BRT Apartments Corp.
Form DEF 14A
January 22, 2019
TABLE OF CONTENTS

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 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material under §240.14a-12

BRT APARTMENTS CORP.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

TABLE OF CONTENTS

BRT Apartments Corp.
60 Cutter Mill Road
Suite 303
Great Neck, New York 11021
(516) 466-3100

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
March 12, 2019

The Annual Meeting of Stockholders of BRT Apartments Corp., a Maryland corporation, will be held on Tuesday, March 12, 2019, at 9:00 a.m., local time, at the offices of BRT Apartments Corp., 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021, for the following purposes:

1. To elect four Class II Directors, each to serve until the 2022 Annual Meeting of Stockholders and until their successors are duly elected and qualify;
2. To consider and vote on a proposal to ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending September 30, 2019; and
3. To transact any other business as may properly come before the meeting.

Stockholders of record at the close of business on January 11, 2019 are entitled to notice of and to vote at our annual meeting. It is important that your shares of common stock be represented and voted at the meeting. You can vote your shares of common stock by completing and returning the proxy card. Certain stockholders can also vote their shares of common stock over the internet or by telephone. If internet or telephone voting is available to you, voting instructions are printed on the proxy card sent to you. You can revoke a proxy at any time prior to its exercise at the meeting by following the instructions in the accompanying proxy statement.

S. Asher Gaffney

Secretary

Great Neck, New York
January 22, 2019

TABLE OF CONTENTS

BRT APARTMENTS CORP.
2019 ANNUAL MEETING
PROXY STATEMENT

TABLE OF CONTENTS

TABLE OF CONTENTS

PROXY STATEMENT

GENERAL

Our Board of Directors is furnishing you with this proxy statement to solicit proxies on its behalf to be voted at the 2019 annual meeting of stockholders of BRT Apartments Corp. In this proxy statement we refer to BRT Apartments Corp. as BRT, we, our, us, our company, to our Board of Directors as the Board , and to our shares of commo as common stock or shares. The meeting will be held at our offices, 60 Cutter Mill Road, Suite 303, Great Neck, New York, at 9:00 a.m., local time, on Tuesday, March 12, 2019.

Our fiscal year begins on October 1st and ends on September 30th. Unless otherwise indicated or the context otherwise requires, all references to a year (*e.g.*, 2018), refer to the applicable fiscal year ended September 30th.

Our executive offices are located at 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021. Our telephone number is (516) 466-3100.

QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will vote on the following matters:

- election of four directors (Matthew J. Gould, Louis C. Grassi, Israel Rosenzweig and Jeffrey Rubin) to hold office until the 2022 annual meeting and until their respective successors are duly elected and qualify;
- ratification of the appointment of our independent registered public accounting firm, BDO USA, LLP, for the year ending September 30, 2019; and
- such other matters as may properly come before the meeting.

Who is entitled to vote?

We are mailing this proxy statement on or about January 24, 2019 to holders of record of our common stock as of the close of business on January 11, 2019, which we refer to as the record date . The record date was established by our Board. Stockholders as of the close of business on the record date are entitled to notice of and to vote their shares at the meeting. Each share of common stock is entitled to one vote and stockholders do not have the right to vote cumulatively in the election of directors. Shares of our common stock constitute our only outstanding class of voting securities and will vote as a single class on all matters to be considered at the annual meeting.

What constitutes a quorum?

A quorum is the presence in person or by proxy of stockholders entitled to cast a majority of the votes entitled to be cast at the meeting. On the record date, there were 15,910,699 shares of common stock outstanding and entitled to vote. In order to carry on the business at the meeting, holders of a majority of our outstanding shares must be present in person or by proxy. This means that at least 7,995,335 shares of common stock must be present at the meeting, either in person or by proxy, to constitute a quorum. Generally, action cannot be taken at the meeting unless a quorum is present.

Abstentions and brokers non-votes, as described herein, will be considered present for the purpose of determining the presence of a quorum.

How do I vote?

Because many stockholders cannot attend the meeting in person, it is necessary that a large number of stockholders be represented by proxy. Most stockholders have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage paid envelope provided.

1

Please refer to your proxy card or to the information provided by your bank, broker, or other holder of record to see which options are available to you. You should be aware that if you vote by telephone or over the Internet, you may incur costs, such as telephone or Internet access charges, for which you will be responsible. The Internet and telephone voting facilities for stockholders of record will close at 11:59 p.m., New York City time on March 11, 2019. If you vote by telephone or via the Internet, it is not necessary to return a proxy card.

Is my vote important?

Yes. Under applicable rules, brokers, banks and other nominees are prohibited from voting shares held in street name on matters pertaining to the election of directors unless the client specifically instructs his or her nominee to vote their shares. Shares held in street name and for which voting instructions are not provided and accordingly, as to which bank, brokers and other nominees do not have discretionary authority to vote on their clients behalf, are referred to broker non-votes.

How many votes are needed to approve each of the proposals assuming that a quorum is present at the annual meeting?

The affirmative vote of a majority of the total votes cast for, against, and withheld as to a nominee is required for the election of such nominee as director. Abstentions, if any, and broker non-votes, will not be counted as votes cast and will have no effect on the results of the election of any director.

The affirmative vote of a majority of the votes cast on the proposal to ratify the appointment of our independent registered public accounting firm, BDO USA LLP, for the year ending September 30, 2019, is required to approve this proposal. Abstentions will not be counted as votes cast and will have no effect on the result of the vote. Brokers, banks and other nominees are not prohibited from voting shares held in street name in their discretion on this proposal, and we do not expect to receive any broker non-votes on this proposal.

What is householding?

Stockholders who share the same address and last name may receive only one copy of the proxy materials unless we, in the case of stockholders of record, or such stockholder s broker, bank or nominee, in the case of stockholders whose shares are held in street name, receive contrary instructions. This practice, known as householding, is designed to reduce printing and mailing costs. Stockholders desiring to discontinue householding and receive a separate copy of the proxy materials, may (1) if their shares are held in street name, notify their broker, bank or nominee or (2) if they are stockholders of record, direct a written request to: BRT Apartments Corp., 60 Cutter Mill Road, Suite 303, Great Neck, NY 11021, Attn: Secretary.

When are stockholder proposals due for the 2020 annual meeting?

We expect that our annual meeting of stockholders for the year ending September 30, 2019 will be held in March 2020.

Our bylaws require that we be given advance written notice of nominations for election to our Board and other matters which stockholders wish to present for action at an annual meeting of stockholders (other than matters included in our proxy materials in accordance with Rule 14a-8(e) under the Exchange Act). The Secretary must receive such notice, as well as the information and other materials required by our bylaws, at our principal executive office not later than September 26, 2019 and no earlier than August 27, 2019 for matters or nominations to be properly presented at the 2020 annual meeting of our stockholders.

Stockholders who wish to have proposals considered for inclusion in the proxy statement and form of proxy for our 2020 Annual Meeting pursuant to Rule 14a-8 under the Exchange Act must cause their proposals to be received in writing by our Secretary at the address set forth on the cover page of this proxy statement no later than September 26, 2019. Any proposal should be addressed to our Secretary and may be included in next year s proxy materials for our 2020 annual meeting of stockholders only if such proposal complies with the rules and regulations promulgated by the Securities and Exchange Commission, which we refer to as the SEC. Nothing in this section shall be deemed to require us to include in our proxy statement or our proxy card relating to any annual meeting any stockholder proposal that does not meet all of the requirements for inclusion established by the SEC.

2

TABLE OF CONTENTS

Who will count the vote?

A representative of our transfer agent, American Stock Transfer and Trust Company, LLC, will tabulate the votes and act as inspector of elections.

Can I revoke my proxy before it is exercised?

If you hold stock directly in your name, you can revoke your proxy at any time before it is voted at the annual meeting by filing a written revocation with our Secretary, or delivering to American Stock Transfer and Trust Company, LLC a properly executed proxy bearing a later date. You may also revoke your proxy with a timely and valid later telephone or Internet vote or by attending the meeting and voting in person. If not so revoked, the shares represented by such proxy will be voted.

If your shares are held in the name of a broker, bank or other nominee, you must contact such nominee and comply with the nominee s procedures if you want to revoke or change the instructions that you previously provided to the nominee. Attendance at the meeting will not by itself automatically revoke a previously granted proxy.

How will my shares be voted?

All shares entitled to vote and represented by properly completed proxies received prior to the meeting and not revoked, will be voted at the meeting in accordance with your instructions. If no choice is indicated on the proxy card received from a registered holder, the persons named as your proxies will vote your shares, FOR the election of the four nominees for Class II Director named in this proxy statement (*i.e.*, Matthew J. Gould, Louis C. Grassi, Israel Rosenzweig and Jeffrey Rubin), FOR the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2019, and as the proxy holders may determine, in their discretion, with respect to any other matters that may properly come before the meeting. The Board is not currently aware of any business or nominations that may properly be brought before the meeting to be acted upon at the meeting other than as described in this proxy statement.

If other business is properly introduced at the annual meeting, the persons named in the proxy as the proxy holders will vote on such matters at their discretion. If any nominee named in this proxy statement is unwilling or unable to serve as a director, our board of directors may nominate another individual for election as a director at the annual meeting, and the persons named as proxy holders will vote for the election of any substitute nominee.

Who is soliciting my vote and who pays the cost?

We are soliciting proxies and will pay the entire cost of soliciting proxies, including preparing and mailing this proxy statement. In addition to the solicitation of proxies by mail and through our full-time and part-time employees, we will request banks, brokers, custodians, nominees and other record holders to forward copies of the proxy statement and other soliciting materials to persons for whom they hold common shares and to request instruction on how to vote the shares. We will reimburse such record holders for their reasonable out-of-pocket expenses in forwarding proxies and proxy materials to stockholders. We have retained DF King for a fee of $6,000 and the reimbursement of certain expenses, to aid in the solicitation of proxies from our stockholders. To the extent necessary in order to ensure sufficient representation at the meeting, we or our proxy solicitor may solicit the return of proxies by personal interview, mail, telephone, facsimile, Internet or other means of communication or electronic transmission. The extent to which this will be necessary depends upon how promptly proxies are returned. We urge you to send in your proxy without delay.

TABLE OF CONTENTS

GOVERNANCE OF OUR COMPANY

General

We are governed by the Board and by the committees of the Board. Members of the Board are kept informed about our business through discussions with our Chairman, our Chief Executive Officer and our other officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees. During 2018, the Board held four meetings and each director attended at least 75% of the aggregate number of Board and meetings of all committees of the Board on which such director served. We typically schedule a Board meeting in conjunction with our annual meeting of stockholders and encourage our directors to attend the annual meeting of stockholders. Six directors attended our 2018 annual meeting of stockholders – four directors were unable to attend due to the snowstorm that occurred in New York on the date of such meeting.

Code of Business Conduct and Ethics

We have adopted an amended and restated code of business conduct and ethics, which we refer to as the Conduct Code , that applies to all of our and our affiliates respective directors, officers and employees. The Conduct Code covers a variety of topics, including conflicts of interest, confidentiality of information, and compliance with laws and regulations. The Conduct Code is available at the corporate governance section of our website and may be obtained by writing to our corporate secretary at 60 Cutter Mill Road, Suite 303, Great Neck, NY 11021. During 2018, there were no waivers of the provisions of the Conduct Code with respect to any of the persons subject thereto. We will post any amendments to, or waivers of, the Conduct Code on our website.

Risk Oversight

Management is responsible for the day-to-day management of risks we face. Our Board has overall responsibility for overseeing risk management with a focus on the more significant risks facing us. Our audit committee oversees risk policies and processes related to our financial statements, financial reporting processes and liquidity risks; our nominating and corporate governance committee oversees corporate governance risks; and our compensation committee oversees risks relating to remuneration of our officers and employees. The compensation committee does not believe that the compensation programs which are in place give rise to any risk that is reasonably likely to have a material adverse effect on us.

At each quarterly meeting of the audit committee, a portion of the meeting is devoted to reviewing the status of the properties in our portfolio and other matters (including related party transactions) which might have a material adverse impact on current or future operations. A senior executive officer reports to the committee regarding the activities of our disclosure controls and procedures committee – this committee is comprised primarily of the individuals responsible for our financial and regulatory reporting, meets approximately six to eight times a year and is responsible for identifying areas of risk and in particular, risks with respect to disclosure controls and internal controls over financial reporting. In addition, a senior executive officer, our internal auditor and the independent registered public accounting firm reviewing or auditing, as the case may be, our financial statements, reports to the committee with respect to our compliance with our internal control policies in order to ascertain that no failures of a material nature have occurred. This process assists the audit committee in overseeing the risks related to our financial statements and the financial reporting process.

At Board meetings, the directors review significant risk issues brought to their attention by management, the audit committee and other Board committees.

Leadership Structure

Our company is led by Israel Rosenzweig, Chairman of our Board, whom we refer to as our Chairman, and Jeffery A. Gould, President and Chief Executive Officer, whom we refer to as our Chief Executive Officer. The Board believes that: (i) separating the role of Chairman and Chief Executive Officer is the most appropriate structure at this time because it makes the best use of the abilities of Messrs. Rosenzweig and Gould; and (ii) this leadership structure provides appropriate risk oversight of our activities.

Committees of the Board

Our Board has three standing committees: an audit committee, a compensation committee, and a nominating and corporate governance committee. The Board has adopted a charter for each standing committee, as well as corporate governance guidelines that address the make-up and functioning of the Board and its committees.

TABLE OF CONTENTS

The charter for each standing committee requires that such committee be comprised of at least three independent directors and in the case of the audit committee, also requires that at least one member of the committee qualify as a financial expert. All of the members of each committee were independent during their period of service on such committee and in the case of the audit committee, each such member was also financially literate.

You can find each charter and the corporate governance guidelines by accessing the corporate governance section of our website at www.brtapartments.com. Copies of these charters and the corporate governance guidelines may be obtained by writing to us at 60 Cutter Mill Road, Suite 303, Great Neck, New York 11021, Attention: Secretary.

The table below provides membership and meeting information for each of the committees of the Board for 2018:

Name	**Audit**	**Compensation**	**Nominating and Corporate Governance**
Alan H. Ginsburg			
Louis C. Grassi	Chair*		
Gary Hurand			Chair
Jeffrey Rubin		Chair	
Jonathan H. Simon			
Elie Weiss			
Number of Meetings	4	2	2

* Audit committee financial expert.

Audit Committee

This committee is responsible for assisting the board in overseeing, among other things, (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) our independent registered public accounting firm s qualification and independence, (iv) the performance of the accounting firm performing our internal control audit function, and (v) the preparation of the audit committee report required by the SEC for inclusion in this proxy statement. This committee is also responsible for the selection and engagement of our independent registered public accounting firm and for approving related party transactions.

Compensation Committee

This committee reviews and makes recommendations and/or determinations with respect to the salaries, bonuses and stock awards of our directors and full-time named executive officers.

Nominating and Corporate Governance Committee

This committee s principal responsibilities include proposing to the Board a slate of nominees for election to the Board at the annual meeting of stockholders, recommending committee assignments to the Board, making a recommendation to the Board with respect to the independence of each director and nominee, identifying and recommending candidates to fill vacancies on the Board or committees thereof between annual meetings of stockholders, overseeing Board and committee performance evaluations, proposing a slate of officers to the directors for election at the annual meeting of the Board and monitoring corporate governance matters, including overseeing our corporate governance guidelines.

Director Qualifications

The Board believes that it should be comprised of directors with complementary backgrounds, and that directors should, at a minimum, have expertise that may be useful to us. Our nominating and corporate governance committee considers the personal and professional attributes and the business experience of each candidate for director to promote diversity of expertise and experience among our directors. Additionally, directors should possess the highest personal and professional ethics and should be willing and able to devote the required amount of time to our business.

TABLE OF CONTENTS

When considering candidates for director, the nominating and corporate governance committee will take into account a number of factors, including the following:

- Independence from management;
- Whether the candidate has relevant business experience;
- Judgment, skill, integrity and reputation;
- Financial and accounting background, to enable the committee to determine whether the candidate would be suitable for audit committee membership;
- Executive compensation background, to enable the committee to determine whether the candidate would be suitable for compensation committee membership; and
- The size and composition of the existing board.

The nominating and corporate governance committee will consider candidates for director suggested by stockholders, applying the criteria for candidates described above, considering the additional information referred to below and evaluating such nominees in the same manner as other candidates. Stockholders wishing to suggest a candidate for nomination for election as a director should write to our Secretary and include:

- A statement that the writer is a stockholder and is proposing a candidate for consideration by the committee;
- The name of and contact information for the candidate;
- A statement of the candidate's business and educational experience;
- Information regarding each of the factors listed above sufficient to enable the committee to evaluate the candidate;
- A statement detailing any relationship between the candidate and any of our competitors;
- Detailed information about any relationship or understanding between the proposing stockholder and the candidate; and
- A statement that the candidate is willing to be considered and willing to serve as a director if nominated and elected.

Before nominating an incumbent director for re-election at an annual meeting of stockholders, the nominating and corporate governance committee will consider:

- The director's performance on the Board; and
- Whether the director's re-election would be consistent with our corporate governance guidelines.

When seeking candidates for director, the nominating and corporate governance committee may solicit suggestions from management, incumbent directors or others. The committee or its chairman will interview a candidate if it is believed the candidate might be suitable to be a director. The nominating and corporate governance committee may also ask the candidate to meet with management. If the nominating and corporate governance committee believes a candidate would be a valuable addition to the Board, it will recommend the candidate s election to the full board.

The nominating and corporate governance committee generally intends to recommend that the Board nominate incumbent directors who the committee believes will continue to make important contributions to us, inasmuch as the committee believes that the continuing service of qualified incumbents promotes stability and continuity, giving us the benefit of the familiarity and insight into our affairs that such directors have accumulated during their tenure, while contributing to the Board s ability to work as a collective body.

Independence of Directors

The Board affirmatively determined that for the purposes of the corporate governance requirements of the New York Stock Exchange, each of (i) Alan H. Ginsburg, Louis C. Grassi, Gary Hurand, Jeffrey Rubin, Jonathan H. Simon and Elie Weiss, constituting 60% of our directors, and (ii) the members of our audit, compensation and nominating and corporate governance committees, is independent. The Board based these

6

TABLE OF CONTENTS

determinations primarily on a review of the responses of our directors to questions regarding employment and compensation history, affiliations and family and other relationships, discussions with directors and relevant facts and circumstances provided to management of any relationships bearing on the independence of a director.

In evaluating Gary Hurand s independence, the Board was aware that (i) a family entity in which he has a 40% equity interest owns a preferred limited partnership interest in Gould Investors L.P., (described below) and (ii) the agreements entered into from time-to-time between the family entity and Gould Investors with respect to such interest. In concluding that Mr. Hurand is independent, the Board took into account, among other things, the limited voting rights associated with the preferred limited partnership interest and that no member of the Hurand family, including Mr. Hurand, has any management involvement in Gould Investors. Gould Investors is an affiliate of ours and is primarily engaged in the ownership and operation of real estate properties held for investment. See *Certain Relationships and Related Transactions*.

Compensation Committee Interlocks and Insider Participation

None of the members of the compensation committee has ever been an officer or employee of our company or any of our subsidiaries or has had any relationship with us that would require disclosure under Item 404 of Regulation S-K (Certain Relationships and Related Party Transactions).

Compensation of Directors

The following table sets forth the cash compensation payable in 2018 to the directors for service on the Board and its committees, all of whom, except as indicated in footnote 2 below, are non-management directors (*i.e.,* those directors who are not employees or officers of our company or any of its affiliates):

			Committee	
	Board	**Audit**	**Compensation**	**Nominating**
Annual retainer(1)	$ 20,000	$ 5,000	$ 4,000	$ 3,000
Presence in-person at meeting	1,250	1,000	1,000	1,000
Presence by telephone at meeting	750	750	750	750
Chairman’s annual retainer(1)	247,500 (2)	10,000	8,000	4,000

(1) The committee chairman receives both the annual retainer and the annual retainer for serving as chairman of such committee.

(2) Reflects the compensation paid to Israel Rosenzweig, a management director, for his service as Chairman of our Board. Effective January 1, 2019, such retainer was increased to $265,000. See *Executive Compensation—Compensation Discussion and Analysis—Chairman of the Board’s Compensation.* For information regarding additional compensation paid to Mr. Rosenzweig, see *Certain Relationships and Related Transactions* .

In addition, in 2018, each non-management director was awarded 3,625 shares of restricted stock under our 2018 Incentive Plan. The restricted stock has a five year vesting period, subject to acceleration upon the occurrence of specified events, during which period the owner is entitled to vote and receive distributions, if any, on such shares. Non-management directors who reside outside of the local area in which our executive office is located are reimbursed for travel expenses incurred in attending Board and committee meetings.

TABLE OF CONTENTS

The following table sets forth the cash and non-cash compensation paid to our directors for their service in such capacity in 2018, all of whom, except for Israel Rosenzweig, are non-management directors:

	Fees Earned or Paid in Cash ($)(1)		Stock Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
Alan H. Ginsburg	27,500		42,920	13,388	83,808
Louis C. Grassi	47,250		42,920	13,388	103,558
Gary Hurand	40,250		42,920	13,388	96,558
Israel Rosenzweig	247,500	(4)	37,450	29,015	313,965
Jeffrey Rubin	37,750		42,920	13,388	94,058
Jonathan H. Simon	28,000		42,920	13,388	84,308
Elie Weiss	35,000		42,920	13,388	91,308

(1) This table does not reflect: (a) the compensation we paid Jeffrey A. Gould, our President, Chief Executive Officer and a director; Fredric H. Gould, a director; and Matthew J. Gould, an executive officer and director; and (b) compensation paid to Fredric H. Gould, Matthew J. Gould and Israel Rosenzweig by Majestic Property Management Corp., which is wholly-owned by Fredric H. Gould. See *Executive Compensation—Summary Compensation Table* and *Certain Relationships and Related Transactions* for information regarding the compensation paid these individuals.

(2) Represents the aggregate grant date fair value computed in accordance with ASC Topic 718. Generally, the aggregate grant date fair value is the amount that we expect to expense in our financial statements over the award's vesting schedule. These amounts reflect our accounting expense and do not correspond to the actual value that will be realized by these directors.

(3) Reflects dividends declared in 2018 on unvested restricted stock. With respect to Mr. Rosenzweig includes (i) dividends of $16,574 declared in 2018 on unvested restricted stock awarded and (ii) premiums of $12,441 for disability and long-term care insurance and excludes fees of $54,468 for Services. See *Certain Relationships and Related Transactions.*

(4) Reflects the retainer paid for serving as Chairman.

The table below shows the aggregate number of unvested stock awards held by the named directors and the value thereof as of September 30, 2018:

Name	Unvested Stock Awards (#)		Market Value of Unvested Stock Awards ($)
Alan H. Ginsburg	17,250	(1)	207,690
Louis C. Grassi	17,250	(1)	207,690
Gary Hurand	17,250	(1)	207,690
Israel Rosenzweig	21,153	(2)(3)	331,891
Jeffrey Rubin	17,250	(1)	207,690
Jonathan H. Simon	17,250	(1)	207,690
Elie Weiss	17,250	(1)	207,690

(1) In January 2019, 2020, 2021, 2022, and March 2023, 3,250 shares, 3,250 shares, 3,500 shares, 3,625 shares and 3,625 shares are scheduled to vest, respectively.

(2) In January 2019, 2020, 2021, 2022, and March 2023, 5,200 shares, 5,200 shares, 4,140 shares, 3,450 shares, and 3,163 shares are scheduled to vest, respectively.

(3) Includes up to 33,750 shares of common stock underlying restricted stock units, which we refer to as RSUs, scheduled to vest in September 2021, subject to satisfaction of market and/or performance conditions. See Executive Compensation–Outstanding Equity Awards at Fiscal Year-End and note 12 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended September 30, 2018 (the Annual Report).

8

TABLE OF CONTENTS

Non-Management Director Executive Sessions

In accordance with New York Stock Exchange listing standards, our non-management directors meet regularly in executive sessions without management. The person who presides over executive sessions of non-management directors is one of the committee chairmen. To the extent practicable, the presiding director at the executive sessions is rotated among the chairmen of the Board s committees.

Communications with Directors

Stockholders and interested persons who want to communicate with our Board or any individual director can write to:

BRT Apartments Corp.
60 Cutter Mill Road, Suite 303
Great Neck, NY 11021
Attention: Secretary

Your letter should indicate that you are a stockholder of BRT Apartments Corp. Depending on the subject matter, the Secretary will:

- Forward the communication to the director or directors to whom it is addressed;
- Attempt to handle the inquiry directly; for example where it is a request for information about our company or it is a stock-related matter; or
- Not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

At each Board meeting, the Secretary will present a summary of communications received, if any, since the last meeting and make those communications available to the directors on request.

In the event that a stockholder, employee or other interested person would like to communicate with our non-management directors confidentially, they may do so by sending a letter to Non-Management Directors at the address set forth above. Please note that the envelope should contain a clear notation that it is confidential.

TABLE OF CONTENTS

INFORMATION REGARDING BENEFICIAL OWNERSHIP OF PRINCIPAL STOCKHOLDERS, DIRECTORS AND MANAGEMENT

The following table sets forth information concerning our shares owned as of the close of business on January 9, 2019 by (i) each person beneficially owning five percent or more of our outstanding shares, (ii) each director, (iii) each executive officer named in the Summary Compensation Table, and (iv) all directors and executive officers as a group.

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class
Alan H. Ginsburg(2)	41,930	*
Fredric H. Gould(2)(3)	3,658,189	22.9
Jeffrey A. Gould(2)(4)	3,433,412	21.5
Matthew J. Gould(2)(5)	3,437,241	21.6
Mitchell Gould	167,554	1.0
Louis C. Grassi(2)	47,493	*
Gary Hurand(2)(6)	384,696	2.4
David W. Kalish(7)	494,096	3.1
Israel Rosenzweig(2)	419,040	2.6
Steven Rosenzweig	36,718	*
Jeffrey Rubin(8)	48,660	*
Jonathan H. Simon(2)	41,930	*
Elie Weiss(2)(9)	59,271	*
George Zweier	72,690	*
Gould Investors L.P(10)	2,989,898	18.7
All directors and executive officers as a group (16 persons)	6,232,832	38.7

* Less than 1%

(1) Shares are listed as beneficially owned by a person who directly or indirectly holds or shares the power to vote or to dispose of the shares. The percentage of beneficial ownership is based on 15,910,669 shares outstanding as the close of business on January 9, 2019.

(2) A director.

(3) Includes (i) 271,440 shares owned by the pension and profit sharing trusts of REIT Management Corp. and BRT Apartments Corp., as to which shares he has shared voting and investment power, (ii) 23,469 shares owned by a charitable foundation, of which he is a director, as to which shares he shares voting and investment power, (iii) 33,259 shares owned by a trust for the benefit of his grandchildren of which he is a trustee (as to which shares he disclaims beneficial interest), (iv) 25,260 shares owned by a partnership in which an entity wholly owned by him is the managing general partner, and (v) 2,468 shares held by him as custodian for a grandson (as to which shares he disclaims beneficial interest). Also includes 2,989,898 shares owned by Gould Investors, as Mr. Fredric H. Gould is the sole owner of the managing general partner of Gould Investors. Excludes 7,512 shares owned by his spouse, as to which shares she has sole voting and investment power and as to which he disclaims beneficial ownership.

(4) Includes 3,315 shares owned by Jeffrey A. Gould as custodian for one of his children (as to which shares he disclaims beneficial ownership), 23,469 shares owned by a charitable foundation of which he is a

director, as to which shares he has shared voting and investment power, 33,259 shares owned by a trust for the benefit of his children and other relatives of which he is a trustee (as to which he disclaims beneficial ownership), and 2,989,898 shares owned by Gould Investors. He is a director and senior vice president of the managing general partner of Gould Investors.

TABLE OF CONTENTS

(5) Includes 47,633 shares owned by Matthew J. Gould as custodian for his children (as to which shares he disclaims beneficial ownership), 23,469 shares owned by a charitable foundation of which he is a director, as to which shares he has shared voting and investment power, 33,259 shares owned by a trust for the benefit of his children and other relatives, of which he is a trustee (as to which he disclaims beneficial ownership), and 2,989,898 shares owned by Gould Investors. Matthew J. Gould is Chairman of the Board of the managing general partner of Gould Investors. Does not include 1,140 shares owned by his children, as which he disclaims beneficial ownership.

(6) Includes 101,945 shares owned by limited liability companies in which Mr. Hurand is a member and 161,479 shares owned by a corporation in which Mr. Hurand is an officer and shareholder. Mr. Hurand shares voting and investment power with respect to the shares owned by these entities.

(7) Includes 312,634 shares owned by the pension and profit sharing trusts of BRT Apartments Corp., REIT Management Corp. and Gould Investors as to which Mr. Kalish, as trustee, has shared voting and investment power. Does not include 4,870 shares owned by his spouse, as to which shares she has sole voting and investment power and as to which he disclaims beneficial ownership.

(8) Includes 13,102 shares pledged as collateral for a line of credit. No amounts are outstanding on such credit line.

(9) Excludes 271 shares owned by his spouse, as to which shares he disclaims beneficial ownership.

(10) Such person's address is: 60 Cutter Mill Road, Suite 303, Great Neck, NY 11021.

ELECTION OF DIRECTORS
(Proposal 1)

The Board is divided into three classes, each of which is elected for a staggered term of three years. Our Articles of Incorporation provides for ten directors, subject to increase or decrease as determined by the Board. The Board may, following the meeting, increase the size of the Board and fill any resulting newly created directorships.

At the annual meeting of stockholders, four Class II Directors will be elected to our Board. Each nominee, Matthew J. Gould, Louis C. Grassi, Israel Rosenzweig and Jeffrey Rubin, has been recommended to our Board by the nominating and corporate governance committee for election at the annual meeting and each nominee has been nominated by our Board to stand for election at the annual meeting, to hold office until our 2022 annual meeting and until his successor is elected and qualified. Class I Directors and Class III Directors will continue to serve as directors until our 2021 annual meeting and 2020 annual meeting, respectively, and until their respective successors are duly elected and qualify. Proxies will not be voted for a greater number of persons than the number of nominees named in the proxy statement.

We expect each nominee to be able to serve if elected. However, if any nominee is unable to serve as a director, the persons named in the proxy card may vote for any substitute nominee proposed by the Board.

