

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

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

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
(State or other jurisdiction of
incorporation or organization)

75-2969997
(I.R.S. Employer
Identification No.)

200 Crescent Court, Suite 1200
Dallas, Texas 75201
(Address of principal executive offices)

75201
(Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class:
Common Stock, par value \$0.01 per share

Name of each exchange on which registered:
New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

The aggregate market value on June 30, 2012 of the voting and non-voting common equity held by non-affiliates of the registrant was \$249,133,000. For purposes of this calculation, the registrant has assumed that stockholders that are not officers or directors of the registrant are not affiliates of the registrant.

The number of shares of registrant's Common Stock, par value \$0.01 per share, outstanding as of February 24, 2013: 8,123,263.

DOCUMENTS INCORPORATED BY REFERENCE

Selected portions of the registrant's definitive Proxy Statement for the 2013 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

WESTWOOD HOLDINGS GROUP, INC.

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PART I

Item 1. Business.

Unless the context otherwise requires, the term “we,” “us,” “our,” “Westwood,” or “Westwood Holdings Group” when used in this Form 10-K (“Report”) and in the Annual Report to the Stockholders refers to Westwood Holdings Group, Inc., a Delaware corporation, and its consolidated subsidiaries and predecessors taken as a whole. This Report contains some forward-looking statements within the meaning of the federal securities laws. 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 those set forth under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 1A. Risk Factors”.

General

We manage investment assets and provide services for our clients through our subsidiaries, Westwood Management Corp. (“Westwood Management”), Westwood Trust, and Westwood International Advisors Inc. (“Westwood International”). Westwood Management provides investment advisory services to corporate and public retirement plans, endowments and foundations, a family of mutual funds called the Westwood Funds™, other mutual funds, individuals and clients of Westwood Trust. We changed the name of our mutual fund family in early 2012 from the WHG Funds to the Westwood Funds™ as part of an effort to consolidate our branding strategies under the Westwood name, which has significant meaning to our firm. Westwood Trust provides trust and custodial services and participation in self-sponsored common trust funds to institutions and high net worth individuals. Westwood International, based in Toronto, Canada, was established in the second quarter of 2012 and provides global and emerging markets investment advisory services to institutional clients, the Westwood Funds™, other mutual funds and clients of Westwood Trust. Our revenues are generally derived from fees based on a percentage of assets under management. Westwood Management, Westwood Trust and Westwood International collectively managed assets valued at approximately \$14.2 billion at December 31, 2012.

The success of our business is very dependent on client relationships. We believe that, in addition to investment performance, client service is paramount in the asset management business. Accordingly, a major focus of our business strategy is to build strong relationships with clients to enhance our ability to anticipate their needs and satisfy their investment objectives. Our team approach is designed to deliver efficient, responsive service to our clients. Our success is dependent to a significant degree on investment performance and our ability to provide attentive client service.

We were incorporated under the laws of the State of Delaware on December 12, 2001. We are an independent public company and our common stock is listed on the New York Stock Exchange under the ticker symbol “WHG.” We are a holding company whose principal assets consist of the capital stock of Westwood Management, Westwood Trust and Westwood International.

One of several priorities on which we have focused since 2002 is the building of a foundation in terms of personnel and infrastructure to support a much larger business. We have also developed products that we expect to be desirable within our target institutional, private wealth and mutual fund markets. The costs of developing new products and building the organization can result in incurring expenses before significant offsetting revenues are realized. We believe that the business foundation and a range of appropriate products are now in place, and we have been taking these products in recent years to our served markets where they have been received with a high level of interest, thereby generating new revenue streams.

Available Information

We maintain a website at www.westwoodgroup.com. Information contained on, or connected to, our website is not incorporated by reference into this Form 10-K and should not be considered part of this Report or any other filing that we make with the Securities and Exchange Commission (“SEC”). All of our filings with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website. Additionally, our Code of Business Conduct and Ethics, our

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Corporate Governance Guidelines and our Audit Committee, Compensation Committee and Governance/Nominating Committee Charters are available without charge on our website. Stockholders also may obtain print copies of these documents free of charge by submitting a written request to Mark A. Wallace, our Chief Financial Officer, at the address set forth in the front of this Report. The public can also obtain any document we file with the SEC at www.sec.gov.

Advisory

General

Our advisory business is comprised of Westwood Management and Westwood International.

Westwood Management provides investment advisory services to large institutions, including corporate retirement plans, public retirement plans, endowments and foundations. Institutional separate account minimums depend on the strategy offered but generally range from \$10 million to \$25 million. Westwood Management also provides advisory services to individuals and the Westwood Funds™ and subadvisory services to other mutual funds. Our overall investment philosophy was developed by our Founder and Chairman, Susan M. Byrne, and is implemented by a team of investment professionals under the leadership of our Chief Investment Officer, Mark Freeman. With respect to the bulk of assets under management we utilize a “value” investment style focused on achieving a superior long-term, risk-adjusted return by investing in companies with high levels of free cash flow, improving returns on equity, strengthening balance sheets and well positioned for growth but whose value is not fully recognized in the marketplace. This investment approach is designed to preserve capital during unfavorable periods and provide superior real returns over the long term. Our investment team members average investment experience of fifteen years and one third of the team has worked together at Westwood for more than six years. Team continuity and years of experience are among the critical elements required for successfully managing investments.

Westwood International provides investment advisory services to large institutions and subadvisory services to the National Bank Westwood Funds, which are mutual funds offered by National Bank of Canada. Westwood International has entered into a Memorandum of Understanding (“MOU”) with Westwood Management pursuant to which Westwood International is considered a “participating affiliate” of Westwood Management as that term is used in relief granted by the staff of the SEC allowing U.S. registered investment advisers to use portfolio management or research resources of advisory affiliates subject to the supervision of a registered adviser. Pursuant to the MOU, Westwood International professionals provide advisory and subadvisory services to certain Westwood Funds, common trust funds sponsored by Westwood Trust, and large U.S. institutions under the supervision of Westwood Management.

Investment Strategies

We offer a broad range of investment strategies allowing us to serve various client types and investment objectives. Approximately 37% of our assets under management are invested in our LargeCap Value strategy. The principal investment strategies currently managed by Westwood Management are as follows:

LargeCap Value: Investments in equity securities of approximately 40-60 well-seasoned companies with market capitalizations generally over \$5 billion. This portfolio is invested in companies where we expect that future profitability, driven by operational improvements, will exceed expectations reflected in current share prices.

Dividend Growth: Investments in equity securities of approximately 40-60 high quality companies with market capitalizations generally over \$1 billion. This portfolio is invested in companies of which at least 80% are paying dividends and whose prospects for dividend growth are strong. This strategy combines quantitative and fundamental research to create a diversified portfolio of companies we believe can create value for shareholders.

SMidCap Plus+: Investments in equity securities of approximately 45-65 companies with market capitalizations between \$2 billion and \$15 billion. Similar to our other value-oriented investment strategies, we seek to discover operational improvements driving earnings growth within small to mid-sized companies that can be purchased inexpensively.

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SMidCap Value: Investments in equity securities of approximately 45-60 companies with market capitalizations between \$500 million and \$10 billion. Similar to our other value-oriented investment strategies, we seek to discover operational improvements driving earnings growth within small to mid-size companies that can be purchased inexpensively. This strategy reached its asset capacity in 2010 and is now closed to new investors.

SmallCap Value: Investments in equity securities of approximately 50-70 companies with market capitalizations between \$100 million and \$2 billion. Similar to our other value-oriented investment strategies, we seek to invest in high quality companies whose earnings growth is driven by operational improvements not yet fully recognized by the market.

AllCap Value: Investments in equity securities of approximately 50-80 well-seasoned companies. The portfolio generally comprises our investment professionals' best ideas among companies with market capitalizations above \$100 million. Similar to our other value-oriented investment strategies, we seek to invest in companies across a broad range of market capitalizations where we expect that future profitability, driven by operational improvements, will be higher than expectations currently reflected in share prices.

Balanced: Investments in a combination of equity and fixed income securities, designed to provide both growth opportunities and income, while also emphasizing asset preservation in "down" markets. Westwood Management applies its expertise in dynamic asset allocation and security selection decisions in carrying out this balanced strategy approach.

Income Opportunity: Investments in dividend-paying common stocks, preferred stocks, convertible securities, master limited partnerships, royalty trusts, REITs and selected debt instruments. This portfolio's strategy focuses on companies with strong and improving cash flow sufficient to support a sustainable or rising income stream for investors. This strategy is targeted towards investors seeking current income, a competitive total return and low volatility through dividend-paying or interest-bearing securities.

Master Limited Partnerships ("MLPs"): Investments include MLPs (including limited partnerships and general partnerships) and other securities. Within these types of securities, the portfolio focuses on partnerships that exhibit higher distribution yields, stable and predictable cash flows, low correlations to other asset classes, and growth potential.

Investment Grade Fixed Income: Investments in high-grade, intermediate term corporate and government bonds. We seek to add value to client portfolios through yield curve positioning and investing in debt instruments with improving credit quality potential.

Each investment strategy consists of a portfolio of equity or fixed income securities selected by Westwood's portfolio teams and chosen to optimize long-term returns consistent with Westwood's investment philosophy. Our portfolio teams make decisions for Westwood Management investment strategies in accordance with the investment objectives and policies of those strategies, including determining when and which securities to purchase and sell.

We employ a value-oriented approach for our domestic equity investment strategies. The common thread that permeates these strategies is our disciplined approach to controlling risk and preserving client assets whenever possible. Our investment teams seek to invest in companies with high levels of free cash flow, improving returns on equity, and strengthening balance sheets that are well positioned for growth but whose value is not fully recognized in the marketplace. Through investments in companies that exhibit these characteristics, we seek to demonstrate consistently superior performance relative to our industry peers and relevant benchmark indices.

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.

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Westwood International offers investment strategies that allow us to serve clients wishing to invest in strategies offering access to global and emerging markets. Over 70% of Westwood International's \$888 million of assets under management at December 31, 2012 is invested in our Emerging Markets strategies. The principal investment strategies currently managed by Westwood International are as follows:

Emerging Markets: This strategy invests in the common stocks of 70-90 companies that are located or have primary operations in emerging markets and have market capitalizations above USD \$500 million. The portfolio is invested in companies that we believe are sound businesses that are mispriced and can generate positive and sustainable earnings growth, thus generating economic profits growth over time.

Emerging Markets Plus: Similar to Emerging Markets, this strategy invests in the common stock of 50-70 companies that are located or have primary operations in emerging markets and have market capitalizations above USD \$1.5 billion. The portfolio is invested in companies that we believe are sound businesses that are mispriced and can generate positive and sustainable earnings growth, thus generating economic profits growth over time.

Global Equity: Invests in the common stock of 65-85 companies located throughout the world, with market capitalizations above USD \$1 billion. Similar to our Emerging Markets strategy, the portfolio invests in companies that we believe are sound businesses that are mispriced and can generate positive and sustainable earnings growth, thus generating economic profits growth over time.

Global Dividend: Invests in the common stock of 65-90 well-established companies around the world, with an emphasis on the sustainability and growth of dividends. This strategy seeks to invest in businesses that we believe are mispriced and can generate positive and sustainable earnings growth, thus achieving economic profits over time. The Global Dividend strategy searches for companies with liquidity, the ability to generate sustainable and positive economic profits, strong franchises with attractive valuations, earnings sustainability and an ability or prospective ability to pay dividends.

Our ability to grow assets under management is primarily dependent on our ability to generate competitive investment performance, our success in building strong relationships with investment consulting firms and other financial intermediaries as well as our ability to develop new client relationships. We continually seek to expand assets under management by growing our existing investment strategies as well as developing new ones. We intend to grow our investment strategies internally but may also consider acquiring new investment strategies from third parties, as discussed under "—Growth Strategy" below. Our growth strategy provides clients with more investment opportunities and diversifies assets under management, thereby reducing risk in any one area of investment and increasing our competitive ability to attract new clients.

Advisory and Subadvisory Agreements

Westwood Management and Westwood International manage client accounts under investment advisory and subadvisory agreements. As is typical in the asset management industry, such agreements are usually terminable upon short notice and provide for compensation based on the market value of client assets under management. Westwood's 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 previous quarter, or are based on a daily or monthly analysis of assets under management for the stated period. A few clients have contractual performance-based fee arrangements, which generate additional revenues if we outperform a specified index over a specific period of time. Revenue for performance-based fees is recorded at the end of the measurement period. Revenue from advance payments is deferred and recognized over the period that services are performed. Pursuant to these agreements, Westwood provides overall investment management services, including directing investments in conformity with client-established investment objectives and restrictions. Unless otherwise directed in writing by clients, Westwood has the authority to vote all proxies with respect to securities in client portfolios.

Westwood Management and Westwood International are parties to subadvisory agreements with other investment advisors under which they perform similar services as they do under advisory agreements. Our subadvisory fees are generally computed based upon the average daily assets under management and are payable on a monthly basis. As with our advisory agreements, these agreements are terminable upon short notice.

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Under our subadvisory agreement with Teton Advisors, Inc., an affiliate of GAMCO Investors, Inc., Westwood Management provides investment advisory services to the Teton Westwood Funds family of mutual funds. Based on SEC filings, we believe that GAMCO Investors, Inc. owned 10.2% of our common stock as of December 31, 2012. Westwood Management received subadvisory payments from Teton Advisors, Inc. totaling \$414,000, \$502,000 and \$573,000 for the twelve months ended December 31, 2012, 2011 and 2010, respectively.

While Westwood Management provides subadvisory services with respect to the Teton Westwood Funds family of mutual funds, Westwood Management provides investment advisory services directly to the Westwood Funds™ family of mutual funds, which includes the Westwood Income Opportunity Fund, the Westwood SMidCap Fund, the Westwood LargeCap Value Fund, the Westwood SmallCap Value Fund, the Westwood Dividend Growth Fund, the Westwood SMidCap Plus+ Fund, the Westwood Short Duration High Yield Fund, the Westwood Emerging Markets Fund, the Westwood Global Equity Fund and the Westwood Global Dividend Fund. The Westwood Short Duration High Yield Fund is subadvised by SKY Harbor Capital Management, LLC, a registered investment adviser based in Greenwich, Connecticut. As of December 31, 2012, the Westwood Funds™ had assets under management of \$1.6 billion.

Our four largest clients accounted for approximately 12.6% of our fee revenues for the year ended December 31, 2012. The loss of some or all of these large clients could have a material adverse effect on our business and our results of operations.

Trust

General

Through Westwood Trust, we provide trust services and participation in Westwood Trust sponsored common trust funds to institutions and high net worth individuals and families generally having at least \$2 million in investable assets. Westwood Trust seeks to define and improve risk/return profiles of client investment portfolios by complementing or enhancing existing investment strategies. Westwood Trust provides back office services to clients, including tax reporting, distribution of income to beneficiaries, preparation of account statements and attending to the special needs of particular trusts, and also serves as trustee for tax and estate-planning purposes and for special needs trusts. Westwood Trust is chartered and regulated by the Texas Department of Banking.

Westwood Trust primarily provides services for employee benefit trusts and personal trusts. Employee benefit trusts include retirement plans of businesses to benefit their employees, including defined contribution plans, pensions and profit sharing plans. Westwood Trust may also be appointed as a trustee and may provide administrative support for these plans, as well as investment advisory and custodial services. Personal trusts are developed to achieve a number of different objectives and Westwood Trust acts as trustee to such trusts and assists them in developing tax-efficient trust portfolios. Fees charged by Westwood Trust are separately negotiated with each client and are typically based on assets under management.

Services

Westwood Trust undertakes a fiduciary responsibility with regard to the management of each client's assets and utilizes a consultative asset allocation approach. This approach involves our examining the client's financial situation, including the client's current portfolio of investments, and advising the client on ways to enhance investment returns and strengthen its financial position. Westwood Trust also provides custodial services, safekeeping and accounting services.

Common Trust Funds

Westwood Trust sponsors a number of common trust funds in which client assets are commingled to achieve economies of scale. Westwood Trust's common trust funds fall within two basic categories: personal trusts and employee benefit trusts. Westwood Trust sponsors common trust funds for most of the investment strategies managed by Westwood Management. Westwood Trust also engages third-party subadvisors for some common trust funds, such as our Domestic Growth Equity and High Yield Bond common trust funds.

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Enhanced Balanced Portfolios

Westwood Trust is a strong proponent of asset class diversification and offers its clients the ability to diversify among many different asset classes. Westwood Trust Enhanced Balanced™ portfolios combine these asset classes into a customizable portfolio for clients seeking to maximize return for a given level of risk. Periodic adjustments are made to asset class weightings in Enhanced Balanced™ portfolios based on historical returns, risk and correlation data and our current capital markets outlook.

Distribution Channels

We market our services through several distribution channels to expand the reach of our investment advisory services. These channels enable us to leverage the distribution infrastructures and capabilities of other financial services firms and intermediaries while focusing on our core competency of developing and managing investment strategies.

Institutional Investment Consultants

Investment management consulting firms serve as gatekeepers to the majority of corporate retirement plans, public retirement plans, endowments and foundations, which represent Westwood's primary institutional target markets. Consultants provide guidance to their clients in setting asset allocation strategy, as well as creating investment policies. Consultants also make recommendations for investment firms they believe can best meet their client's investment objectives. We have established strong relationships with many national and regional investment consulting firms, which have contributed to our being considered and hired by their clients. Continuing to enhance existing consulting firm relationships, as well as forging new relationships, serves to increase the awareness of our services in both the consultant community and their served institutional client base.

Subadvisory Relationships

Our subadvisory relationships allow us to extend the reach of our investment advisory services to clients of other investment companies with broad, established distribution capabilities. In subadvisory arrangements, our client is generally the investment company through which our services are offered to investors, typically via mutual fund offerings. The investment company that sponsors the mutual fund is responsible for relevant marketing, distribution, operational and accounting activities.

Managed Accounts

Managed accounts are similar in some respects to subadvisory relationships in that a third-party financial institution, such as a brokerage firm or turnkey asset management program provider, handles distribution to the end client. The end client in a managed account is typically a high net worth individual or small institution. In these arrangements, the third-party financial institution is responsible to the end client for client service, operations and accounting.

Growth Strategy

We believe that we have established a strong platform to support future growth, deriving our strength in large part from the experience and capabilities of our management team and skilled investment professionals. We believe that this focused, stable team has contributed significantly to our solid investment performance, superior client service and a growing array of investment strategies. We believe that opportunities for future growth may come from our ability to:

- generate growth from new and existing clients and consultant relationships
- attract and retain key employees
- grow assets in our existing investment strategies
- foster continued growth of the Westwood Trust platform
- foster expanded distribution via mutual funds

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- pursue strategic corporate development opportunities
- pursue opportunities internationally through targeted sales and relationships with international distributors
- continue to strengthen our brand name
- develop or acquire new investment strategies

Generate growth from new and existing clients and consultant relationships. As our primary business objective, we intend to maintain and enhance existing relationships with clients and investment consultants by continuing to provide solid investment performance and attentive client service. We also intend to pursue growth through targeted sales and marketing efforts that emphasize our investment philosophy and performance and superior client service. New institutional client accounts are generally derived through investment consultants and we have developed productive long-term relationships with many national and regional investment consultants. We believe that the in-depth knowledge of our firm, our people and our processes embedded in our consultant and client relationships is a key factor when being considered for new client investment mandates.

Attract and retain key employees. In order to achieve our investment performance and client relationship objectives, we must be able to retain and attract talented professionals. We believe that we have created a workplace environment in which motivated, performance-driven, and client-oriented individuals thrive. As a public company, we are able to offer our employees a compensation program that includes strong equity incentives such that their success will be closely aligned with the success of our clients and stockholders. We believe that these factors are critical ingredients in maintaining a stable, client-focused environment that can support significant future growth.

Grow assets in our existing investment strategies. We believe our existing, seasoned investment strategies have significant capacity for additional assets. In order to further expand our offerings for current and prospective clients, we launched Westwood International in 2012, enabling us to offer four new equity strategies that focus on emerging and global markets: Emerging Markets, Emerging Markets Plus, Global Equity and Global Dividend. We believe these strategies are experiencing strong demand from investors and represent significant growth opportunities for us. Assets in our Income Opportunity strategy grew substantially in 2011 and 2012, exceeding \$1.7 billion at the end of 2012, as the strategy continued to receive strong interest from our private wealth and mutual fund channels as well as from additional institutional mandates. We have the team in place to support these investment strategies in our target institutional, private wealth and mutual fund markets. If we continue to deliver strong investment performance, we believe that demand for these strategies can provide meaningful growth in assets under management.

Foster continued growth of the Westwood Trust platform. Westwood Trust has experienced solid growth in serving small to medium-sized institutions as well as high net worth individuals and families. We anticipate continued interest from clients and prospects in our diversified, highly attentive service model. A significant percentage of new asset growth at Westwood Trust stems from referrals and gathering additional assets from existing clients. We believe that our Enhanced Balanced™ strategy, which offers diversified exposure to multiple asset classes in a tax-efficient, comprehensive solution for clients, provides opportunities for growth. Our 2010 acquisition of McCarthy Group Advisors, LLC in Omaha, Nebraska, enabled us to introduce Westwood Trust to a new market with attractive growth opportunities for our products and services.

Foster expanded distribution via mutual funds. We have ten funds in the Westwood Funds™ family: Westwood SMidCap (WHGMX), Westwood Income Opportunity (WHGIX), Westwood LargeCap Value (WHGLX), Westwood SmallCap Value (WHGSX), Westwood Dividend Growth (WHGDX), Westwood SMidCap Plus+ (WHGPX), Westwood Short Duration High Yield (WHGHX), Westwood Emerging Markets (WWEMX), Westwood Global Equity (WWGEX) and Westwood Global Dividend (WWGDX). We believe that providing investors access to our investment strategies via mutual funds is a key component to achieving asset growth in the defined contribution and retirement marketplaces as well as in the registered investment advisor distribution channel. With the exception of Westwood Short Duration High Yield, which is subadvised by SKY Harbor Capital Management, LLC, the Westwood Funds™ mirror our institutional strategies. The funds offer capped expense ratios and are available in an institutional share class for all funds. We also offer A shares for Westwood LargeCap Value (WWLAX), Westwood Income Opportunity (WWIAX) and Westwood Emerging Markets (WWEAX) in order to target No Transaction Fee (“NTF”) mutual fund supermarket platforms and the broker/dealer marketplace.

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Pursue strategic corporate development opportunities. We evaluate strategic corporate development opportunities carefully in order to augment organic growth. We may pursue various transactions, including acquisition of asset management firms, mutual funds or private wealth firms as well as hiring investment professionals or teams. We consider opportunities to enhance our existing operations, expand our range of investment strategies and services or further develop our distribution capabilities. By acquiring investment firms or by hiring investment professionals or teams that successfully manage investment strategies beyond our current expertise, we can attract new clients and provide existing clients with an even more diversified range of investment strategies. We may also consider forging alliances with other financial services firms to leverage our core competency of developing superior investment strategies in combination with alliance partners who could provide enhanced distribution capabilities or additional service offerings.

Pursue opportunities internationally through targeted sales and relationships with international distributors. We may consider forging alliances with international financial services firms or partners that could provide enhanced distribution capabilities and greater access to global customers.

Continue to strengthen our brand name. We believe that the strength of our brand name has been a key component to our long-term success in the investment industry and will be instrumental to our future success. We have developed our strong brand name largely through excellent performance coupled with high profile coverage in investment publications and electronic media. Several of our investment professionals, including Mark Freeman, David Spika, Ragen Stienke, Patricia Perez-Coutts and Thomas Pinto Basto have been visible in print and electronic media and we will continue to look for creative ways to strengthen our brand name and reputation in our target markets.

Develop or acquire new investment strategies. We continue to look for opportunities to expand our range of investment strategies that we offer to existing and prospective clients. We may consider internally-developed strategies that extend our existing investment process to new markets and may also consider externally acquired investment strategies. An expanded range of investment strategies offers us additional ways to serve our client base, more diversified revenue streams as well as asset and revenue growth opportunities.

Competition

We are subject to substantial and growing competition in all aspects of our business. Barriers to entry to the asset management business are relatively low, and we expect to face a growing number of competitors. Although no one company dominates the asset management industry, many companies are larger, better known and have greater resources than us.

Further, we compete with other asset management firms on the basis of investment strategies offered, the investment performance of those strategies both in absolute terms and relative to peer groups, quality of service, fees charged, the level and type of compensation offered to key employees, and the manner in which investment strategies are marketed. Many of our competitors offer more investment strategies and services than we do and have substantially greater assets under management.

We compete against numerous investment dealers, banks, insurance companies, mutual fund companies, exchange-traded funds, brokerage and investment firms, and others that sell equity funds, taxable income funds, tax-free investments and other investment products. In addition, the allocation of assets by many investors from active equity investment to index funds, fixed income or similar asset classes has enhanced the ability of firms offering non-equity asset classes and passive equity management to compete with us effectively. In summary, our competitive landscape is intense and dynamic and we may not be able to compete effectively in the future as an independent company.

Additionally, most prospective clients perform a thorough review of an investment manager's background, investment policies and performance before committing assets to that manager. In many cases, prospective clients invite a number of competing firms to make presentations. The process of obtaining a new client typically takes twelve to eighteen months from the time of the initial contact. While we have achieved success in competing successfully for new clients, it is a process to which we must dedicate significant resources over an extended period, with no certainty of success.

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Regulation

Westwood Management

Virtually all aspects of our business are subject to federal and state laws and regulations. These laws and regulations are primarily intended to protect investment advisory clients and stockholders of registered investment advisers. Under such laws and regulations, agencies that regulate investment advisers have broad administrative powers, including the power to limit, restrict or prohibit advisers from carrying on their business in the event that they fail to comply with such laws and regulations. Possible sanctions include suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures and fines. We believe that we are in substantial compliance with all material laws and regulations.

Our business is subject to regulation at both federal and state levels by the SEC and other regulatory bodies. Westwood Management is registered with the SEC under the Investment Advisers Act of 1940 and under the laws of various states. As a registered investment adviser, Westwood Management is regulated and subject to examination by the SEC. The Investment Advisers Act imposes numerous obligations on registered investment advisers, including fiduciary duties, record keeping requirements, operational requirements, marketing requirements and disclosure obligations. Westwood Management also acts as adviser to the Westwood Funds™, a family of mutual funds registered with the SEC under the Investment Company Act of 1940. As an adviser to a registered investment company, Westwood Management must comply with the Investment Company Act and related regulations. The Investment Company Act imposes numerous obligations on registered investment companies, including requirements relating to operations, fees charged, sales, accounting, record keeping, disclosure, governance and restrictions on transactions with affiliates. Under the rules and regulations of the SEC promulgated pursuant to the federal securities laws, we are subject to periodic SEC examinations. The SEC can institute proceedings and impose sanctions for violations of the Investment Advisers Act and the Investment Company Act, ranging from censure to termination of an investment adviser's registration. The failure of Westwood Management to comply with SEC requirements could have a material adverse effect on Westwood. We must also comply with anti-money laundering laws and regulations, including the USA PATRIOT Act of 2001, as subsequently amended and reauthorized. We believe that we are in substantial compliance with the requirements of the regulations under the Investment Advisers Act, the Investment Company Act and the USA PATRIOT Act.

Westwood Trust

Westwood Trust operates in a highly regulated environment and is subject to extensive supervision and examination. As a Texas chartered trust company, Westwood Trust is subject to the Texas Finance Code (the "Finance Code"), the rules and regulations promulgated under the Finance Code and supervision by the Texas Department of Banking. These laws are intended primarily for the protection of Westwood Trust's clients and creditors rather than for the benefit of investors. The Finance Code provides for and regulates a variety of matters, such as:

- minimum capital maintenance requirements
- restrictions on dividends
- restrictions on investments of restricted capital
- lending and borrowing limitations
- prohibitions against engaging in certain activities
- periodic fiduciary and information technology examinations by the office of the Texas Department of Banking Commissioner
- furnishing periodic financial statements to the Texas Department of Banking Commissioner
- fiduciary record keeping requirements
- prior regulatory approval for certain corporate events (such as mergers, sale/purchase of all or substantially all of the assets and transactions transferring control of a trust company)

The Finance Code also gives the Banking Commissioner broad regulatory powers (including penalties and civil and administrative actions) if the trust company violates certain provisions of the Finance Code or conservatorship or closure if Westwood Trust is determined to be in a "hazardous condition" (as defined by law). Westwood Trust's failure to comply with the Finance Code could have a material adverse effect on Westwood.

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Westwood Trust is limited by the Finance Code in the payment of dividends to undivided profits, which is described as that part of equity capital equal to the balance of net profits, income, gains, and losses since formation minus subsequent distributions to stockholders and transfers to surplus or capital under share dividends or appropriate board resolutions. At the discretion of its board of directors, Westwood Trust has made quarterly and special dividend payments to Westwood Holdings Group out of undivided profits.

Westwood International

Westwood International is registered with both the Ontario Securities Commission (“OSC”) and the Autorité des marchés financiers (“AMF”) in Quebec.

The OSC is an independent Crown corporation that is responsible for regulating the capital markets in Ontario. Its statutory mandate is to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in capital markets. The OSC has rule-making and enforcement powers to help safeguard investors, deter misconduct and regulate participants involved in capital markets in Ontario. It regulates firms and individuals that sell securities and provide advice in Ontario, and also regulates public companies, investment funds and marketplaces, such as the Toronto Stock Exchange. The OSC’s powers are granted under the Securities Act (Ontario) the Commodity Futures Act (Ontario) and certain provisions of the Business Corporations Act. It operates independently from government and is funded by fees charged to market participants. The OSC is accountable to the Ontario Legislature through the Minister of Finance.

The AMF is the entity mandated by the government of Québec to regulate the province’s financial markets and provide assistance to consumers of financial products and services. Established on February 1, 2004 under an Act regarding the Autorité des marchés financiers, the AMF integrates the regulation of the Québec financial sector, notably in the areas of insurance, securities, deposit institutions (other than banks) and the distribution of financial products and services. The AMF’s mission is to enforce the laws governing the regulation of the financial sector, notably in the areas of insurance, securities, deposit institutions (other than banks) and the distribution of financial products and services. Specifically, the AMF’s mission is to:

- provide assistance to consumers of financial products and services;
- ensure that financial institutions and other regulated financial sector entities comply with applicable solvency and obligations imposed by law;
- supervise activities connected with distribution of financial products and services;
- supervise stock market and clearing house activities and monitor the securities market;
- supervise derivatives markets, including derivatives exchanges and clearing houses and ensure that regulated entities and other derivatives market practitioners comply with obligations imposed by law; and
- implement protection and compensation programs for consumers of financial products and services, and administer compensation funds set up by law.

Westwood International has entered into a Memorandum of Understanding (“MOU”) with Westwood Management pursuant to which Westwood International is considered a “participating affiliate” of Westwood Management. Subject to certain conditions, the SEC staff allows U.S. registered investment advisers to use portfolio management or research resources of advisory participating affiliates subject to the supervision of a registered adviser. Pursuant to the MOU, Westwood International professionals can provide advisory and subadvisory services to U.S clients subject to SEC rules and regulations and under the supervision of Westwood Management.

Employee Retirement Income Security Act of 1974

We are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and to the related regulations, insofar as we are a “fiduciary” under ERISA with respect to some clients. ERISA and applicable provisions of the Internal Revenue Code impose certain duties on fiduciaries under ERISA or on those that provide services to ERISA plan clients and prohibit certain transactions involving ERISA plan clients. Our failure to comply with these requirements could have a material adverse effect.

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Our employees may from time to time own shares of the funds we manage. Employee transactions in these funds and most other individual investments by employees require prior clearance and reporting of all securities transactions, and we restrict certain transactions to avoid the possibility of conflicts of interest.

Employees

At December 31, 2012, we had 96 full-time employees (85 based in the United States and 11 based in Canada). No employees are represented by a labor union and we believe our employee relations to be good.

Segment Information

For information about our operating segments, Advisory and Trust, please see Note 14 to the financial statements accompanying this Report.

Item 1A. Risk Factors

We believe these represent the material risks currently facing our business. Our business, financial condition or results of operations could be materially adversely affected by these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should carefully consider the risks described below before making an investment decision. You should also refer to the other information included or incorporated by reference in this Report, including our financial statements and related notes.

Poor investment performance of assets managed by us could adversely affect our results of operations.

Because we compete with many asset management firms on the basis of the investment strategies we offer, our success is dependent to a significant extent on the investment performance of the assets that we manage. Because our revenue is primarily generated from fees derived as a percentage of assets under management, poor performance tends to result in the loss or reduction of client accounts, which correspondingly decreases revenues. Underperformance relative to peer groups for our various investment strategies could adversely affect our results of operations, especially if such underperformance continues for a lengthy period of time.

Recently, we have experienced some client outflows that we believe may have resulted in part from the underperformance of our LargeCap Value strategy, which invests in equity securities of companies with large market capitalizations and which represents about 37% of our assets under management. Our LargeCap Value strategy underperformed its Russell 1000 Value benchmark index and ranked below the median return of its peer group in 2010 and 2011. Our LargeCap Value strategy underperformed relative to its Russell 1000 Value benchmark, but ranked above the median return of its peer group, in 2012. While we believe this recent underperformance has resulted in some increased client outflows, many factors are involved in client investment and allocation decisions and we cannot specifically quantify the amount of outflows resulting from this recent underperformance.

Some key employees are considered critical to our success, and our inability to attract and retain key employees could compromise our future success.

We believe that our future success will depend to a significant extent upon the services of our certain key employees, particularly Brian O. Casey, President and Chief Executive Officer, Mark Freeman, Chief Investment Officer, and Patricia Perez-Coutts, Senior Portfolio Manager. As with other asset management businesses, our future performance depends to a significant degree upon the continued contributions of these and other key officers, investment professionals, as well as marketing, client service and management personnel. There is substantial competition for skilled personnel and the loss of key employees or our failure to attract, retain and motivate qualified personnel, could negatively impact our business, financial condition, results of operations and future prospects.

Our revenues are dependent upon the performance of the securities markets and negative performance of the securities markets could reduce our revenues.

Our results of operations are affected by many economic factors, including the performance of the securities markets. Negative performance within the securities markets or short-term volatility within the securities markets could result in investors withdrawing assets, decreasing their rates of investment or shifting assets to cash or other asset classes or strategies that we do not manage, all of which could reduce our revenues. Because most of our revenues are based on the value of assets under management, a decline in the value of those assets would also adversely affect our revenues. In addition, in periods of slowing growth or declining revenues, profits and profit margins are adversely affected because certain expenses remain relatively fixed.

In particular, a significant portion of our assets under management is invested in equity securities of companies with large market capitalizations. As a consequence, we are particularly susceptible to the volatility associated with changes in the market for large capitalization stocks. Due to this concentration, any change or reduction in such markets, including a shift of our clients' and potential clients' preference from investments in equity securities of large capitalization stocks to other equity or fixed income securities could have a significant negative impact on our revenues and results of operations. This negative impact could occur due to the depreciation in value of our assets under management, the election by clients to select other firms to manage their assets or the election by clients to allocate assets away from asset classes that we manage. Any of these events would result in decreased assets under management and therefore reduced revenues and a decline in results of operations.

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If we are unable to realize benefits from the costs we have incurred and are continuing to incur to develop new investment strategies and otherwise broaden our capabilities, our growth opportunities may be adversely affected.

