and as of the closing date of the merger as if made as of the closing date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date):

  - our corporate authority and authorization to enter into, and enforceability of, the merger agreement;

determinations and recommendations by our board of directors regarding the merger, the merger agreement and the transactions contemplated thereby;

required stockholder vote to consummate the merger;

absence of conflicts with, violations of or defaults under, our organizational documents;

absence of any fact, event, change, occurrence, condition, development, circumstance or effect that has had or would reasonably be expected to have a material adverse effect;

application of certain anti-takeover statutes;

absence of any stockholder rights plan, poison pill anti-takeover plan or other similar device;

brokers and finders fees; and

the opinion of our financial advisor;

our representations and warranties regarding the following matters must be true and correct in all material respects as of the date of the merger agreement and as of the closing date of the merger as if made as of the closing date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date):

due organization, good standing and power;

delivery of certain organizational documents and absence of changes therein;

the Bank s FDIC-insured deposit accounts;

disclosure of outstanding shares of restricted stock, options to purchase our common stock and other rights to purchase or receive shares of our common stock under our equity incentive plans;

our subsidiaries and not owning equity securities in any other person other than our subsidiaries; and

the Bank s allowance for loan and lease losses;

all of our other representations and warranties must be true and correct (without regard to materiality or material adverse effect qualifiers) as of the date of the merger agreement and as of the closing date of the merger as if made as of the closing date, except:

to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties must be true and correct (without regard to materiality or material adverse effect qualifiers) as of such earlier date; or

where the failure of such representations and warranties to be so true and correct has not had and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on us;

no governmental entity shall have taken any action or made any determination in connection with the transactions contemplated in the merger agreement, which would reasonably be expected to restrict or burden Green, the surviving corporation or any of their respective affiliates and which would, individually or in the aggregate, have a material adverse effect on Green, the surviving corporation or any of their respective affiliates, in each case measured on a scale relative to us (including any requirement to maintain certain capital ratios);

- we must have performed in all material respects all obligations we are required to perform under the merger agreement at or prior to the effective time of the merger;

- the aggregate amount of core deposit liabilities of the Bank (defined as demand, checking, savings, money-market and transactional accounts and certificates of deposit, but excluding, for the avoidance of doubt, brokered certificates of deposit, public funds and deposits acquired through a listing service) must be equal to at least $237,000,000;

- the final adjusted tangible book value must not be less than $26,000,000; and

- Green must have received a certificate signed by one of our executive officers certifying that certain of the conditions described above have been satisfied.

In addition to the conditions for all parties to the merger agreement, our obligation to complete the merger is subject to the satisfaction or waiver of the following conditions at or prior to the effective time of the merger:

- each of the representations and warranties of Green and Merger Sub must be true and correct (without regard to materiality or material adverse effect qualifiers) as of the date of the merger agreement and as of the closing date of the merger as if made as of the closing date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date), except where the failure of such representations and warranties to be so true and correct has not had

and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Green;

Green and Merger Sub must have performed in all material respects all obligations required to be performed by them under the merger agreement at or prior to the effective time of the merger; and

we must have received a certificate signed by an executive officer of Green certifying that the conditions described above have been satisfied.

Termination of the Merger Agreement

We and Green may terminate the merger agreement without completing the merger at any time, even after our stockholders have approved the merger agreement, by mutual written consent. The merger agreement may also be terminated upon written notice in certain other circumstances, including:

by either Green or us:

if the merger has not been consummated on or before February 5, 2015, except that this right to terminate will not be available to any party whose failure to perform or comply in all material respects with the covenants and agreements of such party set forth in the merger agreement has been the direct cause of, or resulted directly in, the failure of the merger to be consummated by such date;

if any final and non-appealable governmental order restrains, enjoins or otherwise prohibits any of the transactions contemplated by the merger agreement or if either party receives written notice from or is otherwise advised by a governmental entity that it will not grant (or intends to rescind or revoke if previously approved) any requisite regulatory approval or receives written notice from or is otherwise advised by a governmental entity that it will not grant such requisite regulatory approval without imposing a restriction, requirement or condition which would reasonably be expected to restrict or burden Green, the surviving corporation or any of their respective affiliates and which would, individually or in the aggregate, have a material adverse effect on Green, the surviving corporation or any of their respective affiliates, in each case measured on a scale relative to us (including any requirement to maintain certain capital ratios), unless the failure of the party seeking to terminate the merger agreement to perform or comply in all material respects with the covenants and agreements of such party set forth in the merger agreement is the direct cause of, or results directly in the issuance of such injunction or prohibition or the failure to obtain such requisite regulatory approval; or