In an uncontested election, each nominee for director will be elected only if he receives the affirmative vote of a majority of the total votes cast for, against and withheld for such nominee. As set forth in our Corporate Governance Guidelines, any nominee for director who is an incumbent director but who is not elected by the vote required in the Bylaws, and with respect to whom no successor has been elected, is required to promptly tender his offer to resign to the Board for its consideration. The nominating committee will recommend to the Board whether to accept the offer to resign. No later than the next regularly scheduled Board meeting to be held at least ten days after the date of the election, the Board will decide whether to accept such offer and promptly and publicly disclose its decision. If the resignation is not accepted, the director will continue to serve until the next annual meeting of stockholders and until the director s successor is duly elected and qualified or until the director s earlier resignation or removal. If the resignation is accepted, the Board will either leave such position vacant, reduce the size of the Board or elect another individual to serve in place of the resigning director. The nominating committee and the Board may consider any factors they deem relevant in deciding whether to accept a director s resignation.

11

TABLE OF CONTENTS

The following table sets forth certain information regarding each nominee for election to the Board:

Nominees for Election as Class II Directors Whose Term Will Expire in 2022

Name and Age	Principal Occupation for the past Five Years and other Directorships or Significant Affiliations
Matthew J. Gould 59 years	Director since 2001 and a Senior Vice President since 1993. Vice President of REIT Management Corp., former advisor to the Company, since 1986; from 1999 through 2011, Director and Senior Vice President, from 1989 through 1999, President, from 2011 through 2013, Vice Chairman and from 2013, Chairman of the Board of Directors of One Liberty Properties; from 1996 through 2012, President, and from 2013, Chairman of the Board, of Georgetown Partners, Inc. He is the son of Fredric H. Gould and brother of Jeffrey A. Gould. His experience in real estate matters, including the acquisition and sale of real property, mortgage financing and real estate management, makes him a valuable member of our board in its deliberations.
Louis C. Grassi 63 years	Director since 2003; Managing partner of Grassi & Co. CPAs, P.C. since 1980; Director of Flushing Financial Corp. since 1998 and serves as chairman of its audit committee. Mr. Grassi has been involved for more than 28 years in accounting and auditing issues. His knowledge of financial and accounting matters and his experience as a director and member of the audit committee of a publicly traded financial institution provides him with the accounting and governance background and the skill needed as the chairman and financial expert of our audit committee.
Israel Rosenzweig 71 years	Chairman of the Board since 2013, Director and Vice Chairman of the Board from 2012 through 2013 and Senior Vice President from 1998 through 2012; Vice President of Georgetown Partners, Inc., since 1997; from 2000 to 2009, President of GP Partners, Inc., an affiliate of Gould Investors L.P., which provided advisory services in the real estate and financial services industries to an investment advisor; Senior Vice President of One Liberty Properties, Inc. since 1989. His experience as a lending officer at a major financial institution, his knowledge and experience in business, finance and accounting matters and his more than 34 years of experience in the real estate industry provides the Board with an experienced and knowledgeable chairman.
Jeffrey Rubin 50 years	Director since 2004; since 2009, President and CEO of The JR Group, which provides consulting services to the electronic payment processing industry; President and Chief Executive Officer of Premier Payments, a provider of credit card processing services for merchants throughout the United States, from 2012 until its sale in 2015; President and director of Newtek Business Services, Inc., a provider of business services and financial products to small and medium sized businesses, from 1999 to 2008; Chief Executive Officer of Summit Processing Group LLC since 2008. Mr. Rubin's experience as the president and a director of a public company and his experience in business and financial matters are valuable to our company as the chairman of our compensation committee and in his activities as a director.

THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF MATTHEW J. GOULD, LOUIS C. GRASSI, ISRAEL ROSENZWEIG AND JEFFREY RUBIN AS CLASS II DIRECTORS. THE PERSONS NAMED IN THE PROXY CARD INTEND TO VOTE SUCH PROXY FOR THE ELECTION OF SUCH

PERSONS AS DIRECTORS.

12

TABLE OF CONTENTS

The following table sets forth certain information regarding directors whose terms will continue after the date of the annual meeting:

Class III Directors Whose Term Will Expire in 2020

Name and Age	Principal Occupation for the past Five Years and other Directorships or Significant Affiliations
Fredric H. Gould 83 years	Director since 1983 and Chairman of our Board from 1984 through 2013; with respect to One Liberty Properties, Inc., Chairman of the Board of Directors from 1989 to 2013, Vice Chairman of the Board since 2013, Chief Executive Officer from 2005 to 2007, and President from 2005 to 2006; Chairman of the Board of Georgetown Partners, Inc. from 1997 to 2012 and director since 2013; President since 1986 of REIT Management Corp., former advisor to the Company; Director of East Group Properties, Inc. since 1998. He is the father of Matthew J. Gould and Jeffrey A. Gould. Mr. Gould has been involved in the real estate industry for more than 50 years, as an investor, owner, manager, and as the chief executive officer of publicly traded real estate entities and real estate investment trusts. He has served as a director of four real estate investment trusts, and as a director and a member of the loan committee of two savings and loan associations. His knowledge and experience in business, finance, tax, accounting and legal matters and his knowledge of our company's business and history makes him an important member of our Board.
Gary Hurand 72 years	Director since 1990; President of Dawn Donut Systems, Inc. since 1971; President of Management Diversified, Inc., a real property management and development company, since 1987; Director of Citizens Republic Bancorp Inc. and predecessor from 1990 through 2013. He is the father-in-law of Elie Weiss. Mr. Hurand brings valuable business and leadership skills to the Board in light of his extensive experience in commercial real estate and in business operations and as a former director and member of the audit committee of a publicly traded financial institution.
Elie Weiss 46 years	Director since 2007; engaged in real estate development since 1997; Executive Vice President of Robert Stark Enterprises, Inc., a company engaged in the development and management of retail, office and multi-family residential properties from 1997 to 2007; President of Real Estate for American Greetings from 2013 to 2017. Mr. Weiss is currently CEO of Five Forty Investments and a principal in a restaurant development and operating group, Paladar Restaurant Group. He is also actively engaged in managing his personal real estate investments. He is the son-in-law of Gary Hurand. His real estate and entrepreneurial experiences makes him a valuable member of our board.

TABLE OF CONTENTS

Class I Directors Whose Term Will Expire in 2021

Name and Age	Principal Occupation for the past Five Years and other Directorships or Significant Affiliations
Alan H. Ginsburg 80 years	Director since 2006; Chief Executive Officer since 1987 of The CED Companies, a private company which develops, builds and manages multi-family apartment communities. His more than 30 years experience as chief executive officer of a real estate developer/manager provides our board with a long-term perspective on the real estate industry.
Jeffrey A. Gould 53 years	Director since 1997, President and Chief Executive Officer since 2002 and President and Chief Operating Officer from 1996 to 2001; Senior Vice President and director since 1999 of One Liberty Properties; Senior Vice President of Georgetown Partners, Inc., managing general partner of Gould

Investors L.P., since 1996. He is the son of Fredric H. Gould and the brother of Matthew J. Gould. Mr. Jeffrey A. Gould's experience in a broad range of real estate activities, including real estate evaluation and management, real estate acquisitions and dispositions, mortgage lending and his 15 years as our President enables him to provide key insights on strategic, operational and financial matters related to our business.

Jonathan H. Simon
53 years

a Cullen/Frost subsidiary

Paul Bracher	2011	387,000	172,800	127,523	203,175	79,684	72,317	1,042,498
President and	2010	375,000	188,856	131,321	215,625	71,866	85,739	1,068,407
Executive Officer of	2009	375,000	182,304	148,356		85,475	85,397	876,532
Statewide Functions, Frost Bank,								
a Cullen/Frost subsidiary								

1. Amounts shown represent the FASB ASC Topic 718 grant date fair value of stock options, restricted stock and restricted stock units granted during 2011. See note 11 to the Consolidated Financial Statements in Cullen/Frost s Annual Report on Form 10-K for the year ended December 31, 2011 for a discussion of the associated assumptions used in the valuation of stock-based compensation awards.

2. Amounts shown represent the combined change in value for both the Retirement Plan and the accompanying Retirement Restoration Plan, both of which were frozen on December 31, 2001. The change in value for Mr. Evans also includes an increase in the actuarial present value of the SERP benefit of $727,839 during 2011. See note 11 to the Consolidated Financial Statements in Cullen/Frost s Annual Report on Form 10-K for the year ended December 31, 2011 for a

discussion of the associated assumptions used in the valuation of these benefits. There were no above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified.

3. This column includes other compensation not properly reported elsewhere in this table. The All Other Compensation Table that follows provides additional detail regarding the amounts in this column.

Table of Contents

2011 All Other Compensation Table

Name	Year	Perquisites and Other Personal Benefits[1]	Medical Exam Gross Up	Thrift Plan Match[2]	Group Term Life	Thrift Plan Gross Up	Executive Life Insurance[3]	Executive Life Insurance Gross Up	401-K Match	Profit Sharing Contribution[4]	Total
Richard W. Evans, Jr.	2011	36,363		35,100	10,562		19,000		14,700	120,000	235,726
	2010	30,177		33,300	9,504		19,000		14,700	200,850	307,531
	2009	22,862		33,300	9,504		19,000		14,700	170,625	269,991
Phillip D. Green	2011	30,266		11,700	3,381				14,700	46,750	106,796
	2010	10,679		10,800	3,999				14,700	69,410	109,588
	2009	8,577		10,800	3,999				14,700	60,720	98,796
David W. Beck Jr.	2011	10,044		8,700	7,920				14,700	56,250	97,614
	2010	11,193		7,800	8,316				14,700	80,685	122,694
	2009	6,885		7,800	4,773				14,700	70,838	104,996
Richard Kardys	2011	9,127		8,520	6,288				14,700	56,250	94,885
	2010	9,432		7,800	5,544				14,700	80,685	118,161
	2009	9,607		7,800	5,544				14,700	70,838	108,489
Paul Bracher	2011	4,493		8,520	3,354				14,700	41,250	72,317
	2010	4,267		7,800	1,794				14,700	57,178	85,739
	2009	10,503		7,800	1,794				14,700	50,600	85,397

1. Amounts shown include the following perquisites, as applicable:

   Personal Financial Planning Services;

   Physical Examinations;

   Home Security Services;

   Club Memberships; and

   Aircraft Usage.