We have incurred significant costs to develop new investment strategies, including Emerging Markets, Global Equity, Global Dividend, SmallCap Value, AllCap Value, Global Strategic Diversification, an MLP portfolio and SMidCap Plus+, to launch new mutual funds under the Westwood Funds™ name and to upgrade our business infrastructure and we expect to continue to incur significant costs to develop and launch new investment strategies. Some costs associated with these improvements and new investment strategies will continue to be incurred in future periods and are relatively fixed. We may not realize the benefits of these investments and, if unable to do so, our results of operations and growth opportunities may be adversely affected.

Expansion into international markets and introduction of new products and services increases our operational, regulatory and other risks.

We have expanded our product offerings and international business activities over the last year with the establishment of Westwood International and its global and emerging markets strategies. As a result, we face increased operational, regulatory, compliance, reputation and foreign exchange rate risks. The failure of our compliance and internal control systems to properly mitigate such additional risks, or of our operating infrastructure to support international activities, could result in operational failures and actions by regulatory agencies, which could have a material adverse effect on our business.

Due to the substantial cost and time required to introduce new investment strategies in our industry, we may not be able to successfully introduce new investment strategies in a timely manner, or at all.

The development of new investment strategies, whether through acquisition or internal development, requires a substantial amount of time and significant financial resources, including expenses related to compensation, sales and marketing, information technology, legal counsel and other professional services. Our ability to market and sell a new investment strategy depends on our financial resources, the investment performance of the specific strategy, the timing of the offering and our marketing strategies. Once an investment strategy is developed, we must effectively market the strategy to existing and prospective clients. Our ability to sell new investment strategies to existing and prospective clients depends on our ability to meet or exceed the performance of our competitors offering the same or a similar strategy. We may not be able to manage the assets within a given investment strategy profitably. Moreover, it may take years before we are able to produce the level of results that will enable us to attract clients. If we are unable to realize the benefits of the costs and expenses incurred in developing new investment strategies, we may experience losses as a result of our management of these investment strategies, and our ability to introduce further new investment strategies and compete in our industry may be hampered.

Our business is dependent on investment advisory, subadvisory and trust agreements that are subject to termination or non-renewal. As a result, we could lose any of our clients on very short notice.

Substantially all of our revenues are derived pursuant to investment advisory, subadvisory and trust agreements with our clients. In general, either party may terminate these agreements upon 30 days' notice. Any termination of, or failure to renew, a material number of these agreements could have a material adverse impact on us, particularly because many of our costs are relatively fixed.

A small number of clients account for a substantial portion of our business. As such, the reduction or loss of business with any of these clients could have a material adverse effect on our business, financial condition and results of operations.

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Our four largest clients accounted for approximately 12.6% of fee revenues for the year ended December 31, 2012. We are dependent to a significant degree on our ability to maintain our relationships with these clients. There can be no assurance that we will be successful in maintaining existing client relationships, securing additional clients or achieving the superior investment performance necessary to earn performance-based advisory fees. Any failure by us to retain one or more of these large clients or establish profitable relationships with additional clients could have a material adverse effect on our business, financial condition and results of operations.

Competitive fee pressures could reduce revenues and profit margins.

The investment management business is highly competitive and has relatively low barriers to entry. To the extent we have to compete on the basis of price, we may not be able to maintain our current fee structure. Although our investment management fees vary from product to product, we have competed primarily on the performance of our products and client service rather than on the level of our investment management fees relative to our competitors. In recent years there has been a trend toward lower fees in the investment management industry. In order to maintain our fee structure in a competitive environment, we must be able to continue to provide clients with investment returns and service that make investors willing to pay our fees. We cannot be assured that we will succeed in providing investment returns and service that will allow us to maintain our current fee structure. Fee reductions on existing or future new business could have an adverse effect on our profit margins and results of operations.

Performance fees could have a significant effect on our revenues and results of operations.

We have performance fee agreements with a few clients, which pay us a fee if we outperform a specified index over predetermined periods of time. We may not be able to outperform such indexes and the failure to do so would cause us to earn none or only part of those potential revenues, which would have a material adverse effect on our revenues and results of operations. Our revenues from performance-based fees could fluctuate significantly from one measurement period to the next, depending on how we perform relative to the indexes specified in these agreements. For example, we earned performance fees of \$1.3 million in 2012 and \$1.0 million in 2011, but did not earn a performance fee in 2010.

Any event that negatively affects the asset management industry in general could have a material adverse effect on us.

Any event affecting the asset management industry that results in a general decrease in assets under management or a significant general decline in the number of advisory clients or accounts could negatively impact our revenues. Our future growth and success depends in part upon the growth of the asset management industry.

Our business is subject to extensive regulation with attendant costs of compliance and serious consequences for violations.

Virtually all aspects of our business are subject to laws and regulations, including the Investment Advisers Act, the Investment Company Act, and anti-money laundering laws. These laws and regulations generally grant regulatory agencies broad administrative powers, including the power to limit or restrict us from operating our business as well as the powers to place us under conservatorship or closure in the event we fail to comply with such laws and regulations. Violations of such laws or regulations could subject us or our employees to disciplinary proceedings and civil or criminal liability, including revocation of licenses, censures, fines or temporary suspensions, permanent barring from the conduct of business, conservatorship, or closure. Any such proceeding or liability could have a material adverse effect upon our business, financial condition, results of operations and business prospects. Due to the extensive regulations and laws to which we are subject, our management devotes substantial time and effort to legal and regulatory compliance issues.

In recent years, regulators have shown an increasing interest in oversight of the financial services industry. Some newly adopted regulations are focused directly on the investment management industry, while others are more broadly focused but affect our industry as well. The Dodd-Frank Act of 2010 significantly increased and revised the federal rules and regulations governing the financial services industry and, in addition to other regulations, has generally resulted in increased compliance and administrative burdens for us. For example, the SEC's recent adoption of Form PF and revisions to Form ADV impose additional reporting requirements for SEC registered investment advisors, including us. Additionally, ERISA Section 408(b)(2) and related regulations require additional information to be provided to ERISA-governed retirement plans. While we believe that changes in laws, rules and regulations, including the ones discussed above, have increased our administrative and compliance costs, we are not able to quantify the amount of increased costs attributable to those changes.

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In addition, the regulatory environment in which we operate is subject to change. We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations. See “Item 1. Business — Regulation.”

Misuse of assets and information in the possession of our investment professionals and employees could result in costly litigation and liability for us and our clients.

Our investment professionals handle significant amounts of assets along with financial and personal information for our clients. We have implemented a system of controls to minimize the risk of a fraudulent use of assets and information, however our controls may not be sufficiently adequate to prevent such fraudulent actions by portfolio managers or employees. If our controls are ineffective, we could be subject to costly litigation, which could consume financial resources, distract management and result in regulatory sanctions. Such fraudulent actions could also adversely affect clients, causing them to seek redress.

Acquisitions involve inherent risks that could compromise the success of the combined business and dilute the holdings of current stockholders.

As part of our long-term business strategy, we may pursue corporate development transactions including the acquisition of asset management firms, mutual funds, private wealth firms, investment professionals or teams. See “Item 1. Business — Growth Strategy.” If we are incorrect when assessing the value, strengths, weaknesses, liabilities and potential profitability of such transactions, or if we fail to integrate the acquired businesses or individuals, the success of the combined business could be compromised. Any business acquisitions are subject to the risks commonly associated with such transactions including, among others, potential exposure to unknown liabilities of acquired companies and to acquisition costs and expenses, the difficulty and expense of integrating the operations and personnel of the acquired companies, potential disruptions to the business of the combined company and potential diversion of management’s time and attention, the impairment of relationships with and the possible loss of key employees and clients as a result of changes in management, potential litigation or other legal risks, potential write-downs related to goodwill impairments in connection with acquisitions, and dilution to the stockholders of the combined company if the acquisition is made for stock of the combined company. In addition, investment strategies, technologies or businesses of acquired companies may not be effectively assimilated into our business or may have a negative effect on the combined company’s revenues or earnings. The combined company may also incur significant expense to complete acquisitions and support acquired investment strategies and businesses. Further, any such acquisitions may be funded with cash, debt or equity, which could have the effect of diluting the holdings or limiting the rights of stockholders. Finally, we may not be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms.

Our acquisitions were forecasted to add revenues, expenses and earnings to our business. The failure to realize these revenues and earnings could adversely impact our results of operations.

The McCarthy acquisition may not yield the benefits that we forecasted due to a variety of factors, including our failure to retain the clients of the businesses we acquired. If this acquisition does not yield the expected benefits, our revenues and results of operations could be negatively impacted and we could be required to record an impairment against earnings for the intangible assets and goodwill acquired in this transaction.

Damage to our reputation could harm our business and have a material adverse effect on our results of operations.

Our brand is a valuable intangible asset that could be vulnerable to threats that can be difficult or impossible to anticipate or control. Regulatory inquiries and rumors could damage our reputation, even if they are unfounded or satisfactorily addressed. Damage to our brand could impede our ability to attract and retain customers and key employees, and reduce our assets under management, which could have a material adverse effect on our results of operations.

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We are engaged in litigation related to the hiring of some employees of Westwood International that, depending on the outcome, could increase our expenses and have a material adverse effect on our results of operations.

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, including Ms. Patricia Perez-Coutts. 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 Ms. Perez-Coutts, alleging that Ms. Perez-Coutts 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.

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 resolutions of these actions and counterclaims could have a material adverse effect on our business, financial condition or results of operations.

Our business involves risks of being engaged in litigation and liability that could increase our expenses and reduce our results of operations.

Many aspects of our business involve substantial risks of liability. We could be named as defendants or co-defendants in lawsuits or could be involved in disputes that involve the threat of lawsuits seeking substantial damages. As an SEC-registered adviser, mutual fund adviser and publicly traded entity, we are subject to governmental and self-regulatory organization examinations, investigations and proceedings. Similarly, the investment strategies that we manage could be subject to actual or threatened lawsuits and governmental and self-regulatory organization investigations and proceedings, any of which could harm the investment returns or reputation of the applicable fund or result in our being liable for any resulting damages. There has been an increased incidence of litigation and regulatory investigations in the asset management industry in recent years, including customer claims as well as class action suits seeking substantial damages.

We may be unable to fully realize deferred tax assets related to net operating losses at Westwood International.

As a result of start-up and ongoing operating costs, we have incurred net operating losses at Westwood International, our Canadian subsidiary. We have not recorded an allowance against the related deferred tax asset, as we currently anticipate that it is more-likely-than-not that we will generate sufficient taxable income at Westwood International to utilize these net operating losses. However, forecasting results involves making significant assumptions and estimates about future events. If those forecasts are incorrect, we could be required to record valuation allowances against the net operating loss deferred tax assets, which would reduce our net income in future periods.

Various factors may hinder the declaration and payment of dividends.

We have historically paid a quarterly dividend. However, payment of future dividends is subject to the discretion of our Board of Directors, and various factors may prevent us from paying dividends. Such factors include our financial position, capital requirements and liquidity, the existence of a stock repurchase program, state corporate and banking law restrictions, results of operations and such other factors as our Board of Directors may consider relevant. In addition, as a holding company, our ability to pay dividends is dependent on the dividends and income we receive from

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our subsidiaries. Currently, our primary source of cash consists of dividends from Westwood Management or Westwood Trust. The payment of dividends by Westwood Management or Westwood Trust is subject to the discretion of their Boards of Directors and compliance with applicable laws, including, in particular, the provisions of the Texas Finance Code applicable to Westwood Trust. Westwood International currently is not generating income and is consequently unable to contribute cash to the payment of dividends to our shareholders and will likely require additional contributions of capital until it begins generating operating income. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Our business is vulnerable to systems failures that could have a material adverse effect on our business, financial condition and results of operations.

Any delays or inaccuracies in securities pricing information or information processing could give rise to claims against us, which could have a material adverse effect on our business, financial condition and results of operations. We are highly dependent on communications and information systems and on third-party vendors for securities pricing information and updates from certain software. We may suffer a systems failure or interruption, whether caused by an earthquake, fire, other natural disaster, power or telecommunications failure, unauthorized access, act of God, act of war or otherwise, and our back-up procedures and capabilities may be inadequate to eliminate the risk of extended interruptions in operations.

Failure to implement and maintain effective cyber security controls could disrupt our operations and have a material adverse effect on our results of operations and stock price.

Our business is dependent on information technology systems and the cyber security controls we have in place to protect those systems and the information contained therein. A failure of our controls to protect our information technology from an external or internal attack or to prevent a breach of confidential client or competitive information could materially interrupt our operations and expose us to regulatory and legal actions, which could have a material adverse effect on our operating results, reputation and stock price.

We may not be able to fund future capital requirements on favorable terms, if at all.

We cannot be certain that financing to fund our working capital or other cash requirements, if needed, will be available on favorable terms, if at all. Our capital requirements may vary greatly from quarter to quarter depending on, among other things, capital expenditures, fluctuations in our operating results and financing activities. If future financing becomes necessary, we may or may not be able to obtain financing on favorable terms, if at all. Further, any future equity financings could dilute the relative percentage ownership of then existing common stockholders and any future debt financings could involve restrictive covenants that limit our ability to take certain actions.

Failure to maintain effective internal controls could have a material adverse effect on our business and stock price.

Effective internal controls are necessary to provide reliable financial reports. If we cannot provide reliable financial reports, our brand and operating results could be harmed. All internal control systems, no matter how well designed, have inherent limitations and even systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

We cannot be certain that the measures we take to evaluate and improve our internal controls will ensure that we implement and maintain adequate controls over our financial processes and reporting. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

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Our organizational documents contain provisions that may prevent or deter another group from paying a premium over the market price to our stockholders to acquire our stock.

Our organizational documents contain provisions that require a vote of two-thirds of the shares of stock entitled to vote to remove directors for cause, establish that stockholders cannot act by written consent, and that authorize our Board of Directors to issue, without shareholder approval, blank check preferred stock. In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law relating to business combinations. These provisions could delay, deter or prevent a merger, consolidation, tender offer or other business combination or change of control involving us that could include a premium over the market price of our common stock that some or a majority of our stockholders might consider to be in their best interests.

We are a holding company and are dependent on the operations and funds of our subsidiaries.

We are a holding company, with no revenue generating operations and no assets other than our ownership interests in Westwood Management, Westwood Trust and Westwood International. Accordingly, we are dependent on the cash flow generated by these operating subsidiaries and must rely on dividends or other intercompany transfers from our operating subsidiaries to generate the funds necessary to meet our obligations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Westwood, Westwood Management and Westwood Trust conduct their principal operations through approximately 25,555 square feet of leased office space located in Dallas, Texas pursuant to a lease with an initial term that expires in November 2021. In addition, we lease approximately 5,045 square feet of office space in Omaha, Nebraska pursuant to a lease with an initial term that expires in July 2014 and approximately 4,071 square feet of office space in Toronto, Ontario pursuant to a lease with an initial term that expires on September 29, 2013. We are evaluating office space locations to meet our needs beyond the initial term of the Toronto lease. We believe these facilities will be adequate to serve our currently anticipated business needs.

Item 3. 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, including Ms. Patricia Perez-Coutts. 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 Ms. Perez-Coutts, alleging that Ms. Perez-Coutts 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.

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.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Market Information**

Our common stock has traded on the New York Stock Exchange (the "NYSE") under the symbol "WHG" since July 1, 2002. At December 31, 2012, there were approximately 175 record holders of our common stock, although we believe that the number of beneficial owners of our common stock is substantially greater. The table below sets forth the high and low sale prices for the common stock, as reported by the NYSE for the periods indicated.

For the Quarter Ended:	2012		2011	
	High	Low	High	Low
March 31	\$41.18	\$36.22	\$40.96	\$34.85
June 30	39.20	34.15	41.35	34.13
September 30	39.80	35.25	40.51	30.33
December 31	40.92	38.28	38.60	31.11

Dividends

We have declared a cash dividend on our common stock for each quarter since our common stock was first publicly traded. The table below sets forth the dividends declared for the periods indicated.

	Dividend per share of common stock
2012	
Fourth Quarter	\$ 0.40
Third Quarter	0.37
Second Quarter	0.37
First Quarter	0.37
2011	
Fourth Quarter	\$ 0.37
Third Quarter	0.35
Second Quarter	0.35
First Quarter	0.35

In addition, on February 7, 2013 we declared a quarterly cash dividend of \$0.40 per share on our common stock payable on April 1, 2013 to stockholders of record on March 15, 2013. We intend to continue paying cash dividends in such amounts as our Board of Directors may determine to be appropriate. Any future payments of cash dividends will be at the discretion of the Board of Directors and subject to limitations under the Delaware General Corporation Law.

Westwood Holdings Group is the sole stockholder of Westwood Management, Westwood Trust and Westwood International. Westwood Trust is limited under applicable Texas law in the payment of dividends to the amount of undivided profits, which is defined as that part of equity capital equal to the balance of net profits, income, gains, and losses since its formation minus subsequent distributions to stockholders and transfers to surplus or capital under share dividends or appropriate Board of Directors' resolutions.