if the approval of the merger agreement by our stockholders is not obtained at the special meeting or at any adjournment or postponement thereof; or

by Green:

if we breach or fail to perform any of our representations, warranties, covenants or agreements set forth in the merger agreement (other than with respect to certain provisions of the merger agreement governing non-solicitation, the preparation of this proxy statement and the special meeting), which breach or failure to perform, either individually or in the aggregate, if occurring or continuing at the effective time of the merger (a) would result in the failure of any of the conditions regarding our representations and warranties or the performance of our obligations and (b) cannot be or has not been cured by the earlier of (1) February 5, 2015 and (2) 30 days after the giving of written notice to us of such breach or failure; provided that Green will not have this right to terminate the merger agreement if Green or Merger Sub is then in material breach of any of its representations, warranties, covenants or agreements set forth in the merger agreement;

if (a) our board of directors or any committee thereof effects an adverse recommendation change; (b) we materially breach any of our obligations with respect to certain provisions of the merger agreement governing non-solicitation, the preparation of this proxy statement and the special

meeting; (c) at any time following receipt of an acquisition proposal, our board of directors fails to reaffirm its approval or recommendation of the merger as promptly as practicable (but in any event prior to the earlier of (1) within three business days after receipt of any written request to do so from Green and (2) the date of the special meeting); or (d) a tender offer or exchange offer for the outstanding shares of our common stock is publicly disclosed (other than by Green or an affiliate of Green) and, prior to the earlier of (1) the date prior to the date of the special meeting and (2) 11 business days after the commencement of such tender or exchange offer pursuant to Rule 14d-2 under the Exchange Act, our board of directors fails to recommend unequivocally against acceptance of such offer; or

by us:

if Green or Merger Sub breaches or fails to perform any of its representations, warranties, covenants or agreements set forth in the merger agreement, which breach or failure to perform, either individually or in the aggregate, if occurring or continuing at the effective time of the merger (a) would result in the failure of any of the conditions regarding Green s and Merger Sub s representations and warranties or the performance of their obligations and (b) cannot be or has not been cured by the earlier of (1) February 5, 2015 and (2) 30 days after the giving of written notice to Green of such breach or failure; provided that we will not have this right to terminate the merger agreement if we are then in material breach of any of our representations, warranties, covenants or agreements set forth in the merger agreement; or

prior to the receipt of the approval of the merger agreement by our stockholders, in order to enter into a definitive agreement with respect to a transaction that our board of directors has determined constitutes a superior proposal (which definitive agreement must be entered into concurrently with such termination), provided that (a) we comply with our non-solicitation obligations with respect to such superior proposal and (b) we pay the termination fee (as described below) to Green within the time period specified in the merger agreement.

Termination Fee; Remedies

We will be obligated to pay Green a termination fee of $2,000,000 if:

an acquisition proposal (whether or not conditional) or intention to make an acquisition proposal (whether or not conditional) is made directly to our stockholders, otherwise publicly disclosed or otherwise communicated to our senior management or our board of directors (or any committee thereof);

the merger agreement is thereafter terminated (a) by us or Green because the merger has not been consummated on or before February 5, 2015 or the approval of the merger agreement by our stockholders is not obtained at the special meeting or at any adjournment or postponement thereof, or (b) by Green because we breach or fail to perform any of our representations, warranties, covenants or agreements set forth in the merger agreement (other than with respect to certain provisions of the merger agreement governing non-solicitation, the preparation of this proxy statement and the special meeting), which breach or failure to

perform, either individually or in the aggregate, if occurring or continuing at the effective time of the merger (1) would result in the failure of any of the conditions regarding our representations and warranties or the performance of our obligations and (2) cannot be or has not been cured by the earlier of (x) February 5, 2015 and (y) 30 days after the giving of written notice to us of such breach or failure; and

within 12 months after the date of such termination, we enter into a definitive binding agreement in respect of any acquisition proposal, or recommend or submit an acquisition proposal to our stockholders for approval, or a transaction in respect of an acquisition proposal is consummated, which, in each case, need not be the same acquisition proposal that is made, publicly disclosed or communicated prior to termination of the merger agreement (provided that for purposes of this clause,

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each reference to 20% in the definition of acquisition proposal shall be deemed to be a reference to a majority).

We will also be obligated to pay Green a termination fee of $2,000,000 if: