# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended June 30, 2013.**

**OR**

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the transition period from to .**

**Commission file number 1-31234**

# WESTWOOD HOLDINGS GROUP, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **DELAWARE** | **75-2969997** |
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification No.)** |
| **200 CRESCENT COURT, SUITE 1200**<br>**DALLAS, TEXAS** | **75201** |
| **(Address of principal executive office)** | **(Zip Code)** |

**(214) 756-6900**
**(Registrant's telephone number, including area code)**

**(Former name, former address and former fiscal year, if changed since last report)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and " smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Shares of common stock, par value $0.01 per share, outstanding as of July 12, 2013: 8,189,308.

**WESTWOOD HOLDINGS GROUP, INC.**

**INDEX**

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(in thousands, except par value and share amounts)**

| | June 30, 2013 (Unaudited) | December 31, 2012 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 6,133 | $ 3,817 |
| Accounts receivable | 12,857 | 8,920 |
| Investments, at fair value | 51,368 | 59,906 |
| Deferred income taxes | 2,037 | 3,362 |
| Prepaid income taxes | 1,173 | — |
| Other current assets | 2,250 | 1,365 |
| Total current assets | 75,818 | 77,370 |
| Goodwill | 11,255 | 11,255 |
| Deferred income taxes | 1,963 | 1,696 |
| Intangible assets, net | 3,969 | 4,149 |
| Property and equipment, net of accumulated depreciation of $ 1,932 and $1,747 | 2,190 | 2,145 |
| Total assets | $ 95,195 | $ 96,615 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | $ 1,829 | $ 1,636 |
| Dividends payable | 3,517 | 1,201 |
| Compensation and benefits payable | 8,362 | 14,537 |
| Income taxes payable | — | 1,438 |
| Other current liabilities | 15 | 14 |
| Total current liabilities | 13,723 | 18,826 |
| Accrued dividends | 824 | — |
| Deferred rent | 1,214 | 1,238 |
| Total long-term liabilities | 2,038 | 1,238 |
| Total liabilities | 15,761 | 20,064 |
| Commitments and contingencies (Note 10) | | |
| Stockholders' Equity: | | |
| Common stock, $ 0.01 par value, authorized 25,000,000 shares, issued 8,790,875 and outstanding 8,189,308 shares at June 30, 2013; issued 8,526,598 and outstanding 8,031,045 shares at December 31, 2012 | 88 | 85 |
| Additional paid-in capital | 95,013 | 88,483 |
| Treasury stock, at cost – 601,567 shares at June 30, 2013; 495,553 shares at December 31, 2012 | (23,139) | (18,502) |
| Accumulated other comprehensive income (loss) | (205) | 30 |
| Retained earnings | 7,677 | 6,455 |
| Total stockholders' equity | 79,434 | 76,551 |
| Total liabilities and stockholders' equity | $ 95,195 | $ 96,615 |

See notes to condensed consolidated financial statements.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(in thousands, except per share data)**
**(unaudited)**

| | Three months ended June 30, 2013 | Three months ended June 30, 2012 | Six months ended June 30, 2013 | Six months ended June 30, 2012 |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Advisory fees | | | | |
| Asset based | $ 16,486 | $ 14,102 | $ 32,033 | $ 28,192 |
| Performance based | 2,535 | 1,182 | 2,535 | 1,182 |
| Trust fees | 4,574 | 3,757 | 8,791 | 7,228 |
| Other, net | (120) | 1,025 | 216 | 1,328 |
| Total revenues | 23,475 | 20,066 | 43,575 | 37,930 |
| **EXPENSES:** | | | | |
| Employee compensation and benefits | 11,907 | 11,885 | 23,750 | 20,799 |
| Sales and marketing | 334 | 261 | 621 | 473 |
| Westwood mutual funds | 462 | 275 | 866 | 484 |
| Information technology | 678 | 629 | 1,334 | 1,225 |
| Professional services | 1,077 | 2,063 | 2,079 | 2,942 |
| General and administrative | 1,284 | 1,201 | 2,473 | 2,171 |
| Total expenses | 15,742 | 16,314 | 31,123 | 28,094 |
| **Income before income taxes** | 7,733 | 3,752 | 12,452 | 9,836 |
| Provision for income taxes | 2,854 | 1,554 | 4,740 | 3,853 |
| **Net income** | $ 4,879 | $ 2,198 | $ 7,712 | $ 5,983 |
| Other comprehensive income: | | | | |
| Available-for-sale investments: | | | | |
| Change in unrealized gain on investment securities | — | 34 | — | (401) |
| Less: reclassification adjustment for net gains included in earnings | — | (908) | — | (908) |
| Net change (net of income taxes of $0, $(476), $0 and $(714), respectively) | — | (874) | — | (1,309) |
| Foreign currency translation loss | (158) | (18) | (235) | (18) |
| **Total comprehensive income** | $ 4,721 | $ 1,306 | $ 7,477 | $ 4,656 |
| **Earnings per share:** | | | | |
| Basic | $ 0.66 | $ 0.31 | $ 1.05 | $ 0.84 |
| Diluted | $ 0.65 | $ 0.30 | $ 1.03 | $ 0.82 |
| **Weighted average shares outstanding:** | | | | |
| Basic | 7,349,868 | 7,162,540 | 7,318,688 | 7,125,158 |
| Diluted | 7,495,523 | 7,250,707 | 7,492,392 | 7,272,690 |

See notes to condensed consolidated financial statements.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**
**For the Six Months Ended June 30, 2013**
**(in thousands, except share amounts)**
**(unaudited)**

| | Common Stock, Par | | Additional Paid-In | Treasury | Accumulated Other Comprehensive Income | Retained | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Stock | (Loss) | Earnings | Total |
| **BALANCE, January 1, 2013** | 8,031,045 | $ 85 | $ 88,483 | $ (18,502) | $ 30 | $ 6,455 | $ 76,551 |
| Net income | — | — | — | — | — | 7,712 | 7,712 |
| Other comprehensive income | — | — | — | — | (235) | — | (235) |
| Issuance of restricted stock, net | 264,277 | 3 | (3) | — | — | — | — |
| Dividends declared ($0.40 per share) | — | — | — | — | — | (6,490) | (6,490) |
| Restricted stock amortization | — | — | 5,692 | — | — | — | 5,692 |
| Reclassification of compensation liability to be paid in shares | — | — | 124 | — | — | — | 124 |
| Tax benefit related to equity compensation | — | — | 717 | — | — | — | 717 |
| Purchase of treasury stock | (106,014) | — | — | (4,637) | — | — | (4,637) |
| **BALANCE, June 30, 2013** | 8,189,308 | $ 88 | $ 95,013 | $ (23,139) | $ (205) | $ 7,677 | $ 79,434 |

See notes to condensed consolidated financial statements.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**
**(unaudited)**

| | For the six months ended June 30, | |
|---|---|---|
| | **2013** | **2012** |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 7,712 | $ 5,983 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 187 | 166 |
| Amortization of intangible assets | 180 | 244 |
| Fair value adjustment of liabilities | — | (96) |
| (Gain) on sale of available for sale investment | — | (803) |
| Unrealized losses on trading investments | 639 | 170 |
| Restricted stock amortization | 5,692 | 4,750 |
| Loss on disposal of property | — | 1 |
| Deferred income taxes | 937 | 1,857 |
| Excess tax benefits from stock based compensation | (684) | (676) |
| Net sales of investments – trading securities | 7,880 | 8,166 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (4,003) | (905) |
| Other current assets | (864) | (2,362) |
| Accounts payable and accrued liabilities | (71) | (2,459) |
| Compensation and benefits payable | (5,931) | (5,171) |
| Income taxes payable and prepaid income taxes | (1,991) | (1,814) |
| Other liabilities | 18 | (62) |
| Net cash provided by operating activities | 9,701 | 6,989 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Sale of available for sale investment | — | 950 |
| Purchase of property and equipment | (313) | (194) |
| Net cash (used in) provided by investing activities | (313) | 756 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Purchase of treasury stock | (4,637) | (3,796) |
| Excess tax benefits from stock based compensation | 684 | 676 |
| Cash dividends | (2,988) | (2,943) |
| Proceeds from exercise of stock options | — | 210 |
| Net cash used in financing activities | (6,941) | (5,853) |
| Effect of currency rate changes on cash | (131) | (18) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 2,316 | 1,874 |
| Cash and cash equivalents, beginning of period | 3,817 | 5,264 |
| Cash and cash equivalents, end of period | $ 6,133 | $ 7,138 |
| Supplemental cash flow information: | | |
| Cash paid during the period for income taxes | $ 5,723 | $ 3,785 |

See notes to condensed consolidated financial statements.