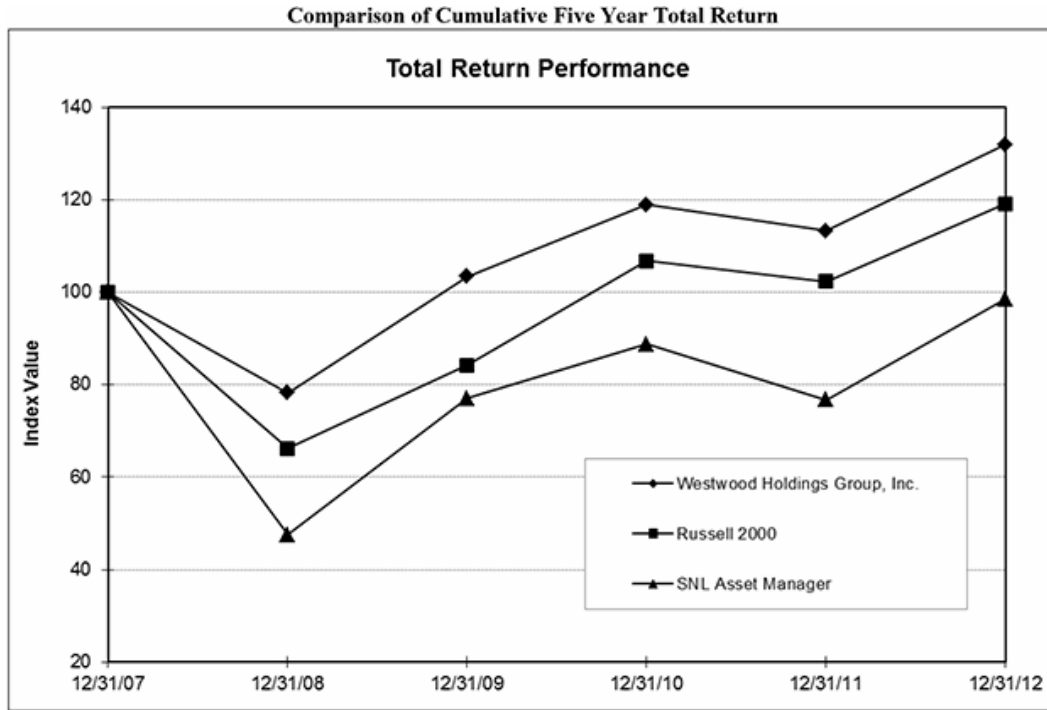
EQUITY COMPENSATION PLAN INFORMATION

The following table gives information as of December 31, 2012 about shares of our common stock that may be issued upon the exercise of options, warrants and rights under the Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan, our only equity compensation plan in effect at that time. The material terms of this plan were approved by our stockholders at our 2011 Annual Meeting and are discussed in Note 10 of the financial statements included in this Form 10-K.

<u>Plan Category</u>	Number of securities to be issued upon exercise of outstanding options, warrants and rights <u>(a)</u>	Weighted-average exercise price of outstanding options, warrants and rights <u>(b)</u>	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <u>(c)</u>
Equity compensation plans approved by security holders	<u>—</u>	<u>\$ —</u>	<u>468,000</u>
Equity compensation plans not approved by security holders	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>—</u>	<u>\$ —</u>	<u>468,000</u>

PERFORMANCE GRAPH

The following graph compares total stockholder returns of Westwood since December 31, 2007 with the total return of the Russell 2000 Index and the SNL Asset Manager Index. The SNL Asset Manager Index is a composite of 33 publicly-traded asset management companies.



<u>Index</u>	Period ended						Cumulative Five-Year Total Return
	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	
Westwood Holdings Group, Inc.	\$100.00	\$78.23	\$103.42	\$118.96	\$113.30	\$131.97	31.97%
Russell 2000 Index	100.00	66.21	84.20	106.82	102.36	119.09	19.09
SNL Asset Manager Index	100.00	47.52	77.10	88.75	76.76	98.48	(1.52)

The total return for our stock and for each index assumes \$100 invested on December 31, 2007 in our common stock, the Russell 2000 Index, and the SNL Asset Manager Index, including reinvestment of dividends. Our common stock is traded on the NYSE under the ticker symbol “WHG.”

The closing price of our common stock on the last trading day of the year ended December 31, 2012 was \$40.90 per share. Historical stock price performance is not necessarily indicative of future price performance.

[Table of Contents](#)**Item 6. Selected Financial Data.****SELECTED CONSOLIDATED FINANCIAL DATA**

The selected consolidated financial data, together with assets under management data presented below, should be read in conjunction with “Item 1. Business” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Report.

	Year ended December 31, (in thousands, except per share amounts)				
	2012	2011	2010	2009	2008
Consolidated Statements of Income Data:					
Total revenues	\$77,495	\$68,909	\$55,313	\$42,553	\$46,456
Total expenses	57,469	45,800	37,592	30,235	29,921
Income before income taxes	20,026	23,109	17,721	12,318	16,535
Provision for income taxes	7,936	8,423	6,441	4,423	5,992
Net income	12,090	14,686	11,280	7,895	10,543
Earnings per share – basic	\$ 1.69	\$ 2.11	\$ 1.62	\$ 1.10	\$ 1.53
Earnings per share – diluted	\$ 1.65	\$ 2.04	\$ 1.58	\$ 1.09	\$ 1.52
Cash dividends declared per common share	\$ 1.51	\$ 1.42	\$ 1.65	\$ 1.23	\$ 1.20
	As of December 31,				
	2012	2011	2010	2009	2008
Consolidated Balance Sheet Data (in thousands):					
Cash and investments	\$63,723	\$60,132	\$45,044	\$45,125	\$31,650
Total assets	96,615	90,597	72,628	59,886	50,847
Stockholders’ equity	76,551	70,757	60,677	47,218	38,794
Assets Under Management (unaudited) (in millions)	\$14,167	\$13,079	\$12,477	\$10,174	\$ 7,185

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis in conjunction with “Selected Financial Data” included in this Report, as well as our consolidated financial statements and related notes thereto appearing elsewhere in this Report.

Forward-Looking Statements

Statements in this Report and the Annual Report to Stockholders 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,” “forecast,” “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. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Actual results, our financial condition, and the timing of some events could differ materially from those projected in or contemplated by the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others:

- 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.

Additional factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements are discussed under the section entitled “Risk Factors” and elsewhere in this Report. The forward-looking statements are based only on currently available information and 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™ and common trust funds sponsored by Westwood Trust. Our revenues are generally derived from fees based on a percentage of assets under management, and at December 31, 2012 Westwood Management, Westwood Trust and Westwood International collectively managed assets valued at approximately \$14.2 billion.

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With respect to the bulk of our client assets under management, we utilize a “value” investment style focused on achieving superior long-term, risk-adjusted returns by investing in companies with high levels of free cash flow, improving returns on equity, strengthening balance sheets and well positioned for growth but whose value is not fully recognized in the marketplace. This investment approach is designed to preserve capital during unfavorable periods and provide superior real returns over the long term. Our investment teams have significant industry experience. Our investment team has average investment experience of fifteen years while one third of our team has worked together at Westwood for over six years.

We have focused on building a foundation in terms of personnel and infrastructure to support a potentially much larger business. We have also developed investment strategies that we believe will be desirable within our target institutional, private wealth and mutual fund markets. The cost of developing new products and the organization as a whole has resulted in our incurring expenses that, in some cases, do not currently have significant offsetting revenues. We believe that the appropriate foundation and products are now in place and believe that investors will recognize the value in these products, thereby generating new revenue streams for Westwood.

2012 Highlights

The following items are highlights for the year ended December 31, 2012:

- Assets under management as of December 31, 2012 were a record \$14.2 billion, an 8% increase compared to December 31, 2011; average assets under management for 2012 were \$13.7 billion, a 6% increase compared to 2011.
- As of December 31, 2012, on an asset-weighted basis, over 90% of our investment strategies have outperformed their respective benchmarks since inception.
- With the addition of three funds in late 2012, our Westwood Funds™ family of mutual funds now includes ten funds and ended the year with \$1.6 billion in assets under management.
- Our Income Opportunity strategy, with its focus on current income and lower volatility, had net asset inflows of over \$600 million and finished the year with \$1.7 billion in assets under management.
- We established Westwood International Advisors Inc., based in Toronto, to manage global equity and emerging markets equity strategies, and assets under management have grown to \$888 million as of December 31, 2012.
- Total revenue was a record \$77.5 million, a 12% increase over the prior year
- In October 2012, the Board approved an increase in our quarterly dividend to \$0.40 per share, or an annual rate of \$1.60, resulting in a dividend yield of 3.9% at the year-end stock price of \$40.90.
- We repurchased 97,724 shares of our common stock during the year for \$3.8 million and have \$10.0 million remaining under a stock repurchase program authorized by our Board of Directors in July 2012.
- Our financial position remains strong with liquid cash and investments of \$63.7 million as of December 31, 2012.

Revenues

We derive 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. Westwood Management’s and Westwood International’s 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 previous quarter, or are based on a daily or monthly analysis of assets under management for the stated period. Westwood Management and Westwood International recognize revenues as services are rendered. A limited number of our clients have agreed to contractual performance-based fees, which generate additional revenues if 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. Since most of our advance paying clients’ billing periods coincide with the calendar quarter to which payment relates, revenue related to those clients is fully recognized within the quarter. Consequently, there is not a significant amount of deferred revenue contained in our financial statements.

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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 the majority of Westwood Trust's advance paying clients coincide with the calendar quarter to which payment relates, revenue is fully recognized within the quarter and consequently there is not a significant amount of deferred revenue contained in our financial statements.

Our other revenues generally consist of interest and investment income. Although we invest most of our cash in U.S. Treasury securities, we also invest in equity and fixed income instruments and money market funds, including the Westwood Funds™ and common trust funds sponsored by Westwood Trust.

Assets Under Management

Assets under management increased \$1.1 billion, or 8%, to \$14.2 billion at December 31, 2012 compared to \$13.1 billion at December 31, 2011. Quarterly average assets under management increased \$786 million, or 6%, to \$13.7 billion for 2012 compared with \$12.9 billion for 2011.

Assets under management increased \$602 million, or 5%, to \$13.1 billion at December 31, 2011 compared to \$12.5 billion at December 31, 2010. Quarterly average assets under management increased \$2.2 billion, or 20%, to \$12.9 billion for 2011 compared with \$10.7 billion for 2010.

The following table sets forth our assets under management as of December 31, 2012, 2011 and 2010:

	As of December 31, (in millions)			% Change	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Institutional	\$ 9,225	\$ 8,735	\$ 8,359	6%	4%
Private Wealth	3,339	3,051	3,148	9	(3)
Mutual Funds	1,603	1,293	970	24	33
Total Assets Under Management	<u>\$14,167</u>	<u>\$13,079</u>	<u>\$12,477</u>	<u>8%</u>	<u>5%</u>

Our assets under management disclosure reflects management's view of our three types of accounts: institutional, private wealth and mutual funds.

- *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 that 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 transaction, described in Note 6 of the financial statements included in this Form 10-K. Acquisitions representing institutional and high net worth clients for which Westwood provides investment management and advisory services.

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

Roll-Forward of Assets Under Management

	Year Ended December 31, 2012 (in millions)			
	Institutional	Private Wealth	Mutual Funds	Total
Beginning of period assets	\$ 8,735	\$ 3,051	\$ 1,293	\$13,079
Client flows:				
Inflows/new accounts	1,183	424	451	2,058
Outflows/closed accounts	(1,949)	(467)	(292)	(2,708)
Net inflows/(outflows)	(766)	(43)	159	(650)
Market appreciation/(depreciation)	1,256	331	151	1,738
Net change	490	288	310	1,088
End of period assets	\$ 9,225	\$ 3,339	\$ 1,603	\$14,167

The increase in assets under management for the year ended December 31, 2012 was primarily due to new inflows of \$2.1 billion and market appreciation of \$1.7 billion, partially offset by outflows of \$2.7 billion. Inflows were driven primarily by inflows into institutional separate accounts, subadvisory mandates, the Westwood Funds™ and private wealth accounts. Outflows were primarily related to outflows and some account closings by institutional separate account clients and subadvisory mandates and outflows from private wealth accounts.

	Year Ended December 31, 2011 (in millions)			
	Institutional	Private Wealth	Mutual Funds	Total
Beginning of period assets	\$ 8,359	\$ 3,148	\$ 970	\$12,477
Client flows:				
Inflows/new accounts	1,566	308	563	2,437
Outflows/closed accounts	(1,133)	(385)	(254)	(1,772)
Net inflows/(outflows)	433	(77)	309	665
Market appreciation/(depreciation)	(57)	(20)	14	(63)
Net change	376	(97)	323	602
End of period assets	\$ 8,735	\$ 3,051	\$ 1,293	\$13,079

The increase in assets under management for the year ended December 31, 2011 was primarily due to new inflows of \$2.4 billion, partially offset by outflows of \$1.8 billion and market depreciation of \$63 million. Inflows were driven primarily by inflows into institutional separate accounts, subadvisory mandates and the Westwood Funds™. Outflows were primarily related to outflows and some account closings by institutional separate account clients and subadvisory mandates and outflows from the Westwood Funds™.

	Year Ended December 31, 2010 (in millions)			
	Institutional	Private Wealth	Mutual Funds	Total
Beginning of period assets	\$ 7,599	\$ 2,009	\$ 566	\$10,174
Client flows:				
Inflows/new accounts	971	99	372	1,442
Outflows/closed accounts	(1,518)	(230)	(157)	(1,905)
Net inflows/(outflows)	(547)	(131)	215	(463)
Acquisition related	—	1,057	64	1,121
Market appreciation/(depreciation)	1,307	213	125	1,645
Net change	760	1,139	404	2,303
End of period assets	\$ 8,359	\$ 3,148	\$ 970	\$12,477

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The increase in assets under management for the year ended December 31, 2010 was primarily due to market appreciation of \$1.6 billion, the acquisition of \$1.1 billion of assets in the McCarthy transaction and new inflows of \$1.4 billion, partially offset by outflows of \$1.9 billion. Inflows were driven primarily by additional inflows into the Westwood Funds™, institutional separate accounts and subadvisory mandates. Outflows were primarily related to rebalancing and some account closings by institutional separate account clients and outflows from subadvisory mandates and the Westwood Funds™.

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 and ended the year with assets under management of \$888 million. Westwood International had eleven full-time employees as of December 31, 2012. As Westwood International has only recently commenced operations, our Consolidated Statement of Comprehensive Income for the year ended December 31, 2012 includes \$10.3 million in costs related to Westwood International's operations and less than \$2 million of revenues.

The following table and discussion of our results of operations is based upon data derived from our consolidated statements of income contained in our consolidated financial statements and should be read in conjunction with these statements, which are included elsewhere in this Report.

	Years ended December 31, (in thousands)			% Change	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Revenues					
Advisory fees					
Asset-based	\$57,936	\$54,246	\$42,153	7%	29%
Performance-based	1,251	991	—	26	—
Trust fees	14,969	13,453	12,051	11	12
Other revenues	3,339	219	1,109	1,425	(80)
Total revenues	<u>77,495</u>	<u>68,909</u>	<u>55,313</u>	<u>12</u>	<u>25</u>
Expenses					
Employee compensation and benefits	43,692	35,081	29,001	25	21
Sales and marketing	1,132	994	823	14	21
Westwood mutual funds	1,153	790	662	46	19
Information technology	2,555	2,054	1,351	24	52
Professional services	4,420	2,981	2,941	48	1
General and administrative	4,517	3,900	2,814	16	39
Total expenses	<u>57,469</u>	<u>45,800</u>	<u>37,592</u>	<u>25</u>	<u>22</u>
Income before income taxes	20,026	23,109	17,721	(13)	30
Provision for income taxes	7,936	8,423	6,441	(6)	31
Net income	<u>\$12,090</u>	<u>\$14,686</u>	<u>\$11,280</u>	<u>(18)%</u>	<u>30%</u>

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Total Revenue. In 2012 our total revenues increased by 12% to \$77.5 million compared with \$68.9 million in 2011. Asset-based advisory fees increased by 7% to \$57.9 million in 2012 from \$54.2 million in 2011 due to higher average assets under management primarily reflecting market appreciation of assets. We earned a performance-based advisory fee of \$1.3 million in 2012 compared \$1.0 million in 2011. Trust fees increased by 11% to \$15.0 million in 2012 from \$13.5 million in 2011 due to higher average assets under management primarily reflecting market appreciation of assets. Other revenues, which generally consist of interest and investment income, increased by \$3.1 million to \$3.3 million in 2012 compared with \$219,000 in 2011 primarily due to a \$2.2 million increase in net realized gains, a \$635,000 increase in unrealized gains and a \$293,000 increase in dividend income, partially offset by a \$34,000 decrease in interest income. The increase in realized gains was primarily due to the \$1.9 million gain on sale of 200,000 shares of Teton Advisors, Inc.

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Employee Compensation and Benefits. Employee compensation and benefits, which generally consist of salaries, incentive compensation, equity-based compensation expense and benefits, increased by 25% to \$43.7 million compared with \$35.1 million in 2011. This increase was primarily due to increases of \$6.2 million in incentive compensation due to the amortization of long-term incentive awards for Westwood International employees, \$2.3 million in salary expense primarily due to additional hires at Westwood Management and Westwood Trust, salaries related to Westwood International and \$632,000 in performance-based restricted stock expense due to shares granted in February 2012. We had 96 full-time employees as of December 31, 2012 compared to 80 at December 31, 2011.

Sales and Marketing. Sales and marketing costs consist of expenses associated with our marketing efforts, including travel and entertainment, direct marketing, and advertising costs. Sales and marketing costs increased by 14% to \$1.1 million in 2012 compared with \$1.0 million in 2011 primarily due to increased direct marketing and travel expenses.

Westwood Mutual Funds. Westwood Mutual Funds expenses generally consist of costs associated with our marketing, distribution, administration and acquisition efforts related to the Westwood Funds™. Westwood Mutual Funds expenses increased 46% to \$1.2 million in 2012 compared with \$790,000 in 2011 primarily due to an increase of \$219,000 in shareholder servicing fees due to higher fund assets and an increase of \$104,000 in subadvisor fees.

Information Technology. Information technology expenses are generally costs associated with proprietary investment research tools, computing hardware, software licenses, maintenance and support, telecommunications and other related costs. Information technology expense increased by 24% to \$2.6 million in 2012 compared with \$2.1 million in 2011 primarily due to an increase of \$236,000 in software maintenance and licenses mainly for upgraded client portfolio accounting and performance reporting systems and an increase of \$149,000 in research tools.

Professional Services. Professional services expenses generally consist of audit, external subadvisor expense, legal and other professional fees. Professional services expenses increased by 48% to \$4.4 million in 2012 compared with \$3.0 million in 2011. The increase is primarily due to one-time recruiting and legal fees related to the hiring of Westwood International employees, increased legal fees and increased tax advisor expense. These increases were partially offset by decreased financial advisory expense due to the termination of subadvisors on international common trust funds in the fourth quarter of 2011 and the second quarter of 2012 and lower audit fee expense.