Imputed Income rates associated with aircraft usage are determined using the Standard Industry Fare Level (SIFL).

2. Cullen/Frost contributions to the Thrift Incentive Plan.

3. Represents premiums paid on a $1,000,000 Executive Life Insurance Policy on Mr. Evans.

4. Amounts shown include contributions to both the Profit Sharing Plan and the Profit Sharing Restoration Plan. Contributions for 2011 to the Profit Sharing Plan and the Profit Sharing Restoration Plan were made March 11, 2011 and were based on 2010 earnings.

Table of Contents

2011 Grants of Plan-Based Awards

The following tables provide information concerning each grant of an award made to a Named Executive Officer in 2011 under the Cullen/Frost Bankers, Inc. 2005 Omnibus Incentive Plan:

2011 Grants of Plan-Based Awards

		Estimated Future Payments Under Non-Equity Incentive Plan Awards			Estimated Future Payments Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units[1]	Grant Date Fair Value of All Other Stock Awards	All Other Option Awards: Number of Securities Underlying Options[2]	Grant Date Fair Value of All Other Option Awards	Exercise or Base Price of Option Awards
Name	**Grant Date**	**Threshold $**	**Target $**	**Maximum $**	**Threshold #**	**Target #**	**Maximum #**	**(#)**	**$**	**(#)**	**$**	**($/Sh)**
Richard W. Evans, Jr.	10/25/2011		747,000					22,320	1,071,360	75,950	790,640	48.00
Phillip D. Green	10/25/2011		264,000					5,460	262,080	18,580	193,418	48.00
David W. Beck Jr.	10/25/2011		195,000					4,470	214,560	15,220	158,440	48.00
Richard Kardys	10/25/2011		193,500					4,100	196,800	13,950	145,220	48.00
Paul Bracher	10/25/2011		193,500					3,600	172,800	12,250	127,523	48.00

1. Amounts shown represent the grant date fair value of restricted stock awards and restricted stock unit awards granted on October 25, 2011, which are fully vested on the fourth anniversary of their grant date. Dividends are paid on awards of restricted stock at the same rate paid to all other stockholders generally, which was $0.45 per share in the first quarter of 2011 and $0.46 per share in the second, third and fourth quarters of 2011. Dividend-equivalent Payments are paid on awards of restricted stock units at the same rate as dividends paid to stockholders generally.

2. Amounts shown represent the grant date fair value of stock option awards granted on October 25, 2011 at the closing price that day of $48.00. These options vest 25% per year beginning on the first anniversary of their grant date. The grant date fair value of stock options awarded to the Named Executive Officers in 2011 was $10.41 per share. See note 11 to the Consolidated Financial Statements in Cullen/Frost s Annual Report on Form 10-K for the year ended December 31, 2011 for a discussion of the associated assumptions used in the valuation of stock option awards.

34

Table of Contents

Holdings of Previously Awarded Equity

Outstanding Equity Awards at 2011 Fiscal Year-End

The following table sets forth outstanding equity awards held by each of the officers named in the Summary Compensation Table as of December 31, 2011:

Outstanding Equity Awards at Fiscal Year-End Table 2011

		Option Awards					Stock Awards				
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable[1]	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested[2]	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested	Award Vesting Date
Richard W. Evans, Jr.	10/19/2005	55,000			50.01	10/19/15					
	10/24/2006	55,000			57.88	10/24/16					
	10/22/2007	80,000			48.85	10/22/17					
	10/21/2008	60,000	20,000		52.44	10/21/18					
	10/20/2009	29,034	29,036		50.64	10/20/19					
	10/26/2010	14,517	43,553		52.46	10/26/20	22,320	1,180,951			10/26/14
	10/25/2011		75,950		48.00	10/25/21	22,320	1,180,951			10/25/15
							44,640	2,361,902			
Phillip D. Green	10/19/2005	13,500			50.01	10/19/15					
	10/24/2006	13,500			57.88	10/24/16					
	10/22/2007	20,000			48.85	10/22/17					
	10/21/2008	15,000	5,000		52.44	10/21/18	6,000	317,460			10/21/12
	10/20/2009	7,104	7,106		50.64	10/20/19	5,460	288,889			10/20/13
	10/26/2010	3,552	10,658		52.46	10/26/20	5,460	288,889			10/26/14
	10/25/2011		18,580		48.00	10/25/21	5,460	288,889			10/25/15
							22,380	1,184,126			
David W. Beck, Jr.	10/19/2005	12,300			50.01	10/19/15					
	10/24/2006	12,300			57.88	10/24/16					
	10/22/2007	15,000			48.85	10/22/17					
	10/21/2008	11,250	3,750		52.44	10/21/18	5,300	280,423			10/21/12
	10/20/2009	5,820	5,820		50.64	10/20/19	4,470	236,508			10/20/13
	10/26/2010	2,910	8,730		52.46	10/26/20	4,470	236,508			10/26/14
	10/25/2011		15,220		48.00	10/25/21	4,470	236,508			10/25/15

						18,710	989,946	
Richard Kardys	10/19/2005	10,500		50.01	10/19/15			
	10/24/2006	10,500		57.88	10/24/16			
	10/22/2007	15,000		48.85	10/22/17			
	10/21/2008	11,250	3,750	52.44	10/21/18			
	10/20/2009	5,330	5,330	50.64	10/20/19			
	10/26/2010	2,665	7,995	52.46	10/26/20	4,100	216,931	10/26/14
	10/25/2011		13,950	48.00	10/25/21	4,100	216,931	10/25/15
						8,200	433,862	
Paul Bracher	10/19/2005	8,200		50.01	10/19/15			
	10/24/2006	8,200		57.88	10/24/16			
	10/22/2007	13,000		48.85	10/22/17			
	10/21/2008	9,750	3,250	52.44	10/21/18	4,000	211,640	10/21/12
	10/20/2009	4,680	4,680	50.64	10/20/19	3,600	190,476	10/20/13
	10/26/2010	2,340	7,020	52.46	10/26/20	3,600	190,476	10/26/14
	10/25/2011		12,250	48.00	10/25/21	3,600	190,476	10/25/15
						14,800	783,068	

Table of Contents

1. All options vest 25% per year beginning on the first anniversary of their grant date. Vesting dates for the various stock option grants shown above are as follows:

Grant Date	Portion Vesting	Vesting Date
10/19/2005	25%	10/19/2006
	25%	10/19/2007
	25%	10/19/2008
	25%	10/19/2009
10/24/2006	25%	10/24/2007
	25%	10/24/2008
	25%	10/24/2009
	25%	10/24/2010
10/22/2007	25%	10/22/2008
	25%	10/22/2009
	25%	10/22/2010
	25%	10/22/2011
10/21/2008	25%	10/21/2009
	25%	10/21/2010
	25%	10/21/2011
	25%	10/21/2012
10/20/2009	25%	10/20/2010
	25%	10/20/2011
	25%	10/20/2012
	25%	10/20/2013
10/26/2010	25%	10/26/2011
	25%	10/26/2012
	25%	10/26/2013

	25%	10/26/2014
10/25/2011	25%	10/25/2012
	25%	10/25/2013
	25%	10/25/2014
	25%	10/25/2015

2. All restricted stock awards and restricted stock units fully vest on the fourth anniversary of their grant date. In the case of the restricted stock awards, should the Named Executive Officer reach the age of 65, the unvested shares vest immediately to coincide with the tax liability associated with the awards. In the case of the restricted stock units and only the units, should the Named Executive Officer retire at or above the age of 65, the units will vest at the earlier of four years from the grant date or three years from the date of retirement. As discussed previously, beginning in 2010, Named Executive Officers having attained the age of 60 on or before the time of grant, are awarded Restricted Stock Units as opposed to Restricted Shares.

Table of Contents

2011 Option Exercises and Stock Vested

The following table sets forth the value realized by each of the officers named in the Summary Compensation Table in 2011 as a result of the vesting of stock awards in 2011. There were no exercises of stock options by any of the Named Executive Officers in 2011.

Option Exercises and Stock Vested Table 2011

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise**	**Value Realized on Exercise**	**Number of Shares Acquired on Vesting**	**Value Realized on Vesting**
Richard W. Evans, Jr.			72,320	3,995,680
Phillip D. Green			5,800	282,170
David W. Beck Jr.			5,300	257,845
Richard Kardys			13,100	759,538
Paul Bracher			3,500	170,275

During 2011 both Mr. Evans and Mr. Kardys attained the age of 65. Accordingly, all outstanding unvested restricted stock awards (not restricted stock units) vested on their respective birthdays. For Mr. Evans, the following Stock Awards vested:

Number of Shares	***Grant Date***	***Market Value on Date of Vest***
25,000	10/22/2007	1,381,250
25,000	10/21/2008	1,381,250
22,320	10/22/2009	1,233,180

For Mr. Kardys, the following stock Awards vested:

Number of Shares	***Grant Date***	***Market Value on Date of Vest***
4,500	10/22/2007	260,910
4,500	10/21/2008	260,910
4,100	10/22/2009	237,718

The Named Executive Officers did not defer receipt of any amount on exercise or vesting of awards.

The Named Executive Officers did not transfer any awards for value.

2011 Post-Employment Benefits

Pension Benefits

The following table details the defined benefit plans in which each of the officers named in the Summary Compensation Table in 2011 participates:

Pension Benefits Table 2011

Name	Plan Name	Number of Years of Credited Service[2] #	Present Value of Accumulated Benefits ($)[3]	Payments During Last Fiscal Year ($)
Richard W. Evans, Jr.	Retirement Plan for Employees of Cullen/Frost Bankers, Inc. and its Affiliates (as amended and restated)[1][4]	30.8334	934,318	0
Phillip D. Green		21.4167	441,115	0
David W. Beck Jr.		25.5833	763,622	0
Richard Kardys		24.8334	759,984	41,816
Paul Bracher		20.3334	377,176	0
Richard W. Evans, Jr.	Restoration of Retirement Income Plan for Participants in the Retirement Plan for Employees of Cullen/Frost Bankers, Inc. and its Affiliates (as amended and restated)[1][4]	30.8334	4,335,048	0
Phillip D. Green		21.4167	602,583	0
David W. Beck Jr.		25.5833	635,220	0
Richard Kardys		24.8334	639,050	35,035
Paul Bracher		20.3334	219,996	0
Richard W. Evans, Jr.	Cullen/Frost Bankers, Inc. Supplemental Executive Retirement Plan[4]	40.7500	1,629,781	0

1. This plan was frozen for new participants and benefit accrual for existing participants on December 31, 2001.

2. Because both the Retirement Plan and the Retirement Restoration Plan were frozen as of December 31, 2001, the number of years of credited service shown above for each Named Executive Officer is also as of that date. At the time these plans were frozen, Cullen/Frost adopted the defined contribution Profit Sharing Plan and the accompanying nonqualified Profit Sharing Restoration Plan.

3. See Note 11 to the Consolidated Financial Statements in Cullen/Frost s Annual Report on Form 10-K for the year ended December 31, 2011 for a discussion of the associated assumptions used in the calculation of the present value of the accumulated benefits.

4. Under the terms of the Retirement Plan, all of the Named Executive Officers are eligible for early retirement. Eligibility for early retirement is defined as age 55 or older with five years of service.

Profit Sharing Plan

On January 1, 2002, Cullen/Frost adopted a qualified profit sharing plan that replaced its defined benefit plan. The Profit Sharing Plan is a tax-qualified defined contribution retirement plan that covers all employees, including the Named Executive Officers, who have completed at least one year of service, are age 21 or older, and are otherwise eligible for benefits. All contributions to the plan are made at the discretion of the Chief Executive Officer based upon Cullen/Frost s fiscal year profitability, and are not formula driven. Contributions are allocated to eligible participants pro rata, based upon compensation, age and other factors. Historically, contributions, subject to IRS limits, have approximated 2% of eligible salaries, which is generally defined as base salary plus cash incentives plus percentage adjustments for certain age levels. In addition, for those employees

Table of Contents

who attained the age of 45 prior to January 1, 2002 and who were participants in the now frozen Retirement Plan, an additional contribution, subject to IRS limits, is made based on age and years of service. Plan participants self-direct the investment of allocated contributions by choosing from a menu of investment options. Account assets are subject to withdrawal restrictions and participants vest in their accounts after three years of service. There were no distributions made during 2011 to the Named Executive Officers from the Profit Sharing Plan.

Profit Sharing Restoration Plan

Cullen/Frost maintains a separate nonqualified profit sharing plan for certain employees whose participation in the tax-qualified Profit Sharing Plan is limited by IRS rules. Contributions to the Profit Sharing Restoration Plan are made using the same approach as contributions to the Profit Sharing Plan but for eligible compensation dollars earned in excess of IRS limits. Distributions under this plan are made at the same time and in the same form as under the Profit Sharing Plan. There were no distributions made during 2011 to the Named Executive Officers from the Profit Sharing Restoration Plan.

Retirement Plan

The tax-qualified Retirement Plan for Employees of Cullen/Frost Bankers, Inc. and its Affiliates (as amended and restated), is a defined benefit plan that was frozen on December 31, 2001. This frozen plan provides, subject to IRS limits, a monthly benefit based on a formula-driven percentage of an eligible employee s final average compensation, based on the highest three years of compensation in the last ten years of service prior to January 1, 2002, and years of credited service as of that date. Participants in this plan are fully vested in their accrued benefits upon attaining age 65 or after five years of service, whichever occurs first. Richard Kardys is the only Named Executive Officer who received payments under this plan and the accompanying Retirement Restoration Plan in 2011. Mr. Kardys commenced his benefits under this plan upon attaining the age of 65 during 2011.

Retirement Restoration Plan

The nonqualified Restoration of Retirement Income Plan for Participants in the Retirement Plan for Employees of Cullen/Frost Bankers, Inc. and its Affiliates (as amended and restated), which was also frozen on December 31, 2001, exists to provide benefits comparable to the Retirement Plan for those named employees whose participation in the Retirement Plan is limited by IRS rules.

SERP

Cullen/Frost maintains a nonqualified Supplemental Executive Retirement Plan (SERP) to provide target retirement benefits, as a percentage of annual cash compensation, defined as base salary earnings plus bonus earnings, beginning at age 55 for Mr. Evans. The target percentage is 45% of annual cash compensation at age 55, increasing to 60% at age 60 and later. Benefits under the SERP are reduced dollar-for-dollar by benefits received under the Retirement Plan, the Retirement Restoration Plan, and any Social Security benefits. SERP benefits will also be reduced by the annuity equivalent of any account balance in the Profit Sharing Plan and the Profit Sharing Restoration Plan at retirement.

401(k) Plan

Cullen/Frost maintains a 401(k) plan (the 401(k) Plan) that permits each participant to make before- or after-tax contributions in an amount not less than 2% of eligible compensation and not exceeding 20% of eligible compensation and subject to dollar limits from IRS rules. Cullen/Frost matches 100% of the employee s contributions to the plan based on the amount of each participant s contributions up to a maximum of 6% of eligible compensation. Eligible employees must complete 90 days of service in order to enroll and vest in Cullen/Frost s matching contributions immediately. Cullen/Frost s matching contribution is initially invested in Cullen/Frost Common Stock. However, employees may immediately reallocate Cullen/Frost s matching portion, as well as invest their individual contribution in a variety of investment alternatives offered under the 401(k) Plan.

Thrift Incentive Plan

Cullen/Frost maintains a nonqualified thrift incentive plan for certain employees whose participation in the 401(k) Plan is limited by IRS rules as an alternative means of receiving comparable benefits. Cullen/Frost uses a similar approach to contributions to the Thrift Incentive Plan as used in the 401(k) Plan, matching 100% of the employee s contributions to the plan based on the amount of each participant s contributions up to a maximum of 6% of base salary only. Amounts are distributed to participants at the end of each calendar year.

Nonqualified Deferred Compensation Plan

In order to help preserve Cullen/Frost s tax deduction under Section 162(m) of the Internal Revenue Code, the Committee has approved a nonqualified Deferred Compensation Plan for the Chief Executive Officer and the next three highest paid executive officers, other than the Chief Financial Officer, of Cullen/Frost (the Covered Employees). This plan requires that certain components of the compensation of a Covered Employee that would exceed the deductible amount under Section 162(m) of $1,000,000 be deferred until the plan year after he or she ceases to be a Covered Employee or until his or her death or disability. Interest is accrued for account balances in this plan at prime rate. Mr. Evans is the only Covered Employee participating in the plan. Payments made to Mr. Evans under the Non-equity Incentive Plan are excluded from the provisions of Section 162(m). Therefore, during 2011, there were no deferrals made on Mr. Evans s behalf. Details regarding Mr. Evans s participation in the plan are set forth in the following table:

2011 Nonqualified Deferred Compensation Plan

Name	**Executive Contributions in Last Fiscal Year ($)**	**Registrant Contributions in Last Fiscal Year ($)**	**Aggregate Earnings in Last Fiscal Year ($)**	**Aggregate Withdrawls/ Distributions ($)**	**Aggregate Balance at Last Fiscal Year End ($)**
Richard W. Evans, Jr.			14,490		453,734
Phillip D. Green					
David W. Beck Jr.					
Richard Kardys					
Paul Bracher					

40

Potential Payments on Termination

As discussed previously in the Compensation Discussion and Analysis section of this proxy, under the existing change-in-control agreements, each Named Executive Officer could receive severance payments representing a multiple of base salary and target bonus plus a prorated bonus payment if his position were terminated by Cullen/Frost without Cause or by the Named Executive Officer for Good Reason within two years following a change in control. Multiples are shown below:

Richard W. Evans, Jr.	Three Times
Phillip D. Green	Three Times
David W. Beck, Jr.	Three Times
Richard Kardys	Three Times
Paul Bracher	Two Times

The severance payment would be made in a lump sum. In addition, the plan calls for a continuation of welfare benefits for three years, and two years in the case of Mr. Bracher, as discussed previously in the Compensation Discussion and Analysis. Where applicable, any potential payments under the change-in-control agreements would be made in compliance with Section 409(A) of the Internal Revenue Code, which may require certain payments made on separation of service to be deferred for six months. The existing agreements also provide for a tax gross-up payment in an amount necessary to make the executive whole for any excise taxes paid as a result of the severance payments and benefits and any accelerated vesting of equity-based awards in connection with a change in control. As shown in the table below, as of December 31, 2011, there would have been no excise tax or related tax gross-up payment made had there been a change in control.

There are no other severance policies or employment contracts in place for the Named Executive Officers and, generally, vesting of unvested stock options and restricted stock/restricted stock unit awards will not accelerate upon termination other than in the event of a change in control or in certain circumstances following retirement of the Named Executive Officer after attaining the age of 65.

For calculation purposes the change in control and termination of employment are assumed to have occurred on December 30, 2011, the last business day of the year. The closing price of the stock on December 30, 2011, $52.91, was used to calculate the value of the Unvested Stock Option Spread and the value of the Unvested Restricted Stock Awards and Unvested Restricted Stock Units.

Change in Control Payments

Name	Cash(1)	Equity(2)	Pension/ NQDC	Perquisites/ Benefits(3)	Tax Reimbursement(4)	Other	Total
Richard W. Evans, Jr.	5,478,000	2,829,727		24,177			8,331,904
Phillip D. Green	2,376,000	1,298,631		22,229			3,696,860
David W. Beck Jr.	1,950,000	1,083,579		23,590			3,057,169
Richard Kardys	1,935,000	519,816		16,963			2,471,779
Paul Bracher	1,354,500	858,526		15,588			2,228,614

1. The amounts shown above as cash for Mr. Evans, Mr. Green, Mr. Beck and Mr. Kardys represent the base salary and target bonus multiplied by three plus the prorated target bonus. The amount shown above as cash for Mr. Bracher represents the base salary and target bonus multiplied by two plus the prorated target bonus.

2. The amounts shown above represent the difference between the grant price and the closing market price on December 30, 2011 on the unvested shares of stock options along with the value of all unvested restricted shares/units as of December 30, 2011 using the closing

market price on December 30, 2011 of $52.91.

Table of Contents

3. The amounts shown above represent the value of personal benefits as well as health and welfare benefits multiplied by three times for Mr. Evans, Mr. Green, Mr. Beck and Mr. Kardys, and multiplied by two times for Mr. Bracher.

4. Based on the assumptions described above, none of the payments and benefits that would have been payable to the Named Executive Officers under the change-in-control agreements or other plans would have exceeded the Internal Revenue Code Section 280G safeharbor limit. As a result, the payments and benefits described above would not have been subject to an excise tax under Internal Revenue Code Section 4999. Accordingly, no excise tax gross-up payments would have been payable under the change-in-control agreements.

5. As discussed in the preceding narrative, all elements of severance pay and benefits available to the Named Executive Officers under the change-in-control agreements are attributable to double trigger arrangements.

Executive Stock Ownership

The table below lists the number of shares of Cullen/Frost Common Stock beneficially owned by each of the Named Executive Officers and by all Directors, nominees, and Named Executive Officers of Cullen/Frost as a group:

	Shares Owned[1]	
Name	**Amount and Nature of Beneficial Ownership[2]**	**Percent**
Richard W. Evans, Jr.	849,414[3]	1.39%
Phillip D. Green	181,278[4]	0.30%
David W. Beck, Jr.	84,101	0.14%
Richard Kardys.	205,933	0.34%
Paul H. Bracher	144,319[5]	0.24%
All Directors, nominees and executive officers as a Group (21 persons).	3,606,430[6]	5.89%

(1) Beneficial ownership is stated as of December 31, 2011. The owners have sole voting and investment power for the shares of Cullen/Frost Common Stock reported unless otherwise indicated. Beneficial ownership includes the following shares that the individual had a right to acquire pursuant to stock options exercisable within sixty (60) days from December 31, 2011: Mr. David W. Beck, Jr. 59,580; Mr. Paul H. Bracher 46,170; Mr. Richard W. Evans, Jr. 293,552; Mr. Phillip D. Green 72,657; Mr. Richard Kardys 55,245, and all Directors, nominees and executive officers as a group 775,160.

(2) Includes the following shares allocated under the 401(k) Stock Purchase Plan for which each beneficial owner has both sole voting and sole investment power: Mr. David W. Beck, Jr. 1,278; Mr. Paul H. Bracher 27,873; Mr. Richard W. Evans, Jr. 52,367; Mr. Phillip D. Green 31,646, and Mr. Richard Kardys 31,216.

(3) Includes 120,003 shares held by a family limited partnership of which the general partner is a limited liability company of which Mr. Richard W. Evans, Jr. is the sole manager.

(4) Includes 1,100 shares held by Mr. Green s wife and 11,100 shares held by Mr. Green in six trusts for his children.

(5) Includes 425 shares held by Mr. Bracher s son.

(6) Includes 700,844 shares for which Directors, nominees and executive officers share voting power and investment power with others. Also includes 240,965 shares allocated under the 401(k) Stock Purchase Plan for which the executive officers have both sole voting power and sole investment power.

Table of Contents

PRINCIPAL SHAREHOLDERS

At December 31, 2011, the only persons known by Cullen/Frost, based on public filings, to be the beneficial owners of more than 5% of the outstanding Common Stock of Cullen/Frost were as follows:

	Voting Authority			Investment Authority			Amount of	
Name and Address	Sole	Shared	None	Sole	Shared	None	Beneficial Ownership	Percent of Class
Cullen/Frost Bankers, Inc. P. O. Box 1600 San Antonio, Texas 78296	433,780	9,500[(2)]	1,479,105	408,310	34,819	1,479,256[(2)]	5,278,146[(1)]	8.6%
BlackRock Inc. 40 East 52nd Street New York, New York 10022	3,421,449	-0-	-0-	3,421,449	-0-	-0-	3,421,449[(3)]	5.59%

(1) Cullen/Frost owns no securities of Cullen/Frost for its own account. All of the shares are held by Cullen/Frost s subsidiary bank, Frost Bank. Frost Bank has reported that the securities registered in its name as fiduciary, or in the names of various of its nominees are owned by many separate accounts. The accounts are governed by separate instruments, which set forth the powers of the fiduciary with regard to the securities held.

(2) Does not include 3,355,761 shares held by participants in the Cullen/Frost 401(k) Stock Purchase Plan.

(3) Based upon information in Schedule 13G filed on February 13, 2012, reporting ownership as of December 31, 2011.

CERTAIN TRANSACTIONS AND RELATIONSHIPS

Some of the Directors and executive officers of Cullen/Frost, and some of their associates, are current or past customers of one or more of Cullen/Frost s subsidiaries. Since January 1, 2011, certain transactions, including borrowings, between these persons and such subsidiaries have occurred. In particular, the offices of the Hulen Financial Center of Frost Bank in Fort Worth, Texas are leased on a long-term basis from 4200 South Hulen Partners, L.P., a Texas limited partnership, of which Mr. R. Denny Alexander, a Director of Cullen/Frost, owns a 13.3% interest and is the managing general partner. During 2011, lease payments of $898,021.00 were made by Frost Bank and Frost Insurance Agency, Inc. to 4200 South Hulen Partners, L.P. Also, the offices of the North Hulen Motor Bank of Frost Bank in Forth Worth, Texas are leased on a long-term basis from Edwards Geren Limited, a Texas limited partnership, of which Mr. Crawford H. Edwards, a Director of Cullen/Frost, is the General Manager with a 0.593% interest. These offices were the headquarters of Overton Bancshares, Inc., which Cullen/Frost acquired in 1998. Cullen/Frost assumed this lease in the acquisition and has maintained it since. During 2011, lease payments of $34,100.00 were made by Frost Bank to Edwards Geren Limited. Additionally, two siblings of Patrick B. Frost serve in non-executive positions of The Frost National Bank and received cash compensation in 2011 in an aggregate amount of approximately $556,000. In addition, they received stock option grants with an aggregate grant date fair value of approximately $110,000. The compensation of Mr. Frost s siblings is in accordance with the company s employment and compensation practices applicable to employees with equivalent qualifications and responsibilities and holding similar positions. Mr. Frost does not have a material interest in the employment relationships of his siblings nor do any of them share a household with Mr. Frost. In the opinion of management, all of the foregoing transactions, including borrowings, have been in the ordinary course of business, have had substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to the lender, and did not involve more than the normal risk of collectability or present other unfavorable features. Additional transactions may take place in the future.

Table of Contents

Policies and Procedures for Review, Approval or Ratification of Related Person Transactions

The Board of Directors has adopted a written related-party transaction policy. Cullen/Frost regularly monitors its business dealings and those of its Directors and executive officers to determine whether any existing or proposed transactions would constitute a related-party transaction requiring approval under this policy. In addition, our Code of Business Conduct and Ethics requires Directors and executive officers to notify Cullen/Frost of any relationships or transactions that may present a conflict of interest, including those involving family members. Our Directors and executive officers are also required to complete a questionnaire on an annual basis designed to elicit information regarding any such related-party transactions.

When Cullen/Frost becomes aware of a proposed or existing transaction with a related party, Cullen/Frost s Corporate Counsel/Corporate Secretary, in consultation with management and external counsel, as appropriate, determines whether the transaction would constitute a related-party transaction requiring approval under this policy. If such a determination is made, management and Cullen/Frost s Corporate Counsel/Corporate Secretary, in consultation with external counsel, determine whether, in their view, the transaction should be permitted, whether it should be modified to avoid any potential conflict of interest, whether it should be terminated, or whether some other action should be taken. Such action is then referred to Cullen/Frost s Corporate Governance and Nominating Committee at its next meeting (or earlier, if appropriate), for review and final determination as it deems appropriate.

In determining whether to approve a related-party transaction, the Corporate Governance and Nominating Committee will consider, among other factors, the following:

- whether the terms of the transaction are fair to Cullen/Frost and on the same basis as would apply if the transaction did not involve a related party;
- whether there are business reasons for Cullen/Frost to enter into the transaction;
- whether the transaction would impair the independence of an outside director; and
- whether the transaction would present an improper conflict of interest for any related party of Cullen/Frost, taking into account the size of the transaction, the overall financial position of the related party, the direct or indirect nature of the related party s interest in the transaction, and the ongoing nature of any proposed relationship.

Any member of the Corporate Governance and Nominating Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the transaction, but may, if so requested by the Chairperson of the Committee, participate in some or all of the Committee s discussions of the transaction.

SELECTION OF AUDITORS

(Item 2 On Proxy Card)

The Board of Directors recommends that the shareholders of Cullen/Frost ratify the selection of Ernst & Young LLP, certified public accountants, as independent auditors of Cullen/Frost. Ernst & Young LLP have audited the financial statements of Cullen/Frost since 1969.

Neither Cullen/Frost s Articles of Incorporation nor its Bylaws require that the shareholders ratify the selection of Ernst & Young LLP as its independent auditors. Cullen/Frost is doing so because it believes it is a matter of good corporate practice. Should the shareholders not ratify the selection, the Audit Committee will reconsider its determination to retain Ernst & Young LLP, but may elect to continue to retain Ernst & Young LLP. Even if the selection is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that the change would be in the best interests of Cullen/Frost and its shareholders.

Table of Contents

The following table provides information on fees paid by Cullen/Frost to Ernst & Young LLP.

Fees Paid To Independent Auditors

	2011	2010
Audit Fees(1)	$ 778,070	$ 752,250
Audit-Related Fees(2)	$ 125,775	$ 106,220
Tax Fees(3)	$ 48,425	$ 22,700
All Other Fees	$ 0	$ 0
Total Fees	**$ 952,270**	**$ 881,170**

(1) Audit fees include fees for the audit of management s assessment of the effectiveness of Cullen/Frost s internal control over financial reporting.

(2) Audit-related fees are fees for audits of employee benefit plans and internal control reviews of Trust Department operations.

(3) Tax fees during 2010 include fees for review of the tax return, preparation of the Form 5500 for the employee retirement plan, and consultation and technical advice on tax matters. The 2011 tax fees include fees associated with tax compliance and consulting services. Tax compliance services include the preparation of Federal income tax and Texas franchise tax returns, including estimated tax payments and extension requests. Tax consulting services include routine tax advice and consultation.

The Audit Committee pre-approves each audit and non-audit service provided to Cullen/Frost by Ernst & Young LLP. Pursuant to the Audit Committee s charter, the Audit Committee has delegated to each of its members the authority to pre-approve any audit or non-audit service to be performed by the independent auditors, provided that any such approvals are presented to the Audit Committee at its next scheduled meeting.