## 1. DESCRIPTION OF THE BUSINESS

Westwood Holdings Group, Inc. (“Westwood”, “we”, “us” or “our”) was incorporated under the laws of the State of Delaware on December 12, 2001. Westwood manages investment assets and provides services for its clients through its subsidiaries, Westwood Management Corp. (“Westwood Management”), Westwood Trust (“Westwood Trust”) and Westwood International Advisors Inc. (“Westwood International”). Westwood Management provides investment advisory services to corporate retirement plans, public retirement plans, endowments and foundations, mutual funds, individuals and clients of Westwood Trust. Westwood Trust provides institutions and high net worth individuals with trust and custodial services and participation in its sponsored common trust funds. Westwood International provides investment advisory services to institutional investors. Revenue is largely dependent on the total value and composition of assets under management (“AUM”). Accordingly, fluctuations in financial markets and in the composition of AUM impact revenues and results of operations.

Westwood Management is a registered investment adviser under the Investment Advisers Act of 1940. Westwood Trust is chartered and regulated by the Texas Department of Banking. Westwood International is registered as a portfolio manager and exempt market dealer with the Ontario Securities Commission.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared without an audit and reflect all adjustments (consisting only of normal recurring adjustments) that, in the opinion of management, are necessary to present fairly our interim financial position and results of operations and cash flows for the periods presented. The accompanying condensed consolidated financial statements are presented using the accrual basis of accounting and have been prepared in accordance with the instructions for the presentation of interim financial information as prescribed by the Securities and Exchange Commission (“SEC”).

The accompanying condensed consolidated financial statements should be read in conjunction with our consolidated financial statements, and notes thereto, included in our Annual Report on Form 10-K for the year ended December 31, 2012. Operating results for the periods in these condensed consolidated financial statements are not necessarily indicative of the results for any future period. The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of Westwood and its subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

### Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Revenue Recognition

Investment advisory and trust fees are recognized as services are provided. These fees are determined in accordance with contracts between our subsidiaries and their clients and are generally based on a percentage of assets under management. A limited number of our clients have contractual performance-based fee arrangements, which pay us an additional fee when we outperform a specified index over a specific period of time. We record revenue for performance-based fees at the end of the measurement periods. Most advisory and trust fees are payable in advance or in arrears on a calendar quarterly basis. Advance payments are deferred and recognized over the periods services are performed. Since billing periods for most of our advance paying clients coincide with the calendar quarter to which payment relates, revenue is fully recognized within the quarter. Consequently there is not a significant amount of deferred revenue contained in our financial statements. Deferred revenue is included on the balance sheet under the heading of “Other current liabilities”. Other revenues generally consist of interest and investment income and losses. These revenues are recognized as earned or as the services are performed.

**Variable Interest Entities**

A variable interest entity ("VIE") is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the voting rights of the equity investors are not proportional to their obligations to absorb expected losses or receive expected residual returns of the entity.

We have examined whether the entities in which we have an interest are VIEs and whether we qualify as the primary beneficiary of any VIEs so identified. We have included the disclosures related to VIEs in a note to these condensed consolidated financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of short-term, highly liquid investments with maturities of three months or less, other than pooled investment vehicles that are considered investments.

**Accounts Receivable**

Our accounts receivable balances generally consist of advisory and trust fees receivable from customers that we believe and have experienced to be fully collectable. Our trade accounts receivable balances do not include any allowance for doubtful accounts nor has any bad debt expense attributable to trade receivables been recorded for the periods presented in these condensed consolidated financial statements.

**Investments**

All marketable securities are classified as trading securities and are carried at quoted market value on the accompanying consolidated balance sheet. Net unrealized holding gains or losses on investments classified as trading securities are reflected as a component of other revenues. We measure realized gains and losses on investments using the specific identification method. Investments include shares of Westwood mutual funds awarded to employees pursuant to mutual fund share incentive awards described in Note 9.

**Goodwill and Other Intangible Assets**

Goodwill represents the excess of the cost of acquired assets over the fair value of the underlying identifiable assets at the date of acquisition. Goodwill is not amortized but is tested annually for impairment.

During the third quarter of 2012, we completed our annual goodwill impairment assessment and determined that no impairment loss was required. We perform annual impairment assessments in the third quarter and reassess if circumstances indicate a potential impairment between annual assessment dates. We assess the fair value of our business units for goodwill purposes using a market multiple approach.

Our intangible assets represent the acquisition date fair value of acquired client relationships, trade names and non-compete agreements and are reflected net of amortization. In valuing these assets, we made significant estimates regarding their useful lives, growth rates and potential attrition. We periodically review intangible assets for events or circumstances that would indicate impairment. For a further discussion of our intangible assets see Note 6.

**Income Taxes**

We file a United States (U.S.) federal income tax return as a consolidated group for Westwood and its subsidiaries based in the U.S. We separately file a Canadian income tax return for Westwood International. Deferred income tax assets and liabilities are determined based on temporary differences between the financial statement and income tax bases of assets and liabilities as measured at enacted income tax rates. Deferred income tax expense is generally the result of changes in deferred tax assets and liabilities. Deferred taxes relate primarily to stock-based compensation expense and net operating losses at Westwood International.

We would record a valuation allowance, when necessary, to reduce deferred tax assets to an amount that more likely than not would be realized. No valuation allowance has been recorded in our financial statements.

**Currency Translation**

Assets and liabilities of Westwood International, our non-U.S. dollar functional currency subsidiary, are translated at exchange rates as of the applicable reporting dates. Revenues and expenses are translated at average exchange rates during the periods indicated. The gains and losses resulting from translating non-U.S. dollar functional currency into U.S. dollars are recorded through other comprehensive income.

**Long-term Compensation Agreements**

We entered into employment agreements with certain employees of Westwood International that provide for specified payments over four years. In certain circumstances, these payments would be forfeited to us if the employment of these individuals is terminated before completion of the contractual earning period. Payments made in advance under these agreements are included in "Other current assets" on our Condensed Consolidated Balance Sheet, net of amounts already amortized.

**Stock Based Compensation**

We account for stock-based compensation in accordance with Financial Accounting Standards Board ("FASB") *Accounting Standards Codification* ("ASC") No. 718, Compensation-Stock Compensation ("ASC 718"). Under ASC 718, stock-based compensation expense reflects the fair value of stock-based awards measured at grant date, is recognized over the relevant service period, and is adjusted each period for anticipated forfeitures. The compensation cost recorded for these awards is based on their grant-date fair value as required by ASC 718.

We have issued restricted stock and granted stock options in accordance with our Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan, as amended (the "Plan"). We apply judgment in developing an expectation of awards of restricted stock and stock options that may be forfeited. If actual experience differs significantly from these estimates, our stock-based compensation expense and results of operations could be materially affected.

We have compensation arrangements with certain employees of Westwood International pursuant to which these employees are able to earn cash awards based on the performance of certain investment products. A portion of such awards may be paid in shares of our stock that vest over a multi-year period. We accrue a liability for these awards over both the annual period in which we determine it is probable that the award will be earned and, for the portion to be settled in shares, over the following three-year vesting period. For the six months ended June 30, 2013 and 2012, the expense recorded for these awards was $153,000 and $124,000, respectively. Cash awards expected to be settled in shares are funded into a trust pursuant to an established Canadian employee benefit plan. Generally, the Canadian trust subsequently acquires Westwood common shares in market transactions and holds such shares until the shares are vested and distributed, or forfeited. Shares held in the trust are shown on our balance sheet as treasury shares. During the second quarter of 2013, the trust purchased 20,251 Westwood common shares in the open market for approximately $878,000. Until shares are acquired by the trust, we measure the liability as a cash based award, which is included in the "Compensation and benefits payable" on our Condensed Consolidated Balance Sheets. When the number of shares related to an award is determinable, the award becomes an equity award accounted for similar to restricted stock, which is described in Note 9.

**Recent Accounting Pronouncements**

In February 2013, the Financial Accounting Standards Board ("FASB") issued new guidance on reporting amounts reclassified out of accumulated other comprehensive income. The new guidance does not change the requirements for reporting net income or other comprehensive income in the financial statements, but requires new footnote disclosures regarding the reclassification of accumulated other comprehensive income by component into net income. We do not expect this guidance to have a material effect on our financial statements.

**3. EARNINGS PER SHARE**

Basic earnings per common share is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding for the periods ended June 30, 2013 and 2012, respectively. Diluted earnings per share for these periods is computed based on the weighted average number of shares outstanding plus the effect of any dilutive shares of restricted stock and stock options granted to employees and non-employee directors. There were no anti-dilutive restricted shares or options as of June 30, 2013 or 2012.

The following table sets forth the computation of basic and diluted shares (in thousands, except per share and share amounts):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **Net income** | $ 4,879 | $ 2,198 | $ 7,712 | $ 5,983 |
| Weighted average shares outstanding – basic | 7,349,868 | 7,162,540 | 7,318,688 | 7,125,158 |
| Dilutive potential shares from unvested restricted shares | 145,655 | 83,164 | 173,704 | 141,250 |
| Dilutive potential shares from stock options | — | 5,003 | — | 6,282 |
| Weighted average shares outstanding – diluted | 7,495,523 | 7,250,707 | 7,492,392 | 7,272,690 |
| **Earnings per share:** | | | | |
| Basic | $ 0.66 | $ 0.31 | $ 1.05 | $ 0.84 |
| Diluted | $ 0.65 | $ 0.30 | $ 1.03 | $ 0.82 |

**4. INVESTMENTS**

Investment balances are presented in the table below (in thousands). All investments are carried at fair value, and all investments are accounted for as trading securities.

| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
|---|---|---|---|---|
| **June 30, 2013:** | | | | |
| U.S. Government obligations | $ 33,690 | $ 3 | $ (1) | $ 33,692 |
| Money market funds | 4,547 | — | — | 4,547 |
| Equity funds | 786 | — | (50) | 736 |
| Mutual funds | 1,670 | 108 | — | 1,778 |
| Fixed income funds | 10,724 | — | (109) | 10,615 |
| Marketable securities | $ 51,417 | $ 111 | $ (160) | $ 51,368 |
| **December 31, 2012:** | | | | |
| U.S. Government obligations | $ 42,588 | $ 1 | $ — | $ 42,589 |
| Money market funds | 1,856 | — | — | 1,856 |
| Equity funds | 4,401 | 519 | — | 4,920 |
| Fixed income funds | 10,468 | 73 | — | 10,541 |
| Marketable securities | $ 59,313 | $ 593 | $ — | $ 59,906 |

**5. FAIR VALUE MEASUREMENTS**

We determine estimated fair values of our financial instruments using available information. The fair value amounts discussed in the condensed consolidated financial statements are not necessarily indicative of either the amounts realizable upon disposition of these instruments or our intent or ability to dispose of these assets. The estimated fair value of cash and cash equivalents, as well as accounts receivable and payable, approximates their carrying value due to their short-term maturities and are classified as level 1 fair value measurements. The carrying amount of investments designated as "trading" securities, primarily U.S. Government and Government agency obligations, money market funds, Westwood Funds™ mutual funds and Westwood Trust common trust fund shares, equals their fair value, which is equal to prices quoted in active markets and, with respect to funds, the net asset value of the shares held as reported by the fund. Market values of our money market holdings generally do not fluctuate.

Effective January 1, 2008, we adopted the provisions of FASB ASC No. 820, Fair Value Measurements and Disclosures ("ASC 820"), which defines fair value, establishes a framework for measuring fair value and requires additional disclosures regarding certain fair value measurements. ASC 820 establishes a three-tier hierarchy for measuring fair value as follows:

- level 1 – quoted market prices in active markets for identical assets,
- level 2 – inputs other than quoted prices that are directly or indirectly observable, and
- level 3 – unobservable inputs where there is little or no market activity.

The following table summarizes the values of our assets within the fair value hierarchy (in thousands).

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **As of June 30, 2013:** | | | | |
| Investments in securities: | | | | |
| Trading | $ 51,368 | $ — | $ — | $ 51,368 |
| Total financial instruments | $ 51,368 | $ — | $ — | $ 51,368 |
| **As of December 31, 2012:** | | | | |
| Investments in securities: | | | | |
| Trading | $ 55,389 | $ 4,517 | $ — | $ 59,906 |
| Total financial instruments | $ 55,389 | $ 4,517 | $ — | $ 59,906 |

Investments categorized as level 2 assets consist of investments in common trust funds sponsored by Westwood Trust. Common trust funds are private investment vehicles comprised of commingled investments held in trusts that are valued using the Net Asset Value ("NAV") calculated by us as administrator of the funds. The NAV is quoted on an inactive private market, however the unit price is based on the market value of the underlying investments that are traded on an active market.

## 6. INTANGIBLE ASSETS

The following is a summary of our intangible assets at June 30, 2013 and December 31, 2012 (in thousands):

| | Weighted Average Amortization Period (years) | Gross Carrying Amount | Accumu-lated Amortiz-ation | Net Carrying Amount |
|---|---|---|---|---|
| **June 30, 2013:** | | | | |
| Client relationships | 14.2 | $ 5,005 | $ (1,036) | $ 3,969 |
| Non-compete agreements | 2.3 | 26 | (26) | — |
| Total | | $ 5,031 | $ (1,062) | $ 3,969 |
| **December 31, 2012:** | | | | |
| Client relationships | 14.2 | $ 5,005 | $ (857) | $ 4,148 |
| Non-compete agreements | 2.3 | 26 | (25) | 1 |
| Total | | $ 5,031 | $ (882) | $ 4,149 |

Amortization expense was $180,000 and $244,000 for the six months ended June 30, 2013 and 2012, respectively.

Estimated amortization expense for intangible assets for the next five years follows (in thousands):

| For the Year ending December 31, | Estimated Amortization Expense |
|---|---|
| 2013 | $ 359 |
| 2014 | 359 |
| 2015 | 359 |
| 2016 | 359 |
| 2017 | 359 |

## 7. BALANCE SHEET COMPONENTS

***Accumulated Other Comprehensive Income (Loss)***

The components of accumulated other comprehensive income (loss) were as follows (in thousands):

| | As of June 30, 2013 | As of December 31, 2012 |
|---|---|---|
| Foreign currency translation adjustment | $ (205) | $ 30 |
| Accumulated other comprehensive income (loss) | $ (205) | $ 30 |

***Accrued Dividends***

Accrued dividends of $824,000 at June 30, 2013 are dividends accrued on unvested restricted shares that are expected to vest after one year. When those unvested restricted shares vest, the dividends accrued on those shares will be paid.

## 8. VARIABLE INTEREST ENTITIES

Westwood Trust sponsors common trust funds ("CTFs") for its clients. These funds allow clients to commingle assets to achieve economies of scale. Westwood Management provides investment advisory services to the Westwood Funds™, a family of mutual funds, and to two collective investment trusts ("CITs"). Some clients of Westwood Management hold their investments in ten limited liability companies ("LLCs") that were formed and sponsored by McCarthy Group Advisors, L.L.C. The CTFs, Westwood Funds™, CITs and LLCs (the "Westwood VIEs") are considered VIEs because our clients, who hold the equity at risk, do not have direct or indirect ability through voting or similar rights to make decisions about the funds that have a significant effect on their success. We receive fees for managing assets in these entities commensurate with market rates.

We evaluate all of our advisory relationships and CTFs to determine whether or not we qualify as the primary beneficiary based on whether there is an obligation to absorb the majority of expected losses or a right to receive the majority of residual returns. Since all losses and returns are distributed to the shareholders of the Westwood VIEs, we are not the primary beneficiary and consequently the Westwood VIEs are not included in our condensed consolidated financial statements.

We have not provided any financial support that we were not previously contractually obligated to provide and there are no arrangements that would require us to provide additional financial support to any of the Westwood VIEs. Our investments in the Westwood Funds™ and the CTFs are accounted for as investments in accordance with our other investments described in Note 4.