General and Administrative. General and administrative expenses generally consist of costs associated with the lease of our office space, insurance, amortization of intangible assets, office supplies, custody expense, investor relations, charitable contributions and other miscellaneous expenses. General and administrative expenses increased by 16% to \$4.5 million in 2012 compared with \$3.9 million in 2011. The increase is primarily due to increased rent expense due to a new lease for our Dallas office effective September 2011 and rent expense for our new Toronto office, non-marketing travel expenses related to Westwood International, increased state and local tax expense, increased office supplies expense and increased custody expenses. Partially offsetting these increases were decreases in training expenses and expenses related to our office relocation in 2011.

Provision for Income Taxes. Provision for income taxes decreased by 6% to \$7.9 million in 2012 compared with \$8.4 million in 2011. The effective tax rate increased to 39.6% from 36.4% in 2011 primarily due to operating losses from Westwood International, which is taxed at a lower Canadian tax rate, and provision to return adjustments from our 2011 federal tax return.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Total Revenue. In 2011 our total revenues increased by 25% to \$68.9 million compared with \$55.3 million in 2010. Asset-based advisory fees increased by 29% to \$54.2 million in 2011 from \$42.2 million in 2010 due to higher average assets under management primarily due to assets acquired in the McCarthy transaction in November 2010 as well as net inflows of assets. We earned a performance-based advisory fee of \$1.0 million in 2011 compared to no performance-based fees in 2010. Trust fees increased by 12% to \$13.5 million in 2011 from \$12.1 million in 2010 due to higher average assets under management primarily due to net inflows of assets. Other revenues, which generally consist of interest and investment income, decreased by 80% to \$219,000 in 2011 compared with \$1.1 million in 2010 primarily due to a \$1.0 million decrease in unrealized gains, partially offset by a \$124,000 increase in net realized gains.

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Employee Compensation and Benefits. Employee compensation and benefits increased by 21% to \$35.1 million compared with \$29.0 million in 2010. This increase was primarily due to increases of \$3.1 million in incentive compensation due to increased pre-tax income, \$1.6 million in salary expense primarily due to a full year of salary expense for our Omaha office in 2011 as well as additional hires in the Dallas office and \$700,000 in restricted stock expense due to a higher number of shares granted in February 2011 and at a higher market price than previous grants. We had 80 full-time employees as of December 31, 2011 compared to 77 at December 31, 2010.

Sales and Marketing. Sales and marketing costs increased by 21% to \$994,000 in 2011 compared with \$823,000 in 2010 primarily due to referral fees on acquired assets and increased direct marketing expenses.

Westwood Mutual Funds. Westwood Mutual Funds expenses increased 19% to \$790,000 in 2011 compared with \$662,000 in 2010 primarily due to an increase of \$358,000 in shareholder servicing fees due to higher fund assets partially offset by decreases in adjusting deferred acquisition liabilities to fair value from a 2009 fund acquisition and in professional fees related to the reorganization of the McCarthy Multi-Cap Stock Fund into the Westwood Dividend Growth Fund.

Information Technology. Information technology expenses increased by 52% to \$2.1 million in 2011 compared with \$1.4 million in 2010 primarily due to an increase of \$478,000 in software maintenance and licenses mainly for upgraded client portfolio accounting and performance reporting systems and an increase of \$146,000 in research tools.

Professional Services. Professional services expenses increased by 1% to \$3.0 million in 2011 compared with \$2.9 million in 2010. The increase is primarily due to a \$176,000 increase in audit fees related to additional audits required for investment vehicles that hold client assets and a \$176,000 increase in advisory fees paid to external subadvisors due to growth in subadvised common trust funds sponsored by Westwood Trust partially offset by a decrease of \$187,000 in legal fees primarily related to the 2010 McCarthy acquisition and a decrease of \$159,000 in other professional fees related to the McCarthy acquisition and other growth initiatives undertaken in 2010.

General and Administrative. General and administrative expenses increased by 39% to \$3.9 million in 2011 compared with \$2.8 million in 2010 primarily due to increases of \$343,000 in amortization of intangible assets acquired in 2010 and \$276,000 in rent expense related to a full year of lease expense for our Omaha office and a new lease for our Dallas corporate office and \$136,000 in directors fees related to a new director fee structure. Partially offsetting these increases were decreases in custody and depreciation expenses.

Provision for Income Taxes. Provision for income taxes increased by 31% to \$8.4 million in 2011 compared with \$6.4 million in 2010 primarily due to higher income before taxes.

Supplemental Financial Information

As supplemental information, we are providing non-generally accepted accounting principles (“non-GAAP”) performance measures that we refer to as Economic Earnings and Economic Expenses. We provide these measures in addition to, but not as a substitute for, net income and total expenses, which are reported on a U.S. generally accepted accounting principles (“GAAP”) basis. Management and the Board of Directors review Economic Earnings and Economic Expenses to evaluate ongoing performance, allocate resources and review dividend policy. We believe that these non-GAAP performance measures, while not substitutes for GAAP net income and total expenses, are useful for both management and investors to evaluate our underlying operating and financial performance and our available resources. We do not advocate that investors consider these non-GAAP measures without considering financial information prepared in accordance with GAAP.

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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. We define Economic Expenses as total expenses less non-cash equity-based compensation expense and amortization of intangible assets. Although depreciation on property and equipment is a non-cash expense, we do not add it back when calculating Economic Earnings or deduct it when calculating Economic Expenses because depreciation charges represent a decline in the value of the related assets that will ultimately require replacement.

For the year ended December 31, 2012, our Economic Earnings decreased by 8% to \$23.2 million compared with \$25.3 million for the year ended December 31, 2011, primarily due to increase in total Economic Expenses.

The following table provides a reconciliation of net income to Economic Earnings and total expenses to Economic Expenses for the years presented:

(in thousands)	For the years ended December 31,			% Change	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Net Income	\$ 12,090	\$14,686	\$11,280	(18)%	30%
Add: Restricted stock expense	10,515	9,969	9,269	5	8
Add: Intangible amortization	472	498	155	(5)	222
Add: Tax benefit from goodwill amortization	154	189	59	(19)	222
Economic Earnings	\$ 23,231	\$25,342	\$20,763	(8)	22
Total expenses	\$ 57,469	\$45,800	\$37,592	25	22
Less: Restricted stock expense	(10,515)	(9,969)	(9,269)	5	8
Less: Intangible amortization	(472)	(498)	(155)	(5)	222
Economic Expenses	\$ 46,482	\$35,333	\$28,168	32%	25%

Liquidity and Capital Resources

(in thousands)	As of December 31,		
	2012	2011	2010
Balance Sheet Data:			
Assets:			
Cash and cash equivalents	\$ 3,817	\$ 5,264	\$ 1,744
Accounts Receivable	8,920	7,707	7,348
Total liquid assets	12,737	12,971	9,092
Investments	\$ 59,906	\$ 54,868	\$ 43,300
Cash Flow Data:			
Operating cash flows	\$ 13,780	\$ 18,548	\$ 18,277
Investing cash flows	1,636	(2,244)	(5,662)
Financing cash flows	(16,891)	(12,784)	(13,750)

Historically we have funded our operations and cash requirements with cash generated from operating activities. As of December 31, 2012, we had no long-term debt. The changes in net cash provided by operating activities generally reflect the changes in earnings plus the effect 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 2012, cash flow provided by operating activities, principally our investment advisory business, was \$13.8 million compared to cash provided by operations of \$18.5 million during 2011 and \$18.3 million during 2010. The decrease of \$4.8 million was primarily due to decreased net income and an increase in accounts receivable and

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decreased net purchases of U.S. Treasury Bills, partially offset by increases in income taxes and compensation and benefits payable. The increase of \$271,000 from 2010 to 2011 was primarily due to increased net income and an increase in accounts and compensation payables, partially offset by increased net purchases of U.S. Treasury Bills.

Cash flow provided by investing activities during 2012 of \$1.6 million was primarily due to the sale of an available for sale investment. Cash flow used in investing activities during 2011 of \$2.2 million primarily reflected the purchase of property and equipment and cash paid to acquire businesses. Cash flow used in investing activities during 2010 of \$5.7 million was primarily related to cash paid to acquire businesses.

Cash used in financing activities of \$16.9 million, \$12.8 million and \$13.8 million during 2012, 2011 and 2010, respectively, primarily related to payment of cash dividends and purchase of treasury stock, partially offset by excess tax benefits related to vested restricted shares and proceeds from the issuance of stock upon option exercises.

We held cash and investments of \$63.7 million and \$60.1 million at December 31, 2012 and December 31, 2011, respectively. At December 31, 2012 and 2011, working capital aggregated \$58.5 million and \$54.9 million respectively. As required by the Texas Finance Code, Westwood Trust maintains current assets in an amount equal to the required minimum restricted capital of \$1.0 million, which is included in Investments in the accompanying consolidated balance sheets. We had no liabilities for borrowed money at December 31, 2012 or December 31, 2011, and our accounts payable were paid in the ordinary course of business for each of the periods then ended.

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 in this Form 10-K. 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. A 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

The following table summarizes our contractual obligations as of December 31, 2012 (in thousands).

Contractual Obligations	Payments due in:				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating lease obligations	\$9,265	\$ 1,345	\$2,036	\$1,958	\$3,926

Accounting Developments

In May 2011, the Financial Accounting Standards Board (“FASB”) issued new guidance regarding the definition and requirements for the measurement of and disclosure about fair value. The new guidance results in a consistent definition of fair value and common requirements for the measurement and disclosure of fair value between U.S. GAAP and International Financial Reporting Standards. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We adopted this guidance in these financial statements. It did not have a material effect on our consolidated financial statements.

In September 2011, the FASB issued new guidance regarding testing of goodwill for impairment, which allows entities to perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying value in order to determine if quantitative testing is required. This optional qualitative assessment is intended to reduce the cost and complexity of annual goodwill impairment tests. The new guidance is effective for annual and interim impairment tests performed for fiscal years beginning after December 15, 2011 and early adoption is allowed provided the entity has not yet performed its 2011 impairment test or issued its financial statements. This guidance will not have a material effect on our consolidated financial statements.

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Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent losses and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. In applying accounting principles, we often must make individual estimates and assumptions regarding expected outcomes or uncertainties. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. We believe the following are areas where the degree of judgment and complexity in determining amounts recorded in our consolidated financial statements make accounting policies critical. Historically, actual results have not differed materially from estimates.

Goodwill

During the third quarters of 2012, 2011 and 2010, we completed our annual impairment assessment as required by ASC 350 “Goodwill and Other Intangible Assets”. No impairment losses were required. We perform our annual impairment assessment as of July 1 and would perform a reassessment if circumstances indicated a potential impairment between our annual assessment dates. We assess the fair value of our business units with goodwill using a market multiple approach. We updated our assessment at the end of 2012 and determined that no events occurred in the last half of 2012 that would indicate that these assets should be retested for impairment.

Intangible Assets

Our intangible assets represent the acquisition date fair value of the intangible assets acquired net of amortization. The values of these assets are comprised mostly of customer lists but also include valuations of trade names and non-compete agreements. In valuing these assets, we made significant estimates regarding the useful life, growth rates and potential attrition of the assets acquired. We periodically review our intangible assets for events or circumstances that would indicate impairment and we would record an impairment to remove the excess if their carrying value exceeded fair value.

Stock Based Compensation

We have granted restricted stock to employees and non-employee directors. We calculate compensation cost for restricted stock grants by using the fair market value of our common stock at the date of grant, the number of shares issued and an estimate of shares that will not vest due to forfeitures. This compensation cost is amortized on a straight-line basis over the applicable service period.

Accounting for Income Taxes

Our provision for income taxes reflects the statutory tax obligations of the jurisdictions in which we operate. Significant judgment and complex calculations are used when determining our tax liability and in evaluating our tax positions. We adjust our income tax provision in the period in which we determine that actual outcomes will likely be different from our estimates. Changes in tax laws may result in changes to our tax position and effective tax rates. We classify any interest or penalties related to income taxes as a component of income tax expense.

Deferred income taxes reflect the expected future tax consequences of temporary differences between the financial statement and tax bases of our assets and liabilities as measured at enacted income tax rates. Our deferred taxes relate principally to stock-based compensation expense, which is deductible for tax purposes at the time restricted stock vests and stock options are exercised. We are required to assess whether a valuation allowance should be established against our deferred tax assets based on consideration of all available evidence, using a more-likely-than-not standard.

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As a result of start-up and ongoing operating costs, we have incurred net operating losses at Westwood International, our Canadian subsidiary. We have not recorded an allowance against the related deferred tax asset, as we currently anticipate that it is more-likely-than-not that we will generate sufficient taxable income at Westwood International to utilize these net operating losses. However, forecasting results involves making significant assumptions and estimations about future events. If those forecasts are incorrect, we could be required to record valuation allowances against the net operating loss deferred tax assets, which would reduce our net income in future periods. No U.S. income taxes were recorded on these net losses.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We invest our corporate capital in various financial instruments such as United States treasury bills, equity mutual funds and United States government agency obligations, all of which entail certain inherent market risks. We do not currently participate in any hedging activities, nor do we currently utilize any derivative financial instruments. The following information describes the key aspects of certain financial instruments that involve market risks.

Interest Rates and Securities Markets

Our cash equivalents and other investment instruments are exposed to financial market risk due to fluctuations in interest rates, which may affect interest income. We do not expect interest income to be significantly affected by sudden changes in market interest rates.

The value of assets under management is affected by changes in interest rates and fluctuations in securities markets. Since we derive a substantial portion of our revenues from investment advisory and trust fees based on the value of assets under management, our revenues may be adversely affected by changing interest rates or a decline in the prices of securities generally.

Item 8. Financial Statements and Supplementary Data.

The independent registered public accounting firm's reports and financial statements listed in the accompanying index are included in Item 15 of this Report. See "Index to Financial Statements" on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Our disclosure controls and procedures are designed to ensure that information we are required to disclose in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. 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 Securities Exchange Act of 1934) as of the end of the period covered by this annual report. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of December 31, 2012, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Please refer to Westwood Holdings Group, Inc.'s Management Assessment of Internal Control over Financial Reporting on page F-3 of this Report.

Our independent registered public accounting firm has issued an audit report on our internal control over financial reporting. This report can be found on page F-2.

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For the fiscal year ended December 31, 2012, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is or will be set forth in the definitive proxy statement relating to the 2013 Annual Meeting of Stockholders of Westwood Holdings Group, Inc., which is to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Proxy Statement"). The Proxy Statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by this item are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

Item 11. Executive Compensation.

The information required by this item is or will be set forth in the Proxy Statement. The Proxy Statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by this item are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is or will be set forth in the Proxy Statement. The Proxy Statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by this item are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is or will be set forth in the Proxy Statement. The Proxy Statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by this item are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

Item 14. Principal Accounting Fees and Services.

The information required by this item is or will be set forth in the Proxy Statement. The Proxy Statement relates to a meeting of stockholders involving the election of directors and the portions therefrom required to be set forth in this Form 10-K by this item are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Financial Statement Schedules

The financial statements included in this Report are listed in the Index to Financial Statements on page F-1 of this Report. Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are either not required under the related instructions or are inapplicable.

Exhibits

The exhibits required to be furnished pursuant to Item 15 are listed in the Exhibit Index filed herewith, which Exhibit Index is incorporated herein by reference.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of Westwood Holdings Group, Inc., a Delaware corporation, and the undersigned directors and officers of Westwood Holdings Group, Inc. hereby constitutes and appoints Brian O. Casey and Mark A. Wallace, or any one of them, its, his or her true and lawful attorney-in-fact and agent, for it, him or her and in its, his or her name, place and stead, in any and all capacities, with full power to act alone, to sign any and all amendments to this Report, and to file each such amendment to the Report, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises as fully to all intents and purposes as it, he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WESTWOOD HOLDINGS GROUP, INC.

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

Dated: February 28, 2013

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>
<u>/s/ Brian O. Casey</u> Brian O. Casey	President & Chief Executive Officer (Principal Executive Officer)
<u>/s/ Mark A. Wallace</u> Mark A. Wallace	Chief Financial Officer (Principal Financial Officer)
<u>/s/ Craig Whitten</u> Craig Whitten	Controller and Treasurer (Principal Accounting Officer)
<u>/s/ Susan M. Byrne</u> Susan M. Byrne	Chairman of the Board of Directors
<u>/s/ Tom C. Davis</u> Tom C. Davis	Director
<u>/s/ Richard M. Frank</u> Richard M. Frank	Director
<u>/s/ Robert D. McTeer</u> Robert D. McTeer	Director
<u>/s/ Geoffrey R. Norman</u> Geoffrey R. Norman	Director
<u>/s/ Martin J. Weiland</u> Martin J. Weiland	Director
<u>/s/ Raymond E. Wooldridge</u> Raymond E. Wooldridge	Director

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Westwood Holdings Group, Inc.

We have audited the accompanying consolidated balance sheets of Westwood Holdings Group, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2012 and December 31, 2011, and the related consolidated statements of comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2012. We also have audited the Company’s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Westwood Holdings Group, Inc.’s Management Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Westwood Holdings Group, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by COSO.

Grant Thornton

Dallas, Texas
February 28, 2013

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REPORT OF WESTWOOD HOLDINGS GROUP, INC.'S MANAGEMENT ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of
Westwood Holdings Group, Inc.:

The management of Westwood Holdings Group, Inc. ("Westwood") is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Westwood's internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, contain inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The management of Westwood assessed the effectiveness of Westwood's internal control over financial reporting as of December 31, 2012. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework*. Based on our assessment, we believe that, as of December 31, 2012, Westwood's internal control over financial reporting is effective based on those criteria.

Westwood's independent registered public accounting firm has issued an audit report on our assessment of Westwood's internal control over financial reporting. This report appears on page F-2.

By: /s/ Brian O. Casey
Brian O. Casey, President & Chief Executive Officer

/s/ Mark A. Wallace
Mark A. Wallace, Chief Financial Officer

February 28, 2013
Dallas, Texas

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of December 31, 2012 and 2011
(in thousands, except par values and share amounts)

	2012	2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,817	\$ 5,264
Accounts receivable	8,920	7,707
Investments, at fair value	59,906	54,868
Deferred income taxes	3,362	3,142
Other current assets	1,365	1,501
Total current assets	77,370	72,482
Goodwill	11,255	11,255
Deferred income taxes	1,696	—
Intangible assets, net	4,149	4,621
Property and equipment, net of accumulated depreciation of \$1,747 and \$1,647	2,145	2,239
Total assets	<u>\$ 96,615</u>	<u>\$ 90,597</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,636	\$ 1,674
Dividends payable	1,201	3,074
Compensation and benefits payable	14,537	12,677
Income taxes payable	1,438	85
Other current liabilities	14	13
Total current liabilities	18,826	17,523
Deferred income taxes	—	969
Deferred rent	1,238	1,348
Total long-term liabilities	1,238	2,317
Total liabilities	20,064	19,840
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Common stock, \$0.01 par value, authorized 25,000,000 shares, issued 8,526,598 and outstanding 8,031,045 shares at December 31, 2012; issued 8,105,018 and outstanding 7,707,189 shares at December 31, 2011	85	81
Additional paid-in capital	88,483	76,969
Treasury stock, at cost – 495,553 shares at December 31, 2012; 397,829 shares at December 31, 2011	(18,502)	(14,706)
Accumulated other comprehensive income	30	1,940
Retained earnings	6,455	6,473
Total stockholders' equity	76,551	70,757
Total liabilities and stockholders' equity	<u>\$ 96,615</u>	<u>\$ 90,597</u>

See notes to consolidated financial statements.

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

	For the Years Ended December 31,		
	2012	2011	2010
REVENUES:			
Advisory fees			
Asset-based	\$ 57,936	\$ 54,246	\$ 42,153
Performance-based	1,251	991	—
Trust fees	14,969	13,453	12,051
Other revenues, net	3,339	219	1,109
Total revenues	<u>77,495</u>	<u>68,909</u>	<u>55,313</u>
EXPENSES:			
Employee compensation and benefits	43,692	35,081	29,001
Sales and marketing	1,132	994	823
Westwood mutual funds	1,153	790	662
Information technology	2,555	2,054	1,351
Professional services	4,420	2,981	2,941
General and administrative	4,517	3,900	2,814
Total expenses	<u>57,469</u>	<u>45,800</u>	<u>37,592</u>
Income before income taxes	20,026	23,109	17,721
Provision for income taxes	7,936	8,423	6,441
Net income	<u>\$ 12,090</u>	<u>\$ 14,686</u>	<u>\$ 11,280</u>
Other comprehensive income (loss):			
Available-for-sale investments:			
Change in unrealized gain on investment securities	(40)	1,014	(633)
Less: reclassification adjustment for net gains included in earnings	(1,900)	—	—
Net change (net of income taxes of \$(1,058), \$560 and \$(341), respectively)	(1,940)	1,014	(633)
Foreign currency translation adjustments	30	—	—
Other comprehensive income	(1,910)	1,014	(633)
Total comprehensive income	<u>\$ 10,180</u>	<u>\$ 15,700</u>	<u>\$ 10,647</u>
Earnings per share:			
Basic	<u>\$ 1.69</u>	<u>\$ 2.11</u>	<u>\$ 1.62</u>
Diluted	<u>\$ 1.65</u>	<u>\$ 2.04</u>	<u>\$ 1.58</u>
Weighted average shares outstanding:			
Basic	<u>7,145,701</u>	<u>6,970,382</u>	<u>6,606,281</u>
Diluted	<u>7,338,104</u>	<u>7,208,515</u>	<u>6,795,351</u>

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2012, 2011 and 2010
(in thousands, except share and per share data)

	Westwood Holdings Group, Inc. Common Stock, Par		Addi- tional Paid-In Capital	Treasury Stock	Accumu- lated Other Comp- rehensive Income	Retained Earnings	Total
	Shares	Amount					
BALANCE, January 1, 2010	7,151,472	\$ 73	\$47,741	\$ (6,026)	\$ 1,559	\$ 3,871	\$ 47,218
Net income						11,280	11,280
Other comprehensive income					(633)		(633)
Issuance of restricted stock	368,100	4	(4)				—
Issuance of stock for business combination	181,461	2	6,932				6,934
Amortization of stock compensation			9,269				9,269
Tax benefit related to equity compensation			1,488				1,488
Dividends declared (\$1.65 per share)						(12,369)	(12,369)
Stock options exercised	16,500	—	213				213
Purchases of treasury stock	(71,855)			(2,723)			(2,723)
BALANCE, December 31, 2010	7,645,678	\$ 79	\$65,639	\$ (8,749)	\$ 926	\$ 2,782	\$ 60,677
Net income						14,686	14,686
Other comprehensive income					1,014		1,014
Issuance of restricted stock	207,995	2	(2)				—
Amortization of stock compensation			9,969				9,969
Tax benefit related to equity compensation			1,077				1,077
Dividends declared (\$1.42 per share)						(10,995)	(10,995)
Stock options exercised	22,150		286				286
Purchases of treasury stock	(168,634)			(5,957)			(5,957)
BALANCE, December 31, 2011	7,707,189	\$ 81	\$76,969	\$ (14,706)	\$ 1,940	\$ 6,473	\$ 70,757
Net income						12,090	12,090
Other comprehensive income					(1,910)		(1,910)
Issuance of restricted stock	405,330	4	(4)				—
Amortization of stock compensation			10,515				10,515
Tax benefit related to equity compensation			793				793
Dividends declared (\$1.51 per share)						(12,108)	(12,108)
Stock options exercised	16,250		210				210
Purchases of treasury stock	(97,724)			(3,796)			(3,796)
BALANCE, December 31, 2012	8,031,045	\$ 85	\$88,483	\$ (18,502)	\$ 30	\$ 6,455	\$ 76,551

See notes to consolidated financial statements.

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

	For the Years Ended December 31,		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 12,090	\$ 14,686	\$ 11,280
Adjustments to reconcile net income to net cash provided by operating activities, net of business combinations:			
Depreciation	349	264	274
Amortization of intangible assets	472	498	155
Fair value adjustment of deferred acquisition liabilities	—	(31)	156
Gain on sale of available for sale investment	(1,900)	—	—
Unrealized losses (gains) on investments	(344)	291	(694)
Loss on disposal of property	1	20	—
Stock based compensation	10,515	9,969	9,269
Deferred income taxes	(1,817)	(93)	(350)
Excess tax benefits from stock based compensation	(676)	(805)	(1,026)
Net purchases of investments – trading securities	(7,692)	(10,285)	(714)
Changes in operating assets and liabilities:			
Accounts receivable	(1,208)	(359)	(572)
Other current assets	61	(755)	(18)
Accounts payable and accrued liabilities	(39)	381	(2,167)
Compensation and benefits payable	1,846	3,308	2,343
Income taxes payable and prepaid taxes	2,147	989	838
Other liabilities	(25)	470	(497)
Net cash provided by operating activities	<u>13,780</u>	<u>18,548</u>	<u>18,277</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of available for sale investments	—	—	(39,877)
Sales of available for sale investments	1,900	—	39,257
Cash paid for business combination, net of cash acquired	—	(816)	(4,993)
Purchases of property and equipment	(264)	(1,431)	(49)
Sale of property and equipment	—	3	—
Net cash provided by (used in) investing activities	<u>1,636</u>	<u>(2,244)</u>	<u>(5,662)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchases of treasury stock	(3,796)	(5,957)	(2,723)
Excess tax benefits from stock based compensation	676	805	1,026
Proceeds from exercise of stock options	210	286	213
Cash dividends	(13,981)	(7,918)	(12,266)
Net cash used in financing activities	<u>(16,891)</u>	<u>(12,784)</u>	<u>(13,750)</u>
Effect of currency rate changes on cash	28	—	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(1,447)</u>	<u>3,520</u>	<u>(1,135)</u>
Cash and cash equivalents, beginning of year	<u>5,264</u>	<u>1,744</u>	<u>2,879</u>
Cash and cash equivalents, end of year	<u>\$ 3,817</u>	<u>\$ 5,264</u>	<u>\$ 1,744</u>
Supplemental cash flow information:			
Cash paid during the year for income taxes	\$ 7,600	\$ 7,502	\$ 5,937

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2012, 2011 and 2010

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:

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Westwood and its subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation.

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 assess whether the entities in which we have an interest are VIEs and whether we qualify as the primary beneficiary of the VIEs that we identify. We do not consolidate any VIEs. See Note 12 for disclosures related to VIEs.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (“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 would pay us an additional fee if we outperform a specified index over a specific period of time. We record revenue for performance-based fees at the end of the measurement period. 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

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 shown on the balance sheet under the heading of "Other current liabilities". Other revenues generally consist of interest and investment income and are recognized as earned.

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.

Investments

Class A shares of Teton Advisors, Inc. ("Teton shares"), which we sold during 2012, were classified as available for sale. The Teton shares were carried at quoted market value with a 25% discount for lack of marketability. Unrealized gains and losses on the Teton shares were recorded through other comprehensive income. All other 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.

Fair Value of Financial Instruments

We determined the estimated fair values of our financial instruments using available information. The fair value amounts discussed in Notes 4 and 5 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 of accounts receivable and payable, approximates their carrying value due to their short-term maturities. 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 fair value based on prices quoted in active markets and, with respect to funds, the reported net asset value of the shares held. Market values of our money market holdings generally do not fluctuate.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets (from 3 to 11 years), and depreciation on leasehold improvements is provided over the lease term using the straight-line method. We capitalize leasehold improvements, furniture and fixtures, computer hardware and most office equipment purchases.

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.

We perform our annual impairment assessment as of July 1 of each year and would perform a reassessment if circumstances indicated a potential impairment between our annual assessment dates. No impairments have been recorded. We assess the fair value of our business units in connection with goodwill using a market multiple approach. We updated our assessment at the end of 2012 and determined that no events occurred in the last half of 2012 that indicated that these assets should be retested for impairment.

Our intangible assets represent fair value as of the acquisition date of the acquired customer accounts, mutual fund assets, trade names and non-compete agreements and are reflected net of amortization. In valuing these assets, we made significant estimates regarding the useful life, growth rates and potential attrition of the assets acquired. We periodically review our intangible assets for events or circumstances that would indicate impairment. If the carrying value of these assets exceeded the fair value, we would record an impairment to remove the excess. See Note 6.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income Taxes

We file a United States Federal income tax return as a consolidated group for Westwood and its subsidiaries based in the US. We file a Canadian income tax return for Westwood International Advisors Inc. 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 Advisors Inc.

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

Accounting Developments

In May 2011, the Financial Accounting Standards Board (“FASB”) issued new guidance regarding the definition and requirements for the measurement of and disclosure about fair value. The new guidance results in a consistent definition of fair value and common requirements for the measurement and disclosure of fair value between U.S. GAAP and International Financial Reporting Standards. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We adopted this guidance in these financial statements. It did not have a material effect on our consolidated financial statements.

In June 2011, the FASB issued new guidance regarding the presentation of comprehensive income. Under this new guidance, an entity must present the components of net income and comprehensive income in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new guidance eliminates the option to present other comprehensive income in the statement of shareholders’ equity. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We adopted this guidance in our financial statements for the year ending December 31, 2011. It did not have a material effect on our consolidated financial statements.

In September 2011, the FASB issued new guidance regarding the testing of goodwill for impairment. This new guidance allows entities to perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying value in order to determine if quantitative testing is required. This qualitative assessment is optional and is intended to reduce the cost and complexity of annual goodwill impairment tests. The new guidance is effective for annual and interim impairment tests performed for fiscal years beginning after December 15, 2011, and early adoption is allowed provided the entity has not yet performed its 2011 impairment test or issued its financial statements. This guidance will not have a material effect on our consolidated financial statements.

Currency Translation

Assets and liabilities of 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 long-term compensation agreements with certain key employees of Westwood International. These agreements stipulate that cash sign on bonuses paid to these employees can be earned over multi-year periods. In certain circumstances, these payments will be forfeited to us if the employment of these individuals is terminated before completion of the contractual earning period. Obligations accrued under these agreements are included in “Compensation and benefits payable” on our Consolidated Balance Sheet.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Stock-Based Compensation

We account for stock-based compensation in accordance with 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 stock options in accordance with our Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan (the “Plan”). We valued stock options issued based upon the Black-Scholes option-pricing model and recognized this value as an expense over the periods in which the options vested. Implementation of the Black-Scholes option-pricing model required us to make certain assumptions, including expected volatility, the risk-free interest rate, expected dividend yield and expected life of the options. We utilized assumptions that we believed to be most appropriate at the time of the valuation. Had we used different assumptions in the pricing model, the expense recognized for stock options may have been different than the expense recognized in our financial statements. We must also 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, stock-based compensation expense and our results of operations could be materially affected.

Tax benefits realized upon the vesting of restricted shares that are in excess of the expense previously recognized for reporting purposes are recorded in stockholder’s equity and reflected as a financing activity in our Consolidated Statement of Cash Flows. If the tax benefit upon vesting is less than the expense previously recorded, the shortfall is recorded in stockholder’s equity. If the shortfall exceeds available windfall benefits in equity, they are recorded in our Consolidated Statement of Comprehensive Income and as an operating activity on our Consolidated Statement of Cash Flows.

3. ACCOUNTS RECEIVABLE:

The majority of our accounts receivable balances consist of advisory and trust fees receivable from customers that we believe and have experienced to be fully collectable. Accordingly our financial statements do not include an allowance for bad debt or any bad debt expense.

Some of our directors, executive officers and their affiliates invest their personal funds directly in trust accounts that we manage. There were no amounts due from these accounts as of December 31, 2012 and 2011. For the years 2012, 2011 and 2010, we recorded trust fees from these accounts of \$314,000, \$429,000 and \$442,000, respectively.

4. INVESTMENTS:

Investments are presented below (in thousands) and are carried at fair value. Our investment in Teton shares, which we sold in 2012 for a gain of \$1.9 million, were accounted for as available for sale securities. All other investments are accounted for as trading securities.

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
December 31, 2012:				
U.S. Government and Government agency obligations	\$42,588	\$ 1	\$ —	\$42,589
Money Market Funds	1,856	—	—	1,856
Equity Funds – trading	4,401	519	—	4,920
Fixed Income Funds – trading	<u>10,468</u>	<u>73</u>	<u>—</u>	<u>10,541</u>
Marketable securities	<u>\$59,313</u>	<u>\$ 593</u>	<u>\$ —</u>	<u>\$59,906</u>

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2011:				
U.S. Government and Government agency obligations	\$35,499	\$ 8	\$ —	\$35,507
Money Market Funds	11,458	—	—	11,458
Equity – available for sale	—	2,999	—	2,999
Equity Funds – trading	3,161	248	(9)	3,400
Fixed Income Funds – trading	1,503	1	—	1,504
Marketable securities	<u>\$51,621</u>	<u>\$ 3,256</u>	<u>\$ (9)</u>	<u>\$54,868</u>

The following amounts, except for income tax amounts, are included in our income statement under the heading “Other revenues” for the years indicated (in thousands):

	2012	2011	2010
Realized gains	\$2,467	\$ 407	\$104
Realized losses	(13)	(182)	(3)
Net realized gains/(losses)	<u>2,454</u>	<u>225</u>	<u>101</u>
Income tax expense/(benefit) from gains/(losses)	891	82	37
Interest income – trading	27	61	104
Interest income – available-for-sale	—	—	—
Dividend income	514	221	189
Unrealized gains/(losses)	344	(291)	694

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC No. 820, Fair Value Measurements and Disclosures (“ASC 820”), 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 as of the dates indicated within the fair value hierarchy (in thousands).

	Level 1	Level 2	Level 3	Total
As of December 31, 2012				
Investments in securities:				
Trading	\$55,389	\$4,517	\$ —	\$59,906
Total Financial instruments	<u>\$55,389</u>	<u>\$4,517</u>	<u>\$ —</u>	<u>\$59,906</u>
As of December 31, 2011				
Investments in securities:				
Trading	\$50,592	\$1,277	\$ —	\$51,869
Available-for-sale	—	—	2,999	2,999
Total Financial instruments	<u>\$50,592</u>	<u>\$1,277</u>	<u>\$2,999</u>	<u>\$54,868</u>

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Investments categorized as level 2 assets consist of investments in a common trust fund 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 a private market that is not active; however, the unit price is based on the market value of the underlying investments that are traded on an active market.

We sold all of our 200,000 Class A shares of Teton Advisors, Inc. in 2012. Prior to disposition, we used level 3 inputs to determine their fair value. The following table presents information regarding this investment.

	<u>For the years ended</u>	
	<u>2012</u>	<u>2011</u>
Investments in available-for-sale securities (in thousands)		
Beginning balance	\$ 2,999	\$1,425
Proceeds from sale	(1,900)	
Change in unrealized gains included in Other Comprehensive Income	(1,099)	1,574
Ending balance	<u>\$ —</u>	<u>\$2,999</u>

6. ACQUISITIONS, GOODWILL AND INTANGIBLE ASSETS

On November 18, 2010, we acquired the business and all related assets of McCarthy Group Advisors, L.L.C. (“McCarthy”), a Nebraska limited liability company and registered investment advisor based in Omaha, Nebraska. The McCarthy business, now referred to as Westwood Trust-Omaha, was initially added to our Advisory segment. However, since then a significant portion of client assets have transitioned to Trust segment products and we expect this to continue. In addition, new client assets added by the Omaha office are generally invested in Trust segment products. This acquisition was made in order to increase assets in our private wealth and Westwood Trust operating units, increase revenue from the Westwood Funds through the reorganization of the McCarthy Multi-Cap Stock Fund into the Westwood Dividend Growth Fund, which was completed in February 2011, and expand the Westwood Trust platform.

At closing, we paid consideration totaling \$12.0 million, comprised of 181,461 shares of Westwood Holdings Group, Inc. common stock and \$5.0 million in cash. Related to this acquisition, we recorded goodwill of \$7.4 million, intangible assets of \$4.2 million and net working capital and property and equipment of \$0.4 million, which is detailed by assets and liabilities in a table below. The intangible assets purchased were primarily McCarthy’s customer accounts but also included allocations to trade-name and non-compete agreements, which together comprised approximately 7% of the allocated purchase price. Pro forma results of operations have not been presented because the results of operations for the years ended December 31, 2010, 2009 and 2008, including McCarthy’s operations, would not have been materially different from those reported in our Consolidated Statement of Income.

The following tables present the assets and liabilities we acquired from McCarthy:

	<u>Amount (\$ thousands)</u>
Goodwill:	
Other goodwill	\$ 6,875
Assembled workforce	491
Total goodwill	<u>\$ 7,366</u>
Intangible assets:	
Customer accounts	\$ 3,965
Trade name	234
Non-compete agreements	24
Total Intangible assets	<u>\$ 4,223</u>

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Amount (\$ thousands)
<u>Tangible assets</u>	
Cash	\$ 1,008
Receivables	370
Property and equipment	88
Prepaid expenses	76
Bonuses payable	(753)
Unearned Income	(296)
Other liabilities	(101)
Net tangible assets	<u>\$ 392</u>

On November 16, 2009, we acquired the business and substantially all the related assets of Baxter Financial Corporation related to its management of the Philadelphia Fund. In connection with this acquisition, the Philadelphia Fund was reorganized into the Westwood LargeCap Value Fund. On November 21, 2011, we paid cash for the final deferred payment in the amount of \$867,000.

The goodwill we acquired is not amortized but does provide a tax deduction. The changes in goodwill for the last two years were as follows (in thousands):

	2012	2011
Beginning balance	\$11,255	\$11,281
Acquired goodwill	—	(26)
Ending balance	<u>\$11,255</u>	<u>\$11,255</u>

Intangible Assets

The following is a summary of intangible assets at December 31, 2012 and 2011 (in thousands, except years):

	Weighted Average Amortization Period (years)	Gross Carrying Amount	Accum- lated Amortiz- ation	Net Carrying Amount
2012				
Client relationships	14.2	\$5,005	\$ (857)	\$4,148
Trade names	2.0	256	(256)	—
Non-compete agreements	2.3	26	(25)	1
Total		<u>\$5,287</u>	<u>\$(1,138)</u>	<u>\$4,149</u>
2011				
Client relationships	14.2	\$5,005	\$ (498)	\$4,507
Trade names	2.0	256	(153)	103
Non-compete agreements	2.3	26	(15)	11
Total		<u>\$5,287</u>	<u>\$ (666)</u>	<u>\$4,621</u>

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Amortization expense, which is included in “General and administrative” expense on our Consolidated Statement of Income, was \$472,000, \$498,000 and \$155,000 for the years ended December 31, 2012, 2011 and 2010, respectively. Estimated amortization expense for the intangible assets for the next five years is as 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:

Property and Equipment

The following table reflects information about our property and equipment as of December 31, 2012 and 2011.

	As of December 31,	
	2012	2011
Leasehold improvements cost	\$ 1,321	\$ 1,410
Furniture and fixtures cost	1,450	1,364
Computer hardware and office equipment cost	1,121	1,112
Accumulated depreciation	(1,747)	(1,647)
Net property and equipment	<u>\$ 2,145</u>	<u>\$ 2,239</u>

Accumulated Other Comprehensive Income

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

	As of December 31,	
	2012	2011
Foreign currency translation adjustment	\$ 30	\$ —
Net unrealized gains on available-for-sale investments, net of taxes	—	1,940
Accumulated other comprehensive income	<u>\$ 30</u>	<u>\$ 1,940</u>

8. INCOME TAXES:

Income Tax Provision

Income (loss) before income taxes by jurisdiction is as follows:

	Years ended December 31,		
	2012	2011	2010
United States	\$26,850	\$23,109	\$17,721
Canada	(6,824)	—	—
Total	<u>\$20,026</u>	<u>\$23,109</u>	<u>\$17,721</u>

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income tax expense differs from the amount that would otherwise have been calculated by applying the US Federal corporate tax rate of 35% to income before income taxes. The difference between the Federal corporate tax rate and the effective tax rate is comprised of the following (in thousands):

	Years ended December 31,		
	2012	2011	2010
Income tax provision computed at US federal statutory rate	\$7,009	\$8,088	\$6,202
Canadian rate differential	580	—	—
State and local income taxes, net of federal income taxes	305	353	295
Other, net	42	(18)	(56)
Total income tax expense	\$7,936	\$8,423	\$6,441
Effective income tax rate	39.6%	36.4%	36.3%

We include penalties and interest on income-based taxes in the “Provision for income taxes” line on our income statement. We recorded penalties and interest of \$0, \$135 and \$13,212 in 2012, 2011 and 2010, respectively.

Income tax provision (benefit) as set forth in the consolidated statements of income consisted of the following components (in thousands):

	Years ended December 31,		
	2012	2011	2010
Current taxes:			
US Federal	\$ 9,280	\$7,944	\$6,341
State and local	473	546	450
Total	9,753	8,490	6,791
Deferred taxes:			
State and local	(2)	(2)	3
US Federal	(4)	(65)	(353)
Non-US	(1,811)	—	—
Total	(1,817)	(67)	(350)
Total income tax expense	\$ 7,936	\$8,423	\$6,441

Deferred Income Taxes

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities are presented below (in thousands):

	As of	
	2012	2011
Deferred tax assets:		
Restricted stock amortization	\$3,903	\$ 3,647
Net operating loss	1,818	—
Deferred rent	173	182
Other	19	74
Total deferred tax assets	5,913	3,903
Deferred tax liabilities:		
Depreciation at rates different for tax than for financial reporting	(391)	(445)
Intangibles	(253)	(138)
Unrealized gains on investments	(211)	(1,147)
Total deferred tax liabilities	(855)	(1,730)
Net deferred tax assets	\$5,058	\$ 2,173

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2012	2011
Net current deferred tax asset	\$3,362	\$ 3,142
Non-current deferred tax assets	2,552	761
Non-current deferred tax liabilities,	(856)	(1,730)
Net non-current deferred tax assets (liabilities) reflected on the balance sheet	1,696	(969)
Total net deferred tax assets	<u>\$5,058</u>	<u>\$ 2,173</u>

As of December 31, 2012, we have Canadian net operating loss carry forwards of \$1.8 million that are subject to limitation. These net operating loss carryforwards begin to expire in 2032. We believe that it is more likely than not that we will realize the benefit of our deferred tax assets. 2009 through 2011 are open tax years for federal income taxes. We are not currently under audit by any taxing jurisdiction.

9. REGULATORY CAPITAL REQUIREMENTS:

Westwood Trust is subject to the capital requirements of the Texas Department of Banking and has a minimum capital requirement of \$1.0 million. At December 31, 2012, Westwood Trust had total stockholders' equity of approximately \$12.4 million, which is \$11.4 million in excess of its minimum capital requirement.

Westwood Trust is limited under applicable Texas law in the payment of dividends to undivided profits, which is that part of equity capital equal to the balance of net profits, income, gains and losses since formation minus subsequent distributions to stockholders and transfers to surplus or capital under share dividends or appropriate Board resolutions. At the discretion of its board of directors, Westwood Trust has made quarterly and special dividend payments to us out of its undivided profits.

Westwood International is subject to the working capital requirements of the Ontario Securities Commission, which requires that combined cash and receivables be at least \$200,000 in excess of current liabilities. At December 31, 2012 Westwood International had combined cash and receivables that were \$1.0 million in excess of its current liabilities, which satisfies this requirement.

10. EMPLOYEE BENEFITS:

We have issued stock options and restricted shares to our employees and non-employee directors and offer 401(k) matching and profit sharing contributions to our employees. 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. The total number of shares that may be issued under the Plan (including predecessor plans to the Plan) may not exceed 3,398,100 shares. In the event of a change in control of Westwood, the Plan contains provisions providing for the acceleration of the vesting of restricted stock and stock options. At December 31, 2012, approximately 468,000 shares remain available for issuance under the Plan.

The following table presents the total stock-based compensation expense we recorded and the total income tax benefit recognized for stock-based compensation arrangements for the years indicated (in thousands):

	For the years ended		
	December 31,		
	2012	2011	2010
Total stock based compensation expense	\$10,515	\$9,969	\$9,269
Total income tax benefit recognized related to stock-based compensation	4,230	3,872	3,497

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted Stock

Under the Plan, we have granted restricted stock to employees and non-employee directors, which are subject to service conditions, and to our Chief Executive Officer, Brian O. Casey, and certain other employees, which are subject to a service condition and performance goals. We calculate compensation cost for restricted stock grants by using the fair market value of our common stock at the date of grant, the number of shares issued, an adjustment for restrictions on dividends and an estimate of shares that will not vest due to forfeitures. This compensation cost is amortized on a straight-line basis over the applicable vesting period.

As of December 31, 2012, there was approximately \$21.8 million of unrecognized compensation cost, which we expect to recognize over a weighted-average period of 2.0 years. In order to satisfy tax liabilities that employees will owe on their shares that vest, we may withhold a sufficient number of vested shares from employees on the date vesting occurs. We withheld 86,453 shares in 2012 for this purpose. Our two types of restricted stock grants are discussed below.

Employee and non-employee director restricted share grants

For the years ended December 31, 2012, 2011 and 2010, we granted restricted stock to employees and non-employee directors. The employees' shares vest over four years and the 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 year ended December 31, 2012:

	Shares	Weighted Average Grant Date Fair Value
Restricted shares subject only to a service condition:		
Non-vested, January 1, 2012	561,070	\$ 36.37
Granted	214,780	39.26
Vested	(206,375)	36.19
Forfeited	(9,450)	37.63
Non-vested, December 31, 2012	<u>560,025</u>	37.52

The following table shows the weighted-average grant date fair value for shares granted and the total fair value of shares vested during the years indicated:

	Years ended December 31,		
	2012	2011	2010
Restricted shares subject only to a service condition:			
Weighted-average grant date fair value	\$39.26	\$36.64	\$39.06
Fair value of shares vested (in thousands)	\$8,115	\$7,380	\$7,026

Performance-based restricted share grants

Under the Plan, we granted restricted shares to our Chief Executive Officer, Brian O. Casey, and certain other employees, that vest over five years, provided annual performance goals established by the Compensation Committee of Westwood's board of directors are met. For the year ended December 31, 2012, the officers became vested in the applicable percentage of their restricted shares since Westwood's adjusted pre-tax income, as defined, for 2012 was at least \$26,661,000, representing a compound annual growth rate of 7% over the adjusted pre-tax income for the year 2007. Each year the Compensation Committee establishes a specific goal for that year's vesting of the restricted shares, which historically is based upon Westwood's adjusted pre-tax income, as defined. If the performance goal is not met in any year during the vesting period, the Compensation Committee may establish a goal for a subsequent vesting period, which, if achieved or exceeded, may result in full or partial vesting of the shares that did not otherwise become vested in a prior year. In no event, under the current grants, will the maximum number of shares which may become vested over the vesting period exceed 175,000 shares in the case of our Chief Executive Officer or 200,000 shares in the case of certain other employees. If a portion of the performance-based restricted shares do not vest, no compensation expense is recognized for that portion and any previously recognized compensation expense related to shares that do not vest would be reversed.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Shares	Weighted Average Grant Date Fair Value
Restricted shares subject to service and performance conditions:		
Non-vested, January 1, 2012	105,000	\$ 39.90
Granted	200,000	39.31
Vested	(75,000)	39.59
Forfeited	—	—
Non-vested, December 31, 2012	<u>230,000</u>	\$ 39.49

The following table shows the weighted-average grant date fair value for shares granted and the total fair value of shares vested during the years indicated:

	Years ended December 31,		
	2012	2011	2010
Restricted shares subject to a service and performance condition:			
Weighted-average grant date fair value	\$39.31	\$ —	\$39.90
Fair value of shares vested (in thousands)	\$3,068	\$3,107	\$3,397

Because the performance goal was met in 2012, the shares are vested in substance but require certification by our Compensation Committee, at which time a share price will be determined for tax purposes. As a result, we estimate that the total fair value of the shares that vested in 2012 was approximately \$3,068,000 based on a share price of \$40.90, the closing price of our stock as of the last business day of 2012.

Stock Options

Options granted under the Plan had a maximum ten-year term and vested over a period of four years. Options exercised represent newly issued shares. There are no options currently outstanding or exercisable. A summary of the status of Westwood's outstanding stock options as of December 31, 2012, 2011 and 2010 is presented below.

	December 31, 2012		December 31, 2011		December 31, 2010	
	Underlying Shares	Weighted Average Exercise Price	Underlying Shares	Weighted Average Exercise Price	Underlying Shares	Weighted Average Exercise Price
Outstanding, beginning of period	16,250	\$ 12.90	38,400	\$ 12.90	54,900	\$ 12.90
Granted	—	—	—	—	—	—
Exercised	(16,250)	12.90	(22,150)	12.90	(16,500)	12.90
Forfeited	—	—	—	—	—	—
Outstanding and exercisable, end of period	<u>—</u>	<u>—</u>	<u>16,250</u>	<u>12.90</u>	<u>38,400</u>	<u>12.90</u>
Intrinsic value – outstanding and exercisable	\$ —		\$384,000		\$1,039,000	

The following table displays information for Westwood stock options exercised for the periods presented (in thousands):

	For the years ended		
	2012	2011	2010
Total intrinsic value of options exercised	\$364	\$542	\$425
Cash received from the exercise of stock options	210	287	213

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Westwood Holdings Group, Inc. Savings Plan

Westwood has a defined contribution 401(k) and profit sharing plan that was adopted in July 2002 and covers all employees. Discretionary employer profit sharing contributions become fully vested after six years of service by the participant. For the 401(k) portion of the plan, Westwood provided a match of up to 6% of eligible compensation. These 401(k) matching contributions vest immediately. The following table displays our profit sharing and 401(k) contributions for the periods presented (in thousands):

	Years ended December 31,		
	2012	2011	2010
Profit sharing contributions	\$ 749	\$ 582	\$ 477
401(k) matching contributions	809	707	679

11. EARNINGS PER SHARE:

Basic earnings per common share (“EPS”) is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding. Diluted EPS is computed based on the weighted average shares of common stock outstanding and common stock equivalents. Common stock equivalents are comprised of dilutive potential shares of restricted stock and stock options awards and contingently issuable shares.

Under ASC No. 620, Earnings Per Share (“ASC 620”), shares of unvested restricted stock that contain non-forfeitable rights to dividends are treated as participating securities, which requires allocating a portion of net income to those shares as if they were a separate class of stock, which reduces net income available to common stockholders. Prior to the third quarter 2010, shares of unvested restricted stock contained non-forfeitable rights to dividends and, accordingly, were participating securities. In the third quarter of 2010, the Plan was modified such that dividends on unvested restricted shares no longer contain non-forfeitable rights to dividends, which removed the requirements to treat such shares as a separate class of stock and to allocate a portion of net income to such shares for the third quarter of 2010 and future periods. There were no anti-dilutive restricted shares or options as of December 31, 2012, 2011 or 2010. The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share and share amounts):

	Years ended December 31,		
	2012	2011	2010
Net income	\$ 12,090	\$ 14,686	\$ 11,280
Less: Income allocated to participating restricted shares	—	—	(576)
Net income available to common stockholders	\$ 12,090	\$ 14,686	\$ 10,704
Weighted average shares outstanding – basic	7,145,701	6,970,382	6,606,281
Dilutive potential shares from unvested restricted shares	189,269	204,957	121,110
Dilutive contingently issuable shares	—	17,607	46,610
Dilutive potential shares from stock options	3,134	15,569	21,350
Weighted average shares outstanding – diluted	7,338,104	7,208,515	6,795,351
Earnings per share:			
Basic	\$ 1.69	\$ 2.11	\$ 1.62
Diluted	\$ 1.65	\$ 2.04	\$ 1.58

12. 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 acquired in the McCarthy acquisition hold their investments in ten LLCs that were formed and sponsored by

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

McCarthy. The CTFs, Westwood Funds™, CITs and LLCs (“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 may 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 the expected losses or a right to receive the majority of the 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 consolidated into our 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 these variable interest entities. Our investments in the Westwood Funds™ and the CTFs are accounted for as investments in accordance with our other investments described in Note. 4. We recognized fee revenue from the Westwood VIEs of approximately \$30.3 million, \$26.8 million and \$18.0 million for the twelve months ended December 31, 2012, 2011 and 2010, respectively. The following table displays the assets under management, amount of corporate money invested and risk of loss in each vehicle (in millions).

	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	—	—

13. COMMITMENTS AND CONTINGENCIES:***Leases***

We lease our offices under non-cancelable operating lease agreements. Rental expense for facilities and equipment leases for years ended December 31, 2012, 2011 and 2010 aggregated approximately \$1,258,000, \$979,000 and \$682,000, respectively, and is included in general and administrative and information technology expenses in the accompanying consolidated statements of income. At December 31, 2012, the future contractual rental payments for non-cancelable operating leases for each of the following five years and thereafter follow (in thousands):

Year ending:	
2013	\$1,345
2014	1,075
2015	961
2016	982
2017	976
Thereafter	<u>3,926</u>
Total payments due	<u>\$9,265</u>

Litigation

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

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

markets investment team who were previously employed by AGF, including Ms. Patricia Perez-Coutts. 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 Ms. Perez-Coutts, alleging that Ms. Perez-Coutts 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.