Representatives from Ernst & Young LLP are not expected to be present at the Annual Meeting. If any shareholder desires to ask Ernst & Young LLP a question, management will ensure that the question is sent to Ernst & Young LLP and that an appropriate response is made directly to the shareholder.

NONBINDING APPROVAL OF EXECUTIVE COMPENSATION

(Item 3 On Proxy Card)

Section 14A of the Securities Exchange Act of 1934, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act requires that issuers permit a separate nonbinding say on pay shareholder vote to approve the compensation of executives at least every three years. The Board of Directors has determined that, consistent with the nonbinding resolution adopted by the shareholders at the 2011 annual meeting of shareholders, this vote should take place every year.

The proposal gives shareholders the opportunity to vote for or against the following resolution:

RESOLVED, that the compensation paid to the Cullen/Frost Bankers, Inc. s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

Your vote is advisory, which means it will not be binding upon the Board of Directors and will not overrule any decision by the Board of Directors. However, the Compensation Committee may, in its sole discretion, take into account the outcome of the vote when considering future executive compensation arrangements.

We encourage you to carefully review the Compensation Discussion and Analysis and 2011 Compensation sections of this proxy statement for a detailed discussion of the Company s executive compensation program.

Table of Contents

Our compensation policies and procedures are designed to pay for performance in a way that is strongly aligned with the long-term interests of our shareholders. The Compensation and Benefits Committee, which is composed entirely of independent Directors, in consultation with a leading human resources consulting firm, oversees our executive compensation program. (For more information regarding the Compensation and Benefit Committee s use of consultants, please see Role of Compensation Consultants on page 16.) The Committee continually monitors our policies to ensure that they continue to reward executives for results that are consistent with shareholder interests and strong risk management.

Our Board of Directors and our Compensation and Benefits Committee believe that our commitment to these responsible compensation practices justifies a vote by shareholders FOR the resolution approving the compensation of our executives as disclosed in this proxy statement.

The Board of Directors recommends you vote FOR this Proposal 3.

AUDIT COMMITTEE REPORT

The purpose of the Audit Committee is to assist the Board of Directors in its oversight of: (i) the integrity of Cullen/Frost s financial statements; (ii) Cullen/Frost s compliance with legal and regulatory requirements; (iii) the independent auditors qualifications and independence; and (iv) the performance of the independent auditors and Cullen/Frost s internal audit function. The Audit Committee operates pursuant to a written charter that is available at www.frostbank.com or in print by contacting the Corporate Secretary, Stan McCormick, at 100 West Houston Street, San Antonio, Texas 78205. The Committee met six times in 2011. The Board has determined that each member of the Audit Committee is independent within the meaning of the NYSE s rules and the SEC s rules. The Board has also determined that each member of the Audit Committee is financially literate and that at least one member of the Audit Committee has accounting or related financial management expertise, in each case within the meaning of the NYSE s rules. In addition, the Board has determined that Mr. Ruben M. Escobedo is an audit committee financial expert within the meaning of the SEC s rules.

Management of Cullen/Frost is responsible for the preparation, presentation, and integrity of Cullen/Frost s financial statements, for the effectiveness of internal control over financial reporting, and for the maintenance of appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for auditing Cullen/Frost s financial statements, for expressing an opinion as to conformity with generally accepted accounting principles, and for auditing management s assessment of internal control over financial reporting. Members of the Audit Committee are not full-time employees of Cullen/Frost and are not, and do not represent themselves to be, performing the functions of auditors or accountants. Accordingly, as described above, the Audit Committee provides oversight of the responsibilities of management and the independent auditors.

In the performance of its oversight function, the Audit Committee has reviewed and discussed the audited financial statements with management and the independent auditors. The Audit Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 114, *The Auditor s Communications With Those Charged With Governance*, as currently in effect. In addition, the Audit Committee has received the written disclosures and the letter from the independent auditors required by Public Company Accounting Oversight Board s Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, as currently in effect, and has discussed with the independent auditors the independent auditors independence.

Table of Contents

Based upon the reviews and discussions described in this report, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in its charter, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Cullen/Frost s Annual Report on Form 10-K for the year ended December 31, 2011 to be filed with the Securities and Exchange Commission.

Ruben M. Escobedo, Committee Chairman

Royce S. Caldwell

David J. Haemisegger

Richard M. Kleberg, III

Table of Contents

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires Cullen/Frost s Directors and executive officers to file reports with the Securities and Exchange Commission and the NYSE relating to their ownership and changes in ownership of Cullen/Frost s Common Stock. Based on information provided by Cullen/Frost s Directors and executive officers and a review of such reports, Cullen/Frost believes that all required reports were filed on a timely basis during 2011, except one late filing with respect to an exercise of stock options made by Mr. Carlos Alvarez.

SHAREHOLDER PROPOSALS

To be eligible under the Securities and Exchange Commission s shareholder proposal rule (Rule 14a-8) for inclusion in Cullen/Frost s proxy statement, proxy card, and presentation at Cullen/Frost s 2012 Annual Meeting of Shareholders (currently scheduled to be held on April 25, 2013), a proper shareholder proposal must be received by Cullen/Frost at its principal offices no later than November 19, 2012. For a proper shareholder proposal submitted outside of the process provided by Rule 14a-8 to be eligible for presentation at Cullen/Frost s 2012 Annual Meeting, timely notice thereof must be received by Cullen/Frost not less than 60 days nor more than 90 days before the date of the meeting (for an April 25, 2013 meeting, the date on which the 2012 Annual Meeting is currently scheduled, notice is required no earlier than January 25, 2013 and no later than February 24, 2013). The notice must be in the manner and form required by Cullen/Frost s Bylaws. If the date of the 2012 Annual Meeting is changed, the dates set forth above may change.

OTHER MATTERS

Management of Cullen/Frost knows of no other business to be presented at the meeting. If other matters do properly come before the meeting, the enclosed proxy confers discretionary authority on the persons named as proxies to vote the shares represented by the proxy as to those other matters.

By Order of the Board of Directors,

STANLEY E. McCORMICK, JR.

Executive Vice President

Corporate Counsel and Secretary

Dated: March 19, 2012

A copy of Cullen/Frost s 2011 Annual Report on Form 10-K is available without charge (except for exhibits, which are available upon payment of a reasonable fee) upon written request to Cullen/Frost Bankers, Inc., Attention: Greg Parker, 100 West Houston Street, San Antonio, Texas 78205. Shareholders may obtain copies of Cullen/Frost s Corporate Governance Guidelines and Code of Business Conduct and Ethics, as well as the charters for its Audit Committee, Compensation and Benefits Committee, and Corporate Governance and Nominating Committee, by writing to the same address. In addition, copies are available on Cullen/Frost s website at www.frostbank.com.

Table of Contents

YOUR VOTE IS IMPORTANT. PLEASE VOTE TODAY.

We encourage you to take advantage of Internet or telephone voting.

Both are available 24 hours a day, 7 days a week.

Internet and telephone voting is available through 11:59 PM Eastern Time the day prior to the shareholder meeting date.

Cullen/Frost Bankers, Inc.

INTERNET

http://www.proxyvoting.com/cfr

Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.

OR

TELEPHONE

1-866-540-5760

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.

To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

18640

FOLD AND DETACH HERE

Management recommends a vote FOR Proposals 1, 2 and 3.

Please mark your votes as indicated in this example X

		FOR all nominees listed to the left	WITHHOLD AUTHORITY to vote for all nominees listed to the left	*EXCEPTIONS
1. Election of Directors:				
Nominees:				
01 R. Denny Alexander	08 David J. Haemisegger	¨	¨	¨
02 Carlos Alvarez	09 Karen E. Jennings			
03 Royce S. Caldwell	10 Richard M. Kleberg, III			
04 Crawford H. Edwards	11 Charles W. Matthews			
05 Ruben M. Escobedo	12 Ida Clement Steen			
06 Richard W. Evans, Jr.	13 Horace Wilkins Jr.			
07 Patrick B. Frost				

	FOR	AGAINST	ABSTAIN
2. To ratify the selection of Ernst & Young LLP to act as independent auditors of Cullen/Frost Bankers, Inc. for the fiscal year that began January 1, 2012.	¨	¨	¨
3. Proposal to adopt the advisory (non-binding) resolution approving executive compensation.	¨	¨	¨

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the Exceptions box above and write that nominee s name in the space provided below.)

*Exceptions

Mark Here for
Address Change or Comments
SEE REVERSE ¨

NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

Signature	Signature	Date

Table of Contents

You can now access your Cullen/Frost Bankers, Inc. account online.

Access your Cullen/Frost Bankers, Inc. account online via Investor ServiceDirect® (ISD).

The transfer agent for Cullen/Frost Bankers, Inc., now makes it easy and convenient to get current information on your shareholder account.

View account status	View payment history for dividends
View certificate history	Make address changes
View book-entry information	Obtain a duplicate 1099 tax form

Visit us on the web at http://www.bnymellon.com/shareowner/equityaccess

For Technical Assistance Call 1-877-978-7778 between 9am-7pm

Monday-Friday Eastern Time

Investor ServiceDirect ®

Available 24 hours per day, 7 days per week

TOLL FREE NUMBER: 1-800-370-1163

Choose **MLink**℠ for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect®** at www.bnymellon.com/shareowner/equityaccess where step-by-step instructions will prompt you through enrollment.

Important notice regarding the Internet availability of proxy materials for the Annual Meeting of shareholders. The Proxy Statement and the 2011 Annual Report to Stockholders are available at: **http://www.cfrvoteproxy.com**

FOLD AND DETACH HERE

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR ANNUAL MEETING

OF CULLEN/FROST BANKERS, INC.

The undersigned hereby revoking all proxies previously granted, appoints RICHARD W. EVANS, JR., and PATRICK B. FROST, and each of them, with power of substitution, as proxy of the undersigned, to attend the Annual Meeting of Shareholders of Cullen/Frost Bankers, Inc. on April 26, 2012 and any adjournments or postponements thereof, and to vote the number of shares the undersigned would be entitled to vote if personally present as designated on the reverse.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2 AND 3 AND AT THE DISCRETION OF THE PROXIES UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF.

Address Change/Comments

(Mark the corresponding box on the reverse side)

SHAREOWNER SERVICES

P.O. BOX 3550

SOUTH HACKENSACK, NJ 07606-9250

(Continued and to be marked, dated and signed, on the other side) 18640