The following table displays assets under management, corporate money invested and risk of loss in each vehicle (in millions).

| | As of June 30, 2013 | | |
|---|---|---|---|
| | Assets Under Management | Corporate Investment | Risk of Loss |
| Westwood Funds™ | $ 2,121 | $ 12.7 | $ 12.7 |
| Common Trust Funds | 2,376 | — | — |
| Collective Investment Trusts | 416 | — | — |
| LLCs | 267 | — | — |

| | As of December 31, 2012 | | |
|---|---|---|---|
| | Assets Under Management | Corporate Investment | Risk of Loss |
| Westwood Funds™ | $ 1,603 | $ 10.9 | $ 10.9 |
| Common Trust Funds | 2,091 | 4.5 | 4.5 |
| Collective Investment Trusts | 366 | — | — |
| LLCs | 255 | — | — |

## 9. EMPLOYEE BENEFITS

***Stock Based Compensation***

The Plan reserves shares of Westwood common stock for issuance to eligible employees, directors and consultants of Westwood or its subsidiaries in the form of restricted stock and stock options. As of June 30, 2013, the total number of shares that may be issued under the Plan (including predecessor plans) may not exceed 3,898,100 shares and approximately 704,000 shares remained available for issuance under the Plan.

The following table presents the total expense recorded for stock based compensation (in thousands):

| | Six months ended June 30, | |
|---|---|---|
| | 2013 | 2012 |
| Service condition restricted stock expense | $ 4,010 | $ 3,761 |
| Performance-based restricted stock expense | 1,682 | 989 |
| Total stock based compensation expense | $ 5,692 | $ 4,750 |

**Restricted Stock**

Under the Plan, we have granted to employees and non-employee directors restricted stock that is subject to a service condition, and to certain key employees restricted stock that is subject to both a service condition and a performance condition. As of June 30, 2013, approximately $27.7 million of remaining unrecognized compensation cost is expected to be recognized over a remaining weighted-average period of 2.4 years. Our two types of restricted stock grants are discussed below.

*Employee and non-employee director restricted share grants*

Restricted shares granted to employees vest over four years and non-employee directors' shares vest over one year. The following table details the status and changes in our restricted stock grants that are subject only to a service condition for the six months ended June 30, 2013:

| **Restricted shares subject only to a service condition:** | **Shares** | **Weighted Average Grant Date Fair Value** |
|---|---|---|
| Non-vested, January 1, 2013 | 560,025 | $ 37.52 |
| Granted | 195,624 | 43.72 |
| Vested | (208,680) | 35.83 |
| Forfeited | (21,347) | 39.04 |
| Non-vested, June 30, 2013 | 525,622 | 40.43 |

*Performance-based restricted share grants*

Under the Plan, we granted to certain key employees restricted shares that vest over five years, provided that annual performance goals established by Westwood's Compensation Committee are met. In February 2013, the Compensation Committee established the 2013 goal as adjusted pre-tax income of at least $27.0 million, representing a five-year compound annual growth rate in excess of 10% over annual adjusted pre-tax income recorded in 2008 (excluding a 2008 non-recurring performance fee of $8.7 million). Our adjusted pre-tax income is determined based on our audited financial statements and is equal to income before income taxes increased by expenses incurred for the year for (i) incentive compensation for all officers and employees and (ii) performance-based restricted stock awards, and excluding start up, non-recurring, and similar expense items. In the first quarter of 2013, we concluded that it was probable that we would meet the performance goals required to vest the applicable percentage of the performance-based restricted shares this year and began recording expense related to those shares.

The following table details the status and changes in our restricted stock grants that are subject to service and performance conditions for the six months ended June 30, 2013:

| **Restricted shares subject to service and performance conditions:** | **Shares** | **Weighted Average Grant Date Fair Value** |
|---|---|---|
| Non-vested, January 1, 2013 | 230,000 | $ 39.49 |
| Granted | 90,000 | 43.85 |
| Vested | — | — |
| Forfeited | — | — |
| Non-vested, June 30, 2013 | 320,000 | 40.72 |

**Deferred Share Units**

We established a deferred share unit ("DSU") plan for employees and directors of Westwood International. A deferred share unit is an award linked to the value of Westwood's common stock, and represented by a notional credit to a participant account. The value of a deferred share unit is initially equal to the value of a share of our common stock. Deferred share units vest 20%, 40%, 60%, and 80% after two, three, four and five years of service, respectively. Deferred share units become fully vested after six years of service by the participant and the liability for these units is settled in cash upon termination of the participant's service. We record expense for DSU's based on the number of units vested on a straight line basis, which may increase or decrease based on changes in the price of our common shares, and will increase for additional units received from dividends declared on our shares. In the six months ended June 30, 2013, we issued and have outstanding 2,383 deferred share units at a weighted average grant date fair value of $40.83 per unit.

***Mutual Fund Share Incentive Awards***

We annually grant mutual fund incentive awards to certain employees which are annual performance bonus awards based on our mutual funds achieving certain performance goals. Awards granted are notionally credited to a participant account maintained by the Company representing a number of mutual fund shares equal to the award amount divided by the net closing value of a fund share on the date the amount is credited to the account.

These awards vest after approximately one year of service following the year the award is earned by the participant. We begin accruing a liability for mutual fund incentive awards when we determine it is probable that the award will be earned and record expense for these awards over the service period of the award, which is approximately two years. During the year in which the amount of the award is determined, we record expense based on the expected value of the award. After the award is earned, we record expense based on the value of the shares awarded and the percentage of the vesting period that has transpired. Our liability under these awards may increase or decrease based on changes in the value of the mutual fund shares awarded, including reinvested income from the mutual funds during the vesting period. Upon vesting, participants receive the value of the mutual fund share awards adjusted for earnings or losses attributable to the underlying mutual funds. For the six months ended June 30, 2013, we recorded expense of $1.2 million related to mutual fund share incentive awards. As of June 30, 2013, we had an accrued liability of $1.3 million related to mutual fund incentive awards.

**10. COMMITMENTS AND CONTINGENCIES**

On August 3, 2012, AGF Management Limited and AGF Investments Inc. ("AGF") filed a lawsuit in the Ontario Superior Court of Justice against Westwood, certain Westwood employees and executive recruiting firm Warren International, LLC. The action relates to the hiring of certain members of Westwood's global and emerging markets investment team who were previously employed by AGF. AGF is alleging that the former employees breached certain obligations when they resigned from AGF, and that Westwood and Warren induced such breaches. AGF is seeking an unspecified amount of damages and punitive damages of $10 million (CAD) in the lawsuit. On November 5, 2012, Westwood issued a response to AGF's lawsuit with a counterclaim against AGF for defamation. Westwood is seeking $1 million (CAD) in general damages, $10 million (CAD) in special damages, $1 million (CAD) in punitive damages and costs. On November 6, 2012, AGF filed a second lawsuit against Westwood, Westwood Management and an employee of a Westwood subsidiary, alleging that the employee made defamatory statements about AGF. In this second lawsuit, AGF is seeking $5 million (CAD) in general damages, $1 million (CAD) per defendant in punitive damages, unspecified special damages, interest and costs. The pleadings phase for both claims and the counterclaim was closed in late January and we are currently in the discovery phase. During this phase, the parties will exchange documents and depositions will be taken. It is currently anticipated that discovery will be completed in the fourth quarter of 2013. No assurances can be given that delays will not occur.

While we intend to vigorously defend both actions and pursue the counterclaims, we are currently unable to estimate the ultimate aggregate amount of monetary gain, loss or financial impact of these actions and counterclaims. Defending these actions and pursuing these counterclaims may be expensive for us and time consuming for our personnel. While we do not currently believe these proceedings will have a material impact, adverse resolution of these actions and counterclaims could have a material adverse effect on our business, financial condition or results of operations.

Our policy is to not accrue estimated legal fees and directly related costs as part of potential loss contingencies. We have agreed with our directors & officers insurance provider that 50% of the defense costs related to both AGF claims, but not including Westwood's counterclaim against AGF, will be covered by insurance. We expense legal fees and directly-related costs as they are incurred. We have recorded a receivable of $259,000 which is our current estimate of the expenses incurred related to this lawsuit that we expect to recover under our insurance policies. This receivable is part of "Other current assets" on our condensed consolidated balance sheet.

**11. SEGMENT REPORTING**

We operate two segments: Advisory and Trust. These segments are managed separately based on the types of products and services offered and their related client bases. We evaluate the performance of our segments based primarily on income before income taxes. Westwood Holdings Group, Inc. ("Westwood Holdings"), the parent company of our Advisory and Trust segments, does not have revenues or employees and is the entity in which we record stock-based compensation expense.

**Advisory**

Our Advisory segment provides investment advisory services to corporate retirement plans, public retirement plans, endowments, foundations, individuals and the Westwood Funds™, as well as investment subadvisory services to mutual funds and our Trust segment. Westwood Management and Westwood International, which provide investment advisory services to clients of similar type, are included in our Advisory segment.

**Trust**

Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals. Westwood Trust is included in our Trust segment.

All segment accounting policies are the same as those described in the summary of significant accounting policies. Intersegment balances that eliminate in consolidation have been applied to the appropriate segment.

| | Advisory | Trust | Westwood Holdings | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| Three months ended June 30, 2013 | | | | | |
| Net revenues from external sources | $ 18,902 | $ 4,573 | $ — | $ — | $ 23,475 |
| Net intersegment revenues | 2,324 | 4 | — | (2,328) | — |
| Income before income taxes | 9,739 | 755 | (2,761) | — | 7,733 |
| Segment assets | 94,069 | 13,756 | — | (12,630) | 95,195 |
| Segment goodwill | 5,219 | 6,036 | — | — | 11,255 |
| Three months ended June 30, 2012 | | | | | |
| Net revenues from external sources | $ 16,308 | $ 3,758 | $ — | $ — | $ 20,066 |
| Net intersegment revenues | 1,282 | 4 | — | (1,286) | — |
| Income before income taxes | 5,920 | 717 | (2,885) | — | 3,752 |
| Segment assets | 77,126 | 13,950 | — | (4,974) | 86,102 |
| Segment goodwill | 5,219 | 6,036 | — | — | 11,255 |
| Six months ended June 30, 2013 | | | | | |
| Net revenues from external sources | $ 34,784 | $ 8,791 | $ — | $ — | $ 43,575 |
| Net intersegment revenues | 4,257 | 9 | — | (4,266) | — |
| Income before income taxes | 16,501 | 1,301 | (5,350) | — | 12,452 |
| Six months ended June 30, 2012 | | | | | |
| Net revenues from external sources | $ 30,701 | $ 7,229 | $ — | $ — | $ 37,930 |
| Net intersegment revenues | 2,456 | 9 | — | (2,465) | — |
| Income before income taxes | 13,425 | 1,161 | (4,750) | — | 9,836 |

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Forward-Looking Statements**

Statements in this report that are not purely historical facts, including, without limitation, statements about our expected future financial position, results of operations or cash flows, as well as other statements including, without limitation, words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "should," "could," "goal," "may," "target," "designed," "on track," "comfortable with," "optimistic" and other similar expressions, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results and the timing of some events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including, without limitation, the risks described under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC, and those set forth below:

- our ability to identify and market services that appeal to our customers;
- the significant concentration of our revenues in four of our customers;
- our relationships with investment consulting firms;
- our relationships with current and potential customers;
- our ability to retain qualified personnel;
- our ability to develop and market new investment strategies successfully;
- our ability to maintain our fee structure in light of competitive fee pressures;
- competition in the marketplace;
- downturns in financial markets;
- new legislation adversely affecting the financial services industries;
- interest rates;
- changes in our effective tax rate;
- our ability to maintain an effective system of internal controls; and
- other risks as detailed from time to time in our SEC reports.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. We are not obligated and do not undertake an obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events or otherwise.

**Overview**

We manage investment assets and provide services for our clients through our subsidiaries, Westwood Management, Westwood Trust and Westwood International. Westwood Management provides investment advisory services to corporate and public retirement plans, endowments and foundations, the Westwood Funds™, other mutual funds, individuals and clients of Westwood Trust. Westwood Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals. Westwood International was established in the second quarter of 2012 and provides global equity and emerging markets investment advisory services to institutional clients, Westwood Funds™ family of mutual funds, and common trust funds sponsored by Westwood Trust. Our revenues are generally derived from fees based on a percentage of assets under management. We believe we have established a track record of delivering competitive risk-adjusted returns for our clients. On an asset-weighted basis, more than 90 percent of our investment strategies have delivered above-benchmark performance and more than 95 percent have experienced below-benchmark volatility over the past 10 years. Percentages stated in this section are rounded to the nearest whole percent.

**Revenues**

We derive our revenues from investment advisory fees, trust fees, and other revenues. Our advisory fees are generated by Westwood Management and Westwood International, which manage client accounts under investment advisory and subadvisory agreements. Advisory fees are calculated based on a percentage of assets under management and are paid in accordance with the terms of the agreements. Advisory fees are paid quarterly in advance based on assets under management on the last day of the preceding quarter, quarterly in arrears based on assets under management on the last day of the quarter just ended, or are based on a daily or monthly analysis of assets under management for the stated period. We recognize advisory fee revenues as services are rendered. A limited number of our clients have a contractual performance-based fee component in their contract, which generates additional revenues if we outperform a specified index over a specific period of time. We record revenue from performance-based fees at the end of the measurement periods. Since our advance paying clients' billing periods coincide with the calendar quarter to which such payments relate, revenue is fully recognized within the quarter and our condensed consolidated financial statements contain no deferred advisory fee revenues.

Our trust fees are generated by Westwood Trust pursuant to trust or custodial agreements. Trust fees are separately negotiated with each client and are generally based on a percentage of assets under management. Westwood Trust also provides trust services to a small number of clients on a fixed fee basis. Most trust fees are paid quarterly in advance and are recognized as services are rendered. Since billing periods for most of Westwood Trust's advance paying clients coincide with the calendar quarter, revenue is fully recognized within the quarter and our condensed consolidated financial statements do not contain a significant amount of deferred revenue.

Our other revenues generally consist of interest and investment income. Although we generally invest most of our cash in U.S. Treasury securities, we also invest in equity and fixed income instruments and money market funds.

**Assets Under Management**

Assets under management increased $2.6 billion to $15.8 billion at June 30, 2013 compared with $13.2 billion at June 30, 2012. The average of beginning and ending assets under management for the second quarter of 2013 was $15.6 billion compared to $13.5 billion for the second quarter of 2012, an increase of 15%.

The following table displays assets under management as of June 30, 2013 and 2012:

| | As of June 30, (in millions) | | % Change June 30, 2013 vs. |
|---|---|---|---|
| | **2013** | **2012** | **June 30, 2012** |
| Institutional | $ 10,084 | $ 8,511 | 18.5% |
| Private Wealth | 3,640 | 3,166 | 15.0 |
| Mutual Funds | 2,121 | 1,476 | 43.7 |
| **Total Assets Under Management** | $ 15,845 | $ 13,153 | 20.5% |

- *Institutional* includes separate accounts of corporate pension and profit sharing plans, public employee retirement funds, Taft Hartley plans, endowments, foundations and individuals; subadvisory relationships where Westwood provides investment management services for funds offered by other financial institutions; and managed account relationships with brokerage firms and other registered investment advisors which offer Westwood products to their customers.

- *Private Wealth* includes assets for which Westwood Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals pursuant to trust or agency agreements. Investment subadvisory services are provided for the common trust funds by Westwood Management, Westwood International and external, unaffiliated subadvisors. For certain assets in this category, Westwood Trust currently provides limited custody services for a minimal or no fee, but views these assets as potentially converting to fee-generating managed assets in the future. As an example, some assets in this category consist of low-basis stock currently being held in custody for clients, but we believe there is potential for these assets to convert to fee-generating managed assets during an inter-generational transfer of wealth at some future date. Also included are assets acquired in the McCarthy Group Advisors, L.L.C. transaction, described in Note 6 of the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

- *Mutual Funds* include the Westwood Funds™, a family of U.S.-registered mutual funds for which Westwood Management serves as advisor.

**Roll-Forward of Assets Under Management**

| ($ millions) | Three Months Ended June 30, | | Six months Ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| ***Institutional*** | | | | |
| Beginning of period assets | $ 9,894 | $ 9,068 | $ 9,225 | $ 8,735 |
| Inflows | 699 | 393 | 894 | 559 |
| Outflows | (579) | (553) | (1,042) | (1,298) |
| Net flows | 120 | (160) | (148) | (739) |
| Market appreciation/(depreciation) | 70 | (397) | 1,007 | 515 |
| Net change | 190 | (557) | 859 | (224) |
| End of period assets | 10,084 | 8,511 | 10,084 | 8,511 |
| ***Private Wealth*** | | | | |
| Beginning of period assets | 3,527 | 3,330 | 3,339 | 3,051 |
| Inflows | 208 | 73 | 300 | 228 |
| Outflows | (100) | (143) | (232) | (256) |
| Net flows | 108 | (70) | 68 | (28) |
| Market appreciation/(depreciation) | 5 | (94) | 233 | 143 |
| Net change | 113 | (164) | 301 | 115 |
| End of period assets | 3,640 | 3,166 | 3,640 | 3,166 |
| ***Mutual Funds*** | | | | |
| Beginning of period assets | 1,913 | 1,475 | 1,603 | 1,293 |
| Inflows | 224 | 86 | 419 | 251 |
| Outflows | (31) | (50) | (72) | (134) |
| Net flows | 193 | 36 | 347 | 117 |
| Market appreciation/(depreciation) | 15 | (35) | 171 | 66 |
| Net change | 208 | 1 | 518 | 183 |
| End of period assets | 2,121 | 1,476 | 2,121 | 1,476 |
| ***Total*** | | | | |
| Beginning of period assets | 15,334 | 13,873 | 14,167 | 13,079 |
| Inflows | 1,131 | 552 | 1,613 | 1,038 |
| Outflows | (710) | (746) | (1,346) | (1,688) |
| Net flows | 421 | (194) | 267 | (650) |
| Market appreciation/(depreciation) | 90 | (526) | 1,411 | 724 |
| Net change | 511 | (720) | 1,678 | 74 |
| End of period assets | $ 15,845 | $ 13,153 | $ 15,845 | $ 13,153 |

***Three months ended June 30, 2013 and 2012***

The $0.5 billion increase in assets under management for the three months ended June 30, 2013 was due to market appreciation of $90 million and inflows of $1.1 billion, partially offset by outflows of $710 million. Inflows were primarily driven by inflows into the Westwood Income Opportunity mutual fund, and inflows into institutional accounts in our Emerging Markets strategies managed by Westwood International. Outflows were primarily related to withdrawals and rebalancing by certain clients from our LargeCap strategy.

The $720 million decrease in assets under management for the three months ended June 30, 2012 was due to outflows of $746 million and market depreciation of $526 million, partially offset by inflows of $552 million. The majority of inflows were into new and existing institutional separate accounts. Outflows were primarily related to rebalancing by institutional separate accounts.

***Six months ended June 30, 2013 and 2012***

The $1.6 billion increase in assets under management for the six months ended June 30, 2013 was due to market appreciation of $1.4 billion and inflows of $1.6 billion, partially offset by outflows of $1.4 billion. Inflows were primarily driven by inflows into the

Westwood Income Opportunity mutual fund, and inflows into institutional accounts in our Emerging Markets strategies managed by Westwood International. Outflows were primarily related to withdrawals and rebalancing by certain clients from our LargeCap strategy.

The $74 million increase in assets under management for the six months ended June 30, 2012 was due to inflows of $1.0 billion and market appreciation of $724 million, partially offset by outflows of $1.7 billion. The majority of inflows were into new and existing institutional separate accounts, with the Westwood Funds™ also experiencing significant inflows. Outflows were primarily related to rebalancing by institutional separate accounts.

**Results of Operations**

In the second quarter of 2012, as part of our strategy to expand our research capabilities and product offerings, we established Westwood International, based in Toronto, Canada, to manage global and emerging markets equity strategies. Westwood International began providing investment management services during the third quarter of 2012. At June 30, 2013, Westwood International had assets under management in excess of $1.5 billion. As Westwood International has only recently commenced operations, our condensed consolidated statement of comprehensive income for the six months ended June 30, 2013 includes $4.7 million in costs related to Westwood International's operations and revenues of $3.2 million.

The following table (dollars in thousands) and discussion of our results of operations for the three and six months ended June 30, 2013 is based upon data derived from the condensed consolidated statements of comprehensive income contained in our condensed consolidated financial statements and should be read in conjunction with those statements, included elsewhere in this report.

| | Three months ended June 30, | | Six months ended June 30, | | % Change | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | Three months ended June 30, 2013 vs. June 30, 2012 | Six months ended June 30, 2013 vs. June 30, 2012 |
| **Revenues** | | | | | | |
| Advisory fees | | | | | | |
| Asset-based | $ 16,486 | $ 14,102 | $ 32,033 | $ 28,192 | 17% | 14% |
| Performance-based | 2,535 | 1,182 | 2,535 | 1,182 | 114 | 114 |
| Trust fees | 4,574 | 3,757 | 8,791 | 7,228 | 22 | 22 |
| Other, net | (120) | 1,025 | 216 | 1,328 | (112) | (84) |
| Total revenues | 23,475 | 20,066 | 43,575 | 37,930 | 17 | 15 |
| **Expenses** | | | | | | |
| Employee compensation and benefits | 11,907 | 11,885 | 23,750 | 20,799 | — | 14 |
| Sales and marketing | 334 | 261 | 621 | 473 | 28 | 31 |
| Westwood mutual funds | 462 | 275 | 866 | 484 | 68 | 79 |
| Information technology | 678 | 629 | 1,334 | 1,225 | 8 | 9 |
| Professional services | 1,077 | 2,063 | 2,079 | 2,942 | (48) | (29) |
| General and administrative | 1,284 | 1,201 | 2,473 | 2,171 | 7 | 14 |
| Total expenses | 15,742 | 16,314 | 31,123 | 28,094 | (4) | 11 |
| Income before income taxes | 7,733 | 3,752 | 12,452 | 9,836 | 106 | 27 |
| Provision for income taxes | 2,854 | 1,554 | 4,740 | 3,853 | 84 | 23 |
| **Net income** | $ 4,879 | $ 2,198 | $ 7,712 | $ 5,983 | 122% | 29% |

***Three months ended June 30, 2013 compared to three months ended June 30, 2012***

*Total Revenues*. Our total revenues increased by 17% to $23.5 million for the three months ended June 30, 2013 compared with $20.1 million for the three months ended June 30, 2012. Asset-based advisory fees increased by 17% to $16.5 million for the three months ended June 30, 2013 compared with $14.1 million for the three months ended June 30, 2012 as a result of increased average assets under management due to market appreciation and asset inflows from new and existing clients, partially offset by the withdrawal of assets by certain clients. Performance based advisory fees increased 114% to $2.5 million for the three months ended June 30, 2013 compared with $1.2 million for the three months ended June 30, 2012. Trust fees increased by 22% to $4.6 million for the three months ended June 30, 2013 compared with $3.8 million for the three months ended June 30, 2012 as a result of increased assets under management at Westwood Trust primarily due to market appreciation. Other revenues, which generally consist of interest and investment income, decreased by $1.1 million for the three months ended June 30, 2013 compared with the three months ended June 30, 2012 primarily due to the gain of $899,000 from the sale of 100,000 Teton shares in the 2012 period for which there was no realized gain in the 2013 period and an increase of $234,000 in net unrealized losses on investments.

*Employee Compensation and Benefits*. Employee compensation and benefits costs generally consist of salaries, incentive compensation, equity-based compensation expense and benefits. Employee compensation and benefits costs were $11.9 million for the three months ended June 30, 2013 and 2012. Increases in expense of $101,000 in restricted stock expense and $496,000 in mutual fund incentive award expense were offset by a decrease of $494,000 in cash-based incentive compensation expense. We had 99 full-time employees as of June 30, 2013 compared to 93 full-time employees as of June 30, 2012.

*Sales and Marketing*. Sales and marketing costs relate to our marketing efforts, including travel and entertainment, direct marketing and advertising costs. Sales and marketing costs increased by 28% to $334,000 for the three months ended June 30, 2013 compared with $261,000 for the three months ended June 30, 2012 primarily as the result of increased direct marketing expenses and marketing-related travel and entertainment.

*Westwood Mutual Funds*. Westwood mutual funds expenses relate to our marketing, distribution, administration and acquisition efforts related to the Westwood Funds™. Westwood mutual funds expenses increased 68% to $462,000 for the three months ended June 30, 2013 compared with $275,000 for the three months ended June 30, 2012. In the fourth quarter of 2012, we launched three new mutual funds, which increased our fund reimbursement and shareholder servicing costs.

*Information Technology*. Information technology expenses are generally costs associated with proprietary investment research tools, maintenance and support, computing hardware, software licenses, telecommunications and other related costs. Information technology costs increased by 8% to $678,000 for the three months ended June 30, 2013 compared with $629,000 for the three months ended June 30, 2012 primarily due to increased maintenance and support.

*Professional Services*. Professional services expenses generally consist of costs associated with subadvisory fees, audit, legal and other professional services. Professional services expenses decreased by 48% to $1.1 million for the three months ended June 30, 2013 compared with $2.1 million for the three months ended June 30, 2012. This decrease was primarily due to one-time recruiting and legal fees in the 2012 period related to the hiring of Westwood International employees.

*General and Administrative*. General and administrative expenses generally consist of costs associated with the lease of our office space, investor relations, licenses and fees, depreciation, insurance, office supplies and other miscellaneous expenses. General and administrative expenses increased by 7% to $1.3 million for the three months ended June 30, 2013 compared with $1.2 million for the three months ended June 30, 2012 primarily due to rent expense for our new Toronto office, and increased custody expense, partially offset by a decrease in acquisition related amortization expense.

*Provision for Income Tax Expense*. Provision for income tax expenses increased by 84% to $2.9 million for the three months ended June 30, 2013 compared with $1.6 million for the three months ended June 30, 2012. The effective tax rate decreased to 36.9% for the three months ended June 30, 2013 from 41.4% for the three months ended June 30, 2012. The 2013 period had lower operating losses from Westwood International versus the 2012 period. The Company receives a tax benefit for these losses at the Canadian tax rate which is lower than the U.S. tax rate which results in the lower combined effective tax rate in the 2013 period.

***Six months ended June 30, 2013 compared to six months ended June 30, 2012***

*Total Revenues*. Our total revenues increased by 15% to $43.6 million for the six months ended June 30, 2013 compared with $37.9 million for the six months ended June 30, 2012. Asset-based advisory fees increased by 14% to $32 million for the six months ended June 30, 2013 compared with $28.2 million for the six months ended June 30, 2012 as a result of increased average assets under management due to market appreciation and asset inflows from new and existing clients, partially offset by the withdrawal of assets by certain clients. Performance based advisory fees increased 114% to $2.5 million for the six months ended June 30, 2013 compared with $1.2 million for the six months ended June 30, 2012. Trust fees increased by 22% to $8.8 million for the six months ended June 30, 2013 compared with $7.2 million for the six months ended June 30, 2012 as a result of increased assets under management at Westwood Trust primarily due to market appreciation. Other revenues, which generally consist of interest and investment income decreased to $216,000 for the six months ended June 30, 2013 compared with $1.3 million for the six months ended June 30, 2012. Other revenues decreased primarily due to the gain of $899,000 from the sale of 100,000 Teton shares in the 2012 period for which there was no realized gain in the 2013 period, an increase of $716,000 in net realized and unrealized losses on investments partially offset by an increase of $503,000 in dividend income.

*Employee Compensation and Benefits*. Employee compensation and benefits costs increased by 14% to $23.8 million for the six months ended June 30, 2013 compared with $20.8 million for the six months ended June 30, 2012. The increase was primarily due to increases of $758,000 in expense related to amortization of multi-year bonus agreements, $942,000 in restricted stock expense, and $1.2 million in mutual fund incentive award expense, and $461,000 in salary expense due primarily to increased average headcount and salary increases, partially offset by a decrease of $683,000 in cash-based incentive compensation expense. We had 99 full-time employees as of June 30, 2013 compared to 93 full-time employees as of June 30, 2012.

*Sales and Marketing*. Sales and marketing costs increased by 31% to $621,000 for the six months ended June 30, 2013 compared with $473,000 for the six months ended June 30, 2012 primarily due to increased direct marketing expenses.

*Westwood Mutual Funds*. Westwood mutual funds expenses increased 79% to $866,000 for the six months ended June 30, 2013 compared with $484,000 for the six months ended June 30, 2012. In the fourth quarter of 2012, we launched three new mutual funds, which increased our fund reimbursement costs and shareholder servicing.

*Information Technology*. Information technology costs increased by 9% to $1.3 million for the six months ended June 30, 2013 compared with $1.2 million for the six months ended June 30, 2012 primarily due to increased research expenses and increased telecommunications expenses.

*Professional Services*. Professional services expenses decreased by 29% to $2.1 million for the six months ended June 30, 2013 compared with $2.9 million for the six months ended June 30, 2012 primarily due to one-time recruiting and legal fees related to the hiring of Westwood International employees in the 2012 period.

*General and Administrative*. General and administrative expenses increased by 14% to $2.5 million for the six months ended June 30, 2013 compared with $2.2 million for the six months ended June 30, 2012 primarily due to rent expense for our new Toronto office and increased custody expense, partially offset by a decrease in acquisition related amortization expense.

*Provision for Income Tax Expense*. Provision for income tax expenses increased by 23% to $4.7 million for the six months ended June 30, 2013 compared with $3.9 million for the six months ended June 30, 2012. The effective tax rate decreased to 38.1% for the six months ended June 30, 2013 from 39.2% for the six months ended June 30, 2012. The 2013 period had lower operating losses from Westwood International versus the 2012 period. The Company receives a tax benefit for these losses at the Canadian tax rate which is lower than the U.S. tax rate which results in the lower combined effective tax rate in the 2013 period.

**Supplemental Financial Information**

As supplemental information, we are providing a non-U.S. generally accepted accounting principles ("non-GAAP") performance measure that we refer to as Economic Earnings. We provide this measure in addition to, but not as a substitute for, net income, which is reported on a U.S. generally accepted accounting principles ("GAAP") basis. Both our management and board of directors review Economic Earnings to evaluate our ongoing performance, allocate resources and review dividend policy. We believe that this non-GAAP performance measure, while not a substitute for GAAP net income, is useful for management and investors when evaluating our underlying operating and financial performance and our available resources. We do not advocate that investors consider non-GAAP measures without considering financial information prepared in accordance with GAAP.

In calculating Economic Earnings, we add to net income the non-cash expense associated with equity-based compensation awards of restricted stock and stock options, amortization of intangible assets and the deferred taxes related to the tax-basis amortization of goodwill. Although depreciation on property and equipment is a non-cash expense, we do not add it back when calculating Economic Earnings because depreciation charges represent a decline in the value of the related assets that will ultimately require replacement.

Our Economic Earnings increased by 52% to $8.0 million for the three months ended June 30, 2013 compared with $5.3 million for the three months ended June 30, 2012. For the six months ended June 30, 2013, Economic Earnings increased by 23% to $13.7 million compared with $11.1 million for the six months ended June 30, 2012.

The following tables provide a reconciliation of net income to Economic Earnings (in thousands):

| | Three Months Ended June 30 | | % |
|---|---|---|---|
| | 2013 | 2012 | Change |
| Net Income | $ 4,879 | $ 2,198 | 122% |
| Add: Restricted stock expense | 2,986 | 2,885 | 4 |
| Add: Intangible amortization | 90 | 122 | (26) |
| Add: Deferred taxes on goodwill | 38 | 47 | (19) |
| Economic Earnings | $ 7,993 | $ 5,252 | 52% |

| | Six Months Ended June 30 | | % |
|---|---|---|---|
| | 2013 | 2012 | Change |
| Net Income | $ 7,712 | $ 5,983 | 29% |
| Add: Restricted stock expense | 5,692 | 4,750 | 20 |
| Add: Intangible amortization | 180 | 244 | (26) |
| Add: Deferred taxes on goodwill | 76 | 95 | (20) |
| Economic Earnings | $ 13,660 | $ 11,072 | 23% |

**Liquidity and Capital Resources**

We fund our operations and cash requirements with cash generated from operating activities. As of June 30, 2013, we had no long-term debt. The changes in net cash provided by operating activities generally reflect the changes in earnings plus the effects of non-cash items and changes in working capital. Changes in working capital, especially accounts receivable and accounts payable, are generally the result of timing differences between collection of fees billed and payment of operating expenses.

During the six months ended June 30, 2013, cash flow provided by operating activities, principally our investment advisory business, was $9.7 million. At June 30, 2013, we had working capital of $62.1 million. Cash flow used in investing activities during the six months ended June 30, 2013 of $313,000 was related to the purchases of fixed assets. Cash flow used in financing activities during the six months ended June 30, 2013 of $6.9 million was due to the payment of dividends and the purchase of treasury shares partially offset by tax benefits from equity-based compensation.

We had cash and investments of $57.5 million as of June 30, 2013 and $63.7 million as of December 31, 2012. Dividends payable and accrued dividends were $4.3 million and $1.2 million as of June 30, 2013 and December 31, 2012, respectively. We had no liabilities for borrowed money at June 30, 2013.

Our future liquidity and capital requirements will depend upon numerous factors, including our results of operations, the timing and magnitude of capital expenditures or strategic initiatives, our dividend policy and other business and risk factors described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC. We believe that current cash and short-term investment balances and cash generated from operations will be sufficient to meet the operating and capital requirements of our ordinary business operations through at least the next twelve months. However, there can be no assurance that we will not require additional financing within this time frame. The failure to raise needed capital on attractive terms, if at all, could have a material adverse effect on our business, financial condition and results of operations.

**Contractual Obligations**

There have been no significant changes in our contractual obligations since December 31, 2012.

**Critical and Significant Accounting Policies and Estimates**

There have been no significant changes in our critical or significant accounting policies and estimates since December 31, 2012.

**Accounting Developments**

In February 2013, the Financial Accounting Standards Board (“FASB”) issued new guidance on reporting amounts reclassified out of accumulated other comprehensive income. The new guidance does not change the requirements for reporting net income or other comprehensive income in the financial statements, but requires new footnote disclosures regarding the reclassification of accumulated other comprehensive income by component into net income. We do not expect this guidance to have a material effect on our financial statements.

### ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our Quantitative and Qualitative Disclosures about Market Risk from those previously reported in our Annual Report on Form 10-K for the year ended December 31, 2012.

### ITEM 4. CONTROLS AND PROCEDURES

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

For the quarter ended June 30, 2013, there were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are subject from time to time to certain claims and legal proceedings arising in the ordinary course of our business.

On August 3, 2012, AGF Management Limited and AGF Investments Inc. ("AGF") filed a lawsuit in the Ontario Superior Court of Justice against Westwood, certain Westwood employees and executive recruiting firm Warren International, LLC. The action relates to the hiring of certain members of Westwood's global and emerging markets investment team who were previously employed by AGF. AGF is alleging that the former employees breached certain obligations when they resigned from AGF, and that Westwood and Warren induced such breaches. AGF is seeking an unspecified amount of damages and punitive damages of $10 million (CAD) in the lawsuit. On November 5, 2012, Westwood issued a response to AGF's lawsuit with a counterclaim against AGF for defamation. Westwood is seeking $1 million (CAD) in general damages, $10 million (CAD) in special damages, $1 million (CAD) in punitive damages and costs. On November 6, 2012, AGF filed a second lawsuit against Westwood, Westwood Management and an employee of a Westwood subsidiary, alleging that the employee made defamatory statements about AGF. In this second lawsuit, AGF is seeking $5 million (CAD) in general damages, $1 million (CAD) per defendant in punitive damages, unspecified special damages, interest and costs. The pleadings phase for both claims and the counterclaim was closed in late January and we are currently in the discovery phase. During this phase, the parties will exchange documents and depositions will be taken. It is anticipated that discovery will be completed in the fourth quarter of 2013. No assurances can be given that delays will not occur.

While we intend to vigorously defend both actions and pursue the counterclaims, we are currently unable to estimate the ultimate aggregate amount of monetary gain, loss or financial impact of these actions and counterclaims. We have agreed with our directors & officers insurance provider that 50% of the defense costs related to both AGF claims, but not including Westwood's counterclaim against AGF, will be covered by insurance. Defending these actions and pursuing these counterclaims may be expensive for us and time consuming for our personnel. While we do not currently believe these proceedings will have a material impact, adverse resolution of these actions and counterclaims could have a material adverse effect on our business, financial condition or results of operations.

### ITEM 1A. RISK FACTORS

We face a number of significant risks and uncertainties in our business, which are detailed under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012 and summarized in this report under "Management's Discussion and

Analysis of Financial Condition and Results of Operations." These risks and uncertainties may affect our current position and future prospects and should be considered carefully in evaluating us and an investment in our common stock.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table displays information with respect to the treasury shares we purchased during the three months ended June 30, 2013.

| Period | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | | Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs (1) |
|---|---|---|---|---|---|
| **April 1 through April 30, 2013** | | | | | |
| Repurchase program (1) | — | — | — | | $ 10,000,000 |
| Canadian Share Plan (3) | 4,003 | $ 43.40 | 4,003 | CAD | $ 9,824,655 |
| Employee transactions (3) | 883 | $ 42.86 | — | | — |
| **May 1 through May 31, 2013** | | | | | |
| Repurchase program (1) | — | — | — | | $ 10,000,000 |
| Canadian Share Plan (2) | 16,248 | $ 43.34 | 16,248 | CAD | $ 9,112,886 |
| Employee transactions (3) | — | — | — | | — |

(1) On July 20, 2012, our board of directors authorized management to repurchase up to $10.0 million of our outstanding common stock on the open market or in privately negotiated transactions. The share repurchase program has no expiration date and may be discontinued at any time by the board of directors.

(2) On April 18, 2013, our stockholders approved the Share Award Plan of Westwood Holdings Group, Inc. for Service Provided in Canada to its Subsidiaries (the "Canadian Share Plan"), which contemplates a trustee purchasing up to $10.0 million (CAD) of our outstanding common stock on the open market for the purpose of making share awards to our Canadian employees. The Canadian Share Plan has no expiration date and may be discontinued at any time by the board of directors.

(3) Consists of shares of common stock purchased from a Westwood employee at the market close price on the date of purchase in order to satisfy the employee's tax withholding obligations from vested restricted shares. We anticipate purchasing additional shares in subsequent periods for the same purpose.

## ITEM 6. EXHIBITS

| | |
|---|---|
| 31.1 | Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a) |
| 31.2 | Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a) |
| 32.1* | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS** | XBRL Instance Document |
| 101.SCH** | XBRL Taxonomy Extension Schema Document |
| 101.CAL** | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF** | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB** | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE** | XBRL Taxonomy Extension Presentation Linkbase Document |

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* Pursuant to Item 601(b)(32) of SEC Regulation S-K, these exhibits are furnished rather than filed with this report.

** These exhibits are furnished herewith. In accordance with Rule 406T of Regulation S-T, these exhibits are not deemed to be filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are not deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| Dated: July 18, 2013 | WESTWOOD HOLDINGS GROUP, INC. |
| | By: /s/ Brian O. Casey<br>Brian O. Casey<br>President & Chief Executive Officer |
| | By: /s/ Mark A. Wallace<br>Mark A. Wallace<br>Chief Financial Officer |

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO**
**SECURITIES EXCHANGE ACT RULE 13a-14(a)**

I, Brian O. Casey, certify that:

1. I have reviewed this report on Form 10-Q of Westwood Holdings Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 18, 2013

/s/ Brian O. Casey

Brian O. Casey
President & Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14(a)**

I, Mark A. Wallace, certify that:

1. I have reviewed this report on Form 10-Q of Westwood Holdings Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 18, 2013

/s/ Mark A. Wallace

Mark A. Wallace
Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Westwood Holdings Group, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian O. Casey, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 18, 2013

/s/ Brian O. Casey
Brian O. Casey
President & Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Westwood Holdings Group, Inc. and will be retained by Westwood Holdings Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark A. Wallace, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 18, 2013

/s/ Mark A. Wallace

Mark A. Wallace
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Westwood Holdings Group, Inc. and will be retained by Westwood Holdings Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.