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 legal fees and directly related costs as part of potential loss contingencies. We expense legal fees and directly-related costs as they are incurred. We have recorded a receivable of \$86,000 which is our current minimum 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 balance sheet.

14. 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, the parent company of Advisory and Trust, 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.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	<u>Advisory</u>	<u>Trust</u>	<u>Westwood Holdings</u>	<u>Eliminations</u>	<u>Consolidated</u>
2012					
Net revenues from external sources	\$62,524	\$14,971	\$ —	\$ —	\$ 77,495
Net intersegment revenues	5,858	16	—	(5,874)	—
Net interest and dividend revenue	539	2	—	—	541
Depreciation and amortization	450	371	—	—	821
Income (loss) before income taxes	27,413	2,631	(10,018)	—	20,026
Income tax expense (benefit)	10,458	992	(3,514)	—	7,936
Segment assets	91,619	13,657	—	(8,661)	96,615
Segment goodwill	5,219	6,036	—	—	11,255
Expenditures for long-lived assets	228	36	—	—	264
2011					
Net revenues from external sources	\$55,450	\$13,459	\$ —	\$ —	\$ 68,909
Net intersegment revenues	4,624	17	—	(4,641)	—
Net interest and dividend revenue	280	2	—	—	282
Depreciation and amortization	386	376	—	—	762
Income (loss) before income taxes	31,090	1,988	(9,969)	—	23,109
Income tax expense (benefit)	11,112	765	(3,454)	—	8,423
Segment assets	76,444	14,150	3	—	90,597
Segment goodwill	5,219	6,036	—	—	11,255
Expenditures for long-lived assets	1,069	362	—	—	1,431
2010					
Net revenues from external sources	\$43,253	\$12,060	\$ —	\$ —	\$ 55,313
Net intersegment revenues	4,183	17	—	(4,200)	—
Net interest and dividend revenue	291	4	—	—	295
Depreciation and amortization	307	122	—	—	429
Income (loss) before income taxes	25,287	1,703	(9,269)	—	17,721
Income tax expense (benefit)	8,931	665	(3,155)	—	6,441
Segment assets	61,014	13,117	(1,503)	—	72,628
Segment goodwill	5,245	6,036	—	—	11,281
Expenditures for long-lived assets	60	77	—	—	137

15. CONCENTRATION:

For the years ended December 31, 2012, 2011 and 2010, our four largest clients accounted for 12.6%, 14.3% and 12.2% of our fee revenue, respectively. No single customer accounted for 10% or more of our revenues in any of these years.

(in thousands)	<u>Years ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Advisory fees from Westwood Management's largest client*:			
Asset-based fees	\$1,452	\$1,772	\$1,764
Performance-based fees	1,251	991	—
Percent of fee revenue	3.7%	4.0%	3.3%

* This client was not our largest client in 2010.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

16. SUBSEQUENT EVENTS:

On February 7, 2013, we declared a quarterly cash dividend of \$0.40 per share on common stock payable on April 1, 2013 to stockholders of record on March 15, 2013.

On February 22, 2013, we issued 188,124 shares of restricted stock to employees. On February 22, 2013, shares of our stock closed at a price of \$43.83 per share. The shares are subject to vesting conditions described in Note. 10 of these financial statements.

17. QUARTERLY FINANCIAL DATA (Unaudited):

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2012 and 2011 (in thousands, except per share amounts):

	Quarter			
	First	Second	Third	Fourth
2012				
Revenues	\$17,864	\$20,066	\$18,941	\$20,624
Income before income taxes	6,084	3,752	4,331	5,859
Net income	3,785	2,198	2,504	3,603
Basic earnings per common share	0.53	0.31	0.35	0.50
Diluted earnings per common share	0.52	0.30	0.34	0.49
2011				
Revenues	\$17,009	\$18,859	\$16,048	\$16,993
Income before income taxes	5,619	5,916	5,297	6,277
Net income	3,549	3,737	3,283	4,117
Basic earnings per common share	0.51	0.53	0.47	0.59
Diluted earnings per common share	0.50	0.52	0.46	0.57

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INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
2.1	Securities Purchase Agreement by and among Westwood Holdings Group, Inc., McCarthy Group Advisors, LLC, MGA Holdings, LLC, and The Members of MGA Holdings, LLC (1)
3.1	Amended and Restated Certificate of Incorporation of Westwood Holdings Group, Inc. (10)
3.2	Amended and Restated Bylaws of Westwood Holdings Group, Inc. (6)
4.1	Form of Common Stock Certificate of Westwood Holdings Group, Inc. (3)
10.1	Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan (including related forms of Stock Option Agreement and Restricted Stock Agreement) (7)+
10.2	Amendment to Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan (including related form of Restricted Stock Agreement) (11)+
10.3	Tax Separation Agreement between SWS Group, Inc. and Westwood Holdings Group, Inc. (2)
10.4	Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, L.P., dated as of April 4, 1990, and amendment thereto (4)
10.5	Ninth Modification of Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, dated as of November 25, 2003 (5)
10.6	Tenth Modification of Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, dated as of February 23, 2004 (5)
10.7	Eleventh Modification of Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, dated as of December 9, 2010 (12)
10.8	Twelfth Modification of Office Lease between Westwood Management Corp. and Crescent TC Investors LP, dated as of August 17, 2012 (1)
10.9	Software License Agreement between Infovisa and Westwood Trust, dated as of December 1, 2001 (4)
10.10	Software License and Support Agreement between Advent Software, Inc. and Westwood Management Corp., dated as of December 30, 1996 (4)
10.11	Investment Sub-advisory Agreement between Teton Advisers, LLC and Westwood Management Corp., dated as of October 6, 1994 (1)
10.12	Form of Indemnification Agreement for Westwood Holdings Group, Inc. (5)+
10.13	Form of Indemnification Agreement for Westwood Management Corp. (5)+
10.14	Form of Indemnification Agreement for Westwood Trust (5)+
10.15	Executive Employment Agreement between Westwood Holdings Group, Inc. and Susan M. Byrne (8)+
10.16	Executive Employment Agreement between Westwood Holdings Group, Inc. and Brian O. Casey (9)+
10.17	Executive Employment Agreement between Westwood Holdings Group, Inc. and Mark Freeman (13)+
10.18	Restricted Stock Agreement between Westwood Holdings Group, Inc. and Brian O. Casey (9)+
10.19	Mutual Fund Share Incentive Agreement, by and between Mark Freeman and Westwood Holdings Group, Inc. dated as of February 7, 2012 (13)+
10.20	Mutual Fund Share Incentive Agreement Amendment, by and between Mark Freeman and Westwood Holdings Group, Inc. dated as of January 14, 2013 (1)+
10.21	Schedule of Director Compensation (1)
21.1	Subsidiaries (1)
23.1	Consent of Grant Thornton (1)
24.1	Power of Attorney (included on first signature page) (1)
31.1	Certification of the Chief Executive Officer of Westwood required by Section 302 of the Sarbanes-Oxley Act of 2002 (1)
31.2	Certification of the Chief Financial Officer of Westwood required by Section 302 of the Sarbanes-Oxley Act of 2002 (1)
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 (1)#
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 (1)#

(1) Filed herewith.

(2) Incorporated by reference from Amendment No. 5 to Registration Statement on Form 10/A filed with the Securities and Exchange Commission on June 6, 2002.

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- (3) Incorporated by reference from Amendment No. 2 to Registration Statement on Form 10/A filed with the Securities and Exchange Commission on April 30, 2002.
- (4) Incorporated by reference from the Registration Statement on Form 10 filed with the Securities and Exchange Commission on February 8, 2002.
- (5) Incorporated by reference from Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2003.
- (6) Incorporated by reference from Form 8-K filed with the Securities and Exchange Commission on April 25, 2012.
- (7) Incorporated by reference from Form S-8 filed with the Securities and Exchange Commission on July 1, 2009.
- (8) Incorporated by reference from Form 8-K filed with the Securities and Exchange Commission on July 28, 2006.
- (9) Incorporated by reference from Form 8-K filed with the Securities and Exchange Commission on April 23, 2010.
- (10) Incorporated by reference from Form 8-K filed with the Securities and Exchange Commission on May 7, 2008.
- (11) Incorporated by reference from Form 10-Q filed with the Securities and Exchange Commission on October 21, 2010.
- (12) Incorporated by reference from Form 10-K filed with the Securities and Exchange Commission for fiscal year ended December 31, 2010.
- (13) Incorporated by reference from Form 8-K filed with the Securities and Exchange Commission on February 10, 2012.
- + Indicates management contract or compensation plan, contract or arrangement.
- # Pursuant to Item 601(b)(32) of SEC Regulation S-K, these exhibits are furnished rather than filed with this Report.

SECURITIES PURCHASE AGREEMENT

dated as of September 22, 2010

by and among

**WESTWOOD HOLDINGS GROUP, INC.,
(a Delaware corporation)**

**McCARTHY GROUP ADVISORS, L.L.C.,
(a Nebraska limited liability company),**

**MGA HOLDINGS, L.L.C.,
(a Nebraska limited liability company),**

and

THE MEMBERS OF MGA HOLDINGS, L.L.C.

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Exhibit G Form of McCarthy Noncompete Agreement
Exhibit H Form of MGI Noncompete Agreement
Exhibit I Form of Redemption Agreements

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SECURITIES PURCHASE AGREEMENT

This SECURITIES PURCHASE AGREEMENT (this "**Agreement**") is made as of September 22, 2010, by and among WESTWOOD HOLDINGS GROUP, INC., a Delaware corporation ("**Buyer**"), McCARTHY GROUP ADVISORS, L.L.C., a Nebraska limited liability company (the "**Company**"), MGA HOLDINGS, L.L.C., a Nebraska limited liability company (the "**Member**") and the undersigned members of the Member (each a "**Holdings Member**" and, collectively, the "**Holdings Members**" and, together with Buyer, the Company and the Member, each a "**Party**" and, collectively, the "**Parties**").

Background

A. The Company is a fee-only investment advisory firm for clients including individuals, corporations, non-profit organizations, partnerships and 401k plans (the "**Business**").

B. As of the Closing, the Member will own all of the outstanding membership interests of the Company consisting of 500,000 Class A Units (the "**Membership Interests**").

C. The Member desires to assign, transfer, convey and sell the Membership Interests to Buyer, and Buyer desires to purchase from the Member, all of the Member's right, title and interest in and to the Membership Interests on the terms and conditions set forth herein.

D. The Holdings Members own all of the issued and outstanding membership interests of the Member.

Terms and Conditions

NOW, THEREFORE, in consideration of the foregoing premises and the respective representations and warranties, covenants and agreements contained herein, the Parties agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions. When used in this Agreement, the following terms shall have the meanings assigned to them in this Section 1.1.

"**Accounts Receivable**" means any trade accounts receivable, notes receivable, bid, performance, lease, utility or other deposits, employee advances and other miscellaneous receivables of the Company.

"**Affiliate**" means, with respect to any specified Person, any other Person directly or indirectly controlling, controlled by or under common control with such specified Person.

"**Agreement**" is defined in the Preamble.

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“**Agreement and Plan of Reorganization**” is defined in Section 7.7(b).

“**Allocation Schedule**” means that certain schedule which shall set forth the agreed value of the Assets as of the Closing Date for the purposes of determining the tax consequences of the purchase of the Membership Interests, to be substantially in the form of Exhibit A.

“**Annualized Revenue**” is defined in Section 7.9.

“**Applicable Survival Period**” is defined in Section 11.1(b).

“**Assets**” means all of the assets, properties, goodwill and rights of every kind and description, real, personal, tangible and intangible that are owned by the Company.

“**Assignment and Assumption Agreement**” means an assignment and assumption agreement by and among Buyer and the Member whereby, at Closing, the Member will assign to Buyer all of the Member’s rights under any of the Certificate of Formation or Operating Agreement, which agreement shall be substantially in the form of Exhibit B.

“**Audited Financial Statements**” is defined in Section 4.6.

“**Authorization**” means any authorization, approval, consent, certificate, license, permit or franchise of or from any Governmental Entity or pursuant to any Law.

“**Balance Sheet**” is defined in Section 4.6

“**Balance Sheet Date**” is defined in Section 4.6.

“**Board of Trustees**” is defined in Section 7.7(a).

“**Burtscher Service Agreement**” is defined in Section 3.2(a)(viii).

“**Business**” is defined in the Background.

“**Business Day**” means a day other than a Saturday, Sunday or other day on which banks located in New York City are authorized or required by Law to close.

“**Buyer**” is defined in the Preamble.

“**Buyer Disclosure Schedule**” is defined in the preamble to Article VI.

“**Buyer Indemnitees**” is defined in Section 11.2.

“**Buyer Material Adverse Effect**” means any change or effect in or to the business, financial condition or results of operations of the Buyer that is materially adverse to Buyer and its Subsidiaries taken as a whole other than any such effect or change resulting from or arising in connection with (a) general economic, legal, political or industry-wide conditions which do not disproportionately affect Buyer and its Subsidiaries, or (b) natural disaster, national emergency, acts of terrorism or military action or the threat thereof which do not disproportionately affect

Buyer and its Subsidiaries. For the avoidance of doubt, “Buyer Material Adverse Effect” shall not include an adverse change in the market price of Westwood Common Stock that is unaccompanied by and not the result of a change or effect in or to the business, financial condition or results of operations of the Buyer as described above.

“**Certificate of Formation**” means Company’s Certificate of Formation, dated as of June 23, 2004, filed with the Secretary of State of the State of Nebraska.

“**Client Consents**” is defined in Section 7.6.

“**Closing**” is defined in Section 3.1.

“**Closing Balance Sheet**” is defined in Section 2.4(a).

“**Closing Date**” is defined in Section 3.1.

“**Closing Date Purchase Price**” is defined in Section 2.3(a).

“**Closing Revenue Statement**” is defined in Section 2.5(a).

“**Closing Statement**” is defined in Section 2.2(a).

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Collective Bargaining Agreement**” means any and all Contracts, memorandums of understanding, labor arrangements, collective bargaining agreements, or other labor union Contracts, letters, side letters, and contractual obligations of any kind, nature and description, oral or written, that have been entered into between or that involve or apply to any Person and any labor organization, union, works council, employee association, agency, employee committee, plan, or collective bargaining agent with respect to terms and conditions of employment of such Person’s employees.

“**Company**” is defined in the Preamble.

“**Company Disclosure Schedule**” is defined in the preamble to Article IV.

“**Company Disclosure Schedule Supplement**” is defined in Section 7.5(a).

“**Company Intellectual Property**” means the Company Owned Intellectual Property and the Company Licensed Intellectual Property.

“**Company Licensed Intellectual Property**” means any Intellectual Property owned by any Person other than the Company or any Subsidiary thereof and that is used in the operation of the Business pursuant to a license or sublicense.

“**Company Material Adverse Effect**” means any change or effect in or to the business, financial condition or results of operations of the Company that is materially adverse to the Company other than any such effect or change (a) resulting from or arising in connection with (i)

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general economic, legal, political or industry-wide conditions which do not disproportionately affect the Company, (ii) natural disaster, national emergency, acts of terrorism or military action or the threat thereof which do not disproportionately affect the Company, (iii) this Agreement or the transactions contemplated hereby, or (iv) any change in accounting requirements or principles or any change in applicable Law which do not disproportionately affect the Company, or (b) attributable to the fact that the prospective owner of the Company is Buyer or any Affiliate of Buyer.

“**Company Owned Intellectual Property**” means all Intellectual Property owned by, or purported to be owned by, the Company or any Subsidiary thereof, including Intellectual Property listed on Schedule 4.12.

“**Company Transaction Expenses**” means the fees, expenses, charges and other payments incurred or otherwise payable by the Company in connection with the consummation of the transactions contemplated by this Agreement.

“**Consenting Clients**” is defined in Section 7.6.

“**Continuation Period**” is defined in Section 8.6(a).

“**Continuing Employee**” is defined in Section 8.6(a).

“**Contract**” means any agreement, contract, commitment, arrangement or understanding.

“**Employee Plans**” is defined in Section 4.15(a).

“**Equity Interests**” means (a) in the case of a corporation, its shares of capital stock, (b) in the case of a partnership or limited liability company, its partnership or membership interests or units (whether general or limited), and (c) any other interest that confers on a Person the right to receive a share of the profits and losses of, or distribution of assets, of the issuing entity.

“**ERISA**” is defined in Section 4.15(a).

“**ERISA Affiliate**” means any entity which is a member of a “controlled group of corporations” with, under “common control” with or a member of an “affiliated services group” with, the Company, as defined in Section 414(b), (c), (m) or (o) of the Code.

“**Escrow Agent**” is defined in Section 2.7.

“**Escrow Agreement**” is defined in Section 2.7.

“**Escrow Funds**” is defined in Section 2.7.

“**Estimated Closing Indebtedness**” is defined in Section 2.2(a).

“**Estimated Closing Net Working Capital**” is defined in Section 2.2(a).

“**Estimated Revenue Shortfall Adjustment**” is defined in Section 2.2(b).

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“**Excluded Clients**” is defined in Section 7.6.

“**Final Indebtedness**” is defined in Section 2.4(b).

“**Final Net Working Capital**” is defined in Section 2.4(b).

“**Final Purchase Price**” means the Closing Date Purchase Price, subject to adjustment in accordance with Section 2.4 and Section 2.5, together with any amounts actually distributed to the Member from the Escrow Funds and the Member’s Representative Fund as provided in the Escrow Agreement and this Agreement.

“**Final Revenue Shortfall Adjustment**” is defined in Section 2.5(b).

“**Financial Statements**” is defined in Section 4.6.

“**Fund**” means McCarthy Multi-Cap Stock Fund, a series of Advisors Series Trust, a Delaware statutory trust (the “**Trust**”).

“**Fundamental Representations**” is defined in Section 11.1(a).

“**GAAP**” is defined in Section 4.6.

“**Governmental Entity**” means any nation or government, any state or other political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any government authority, agency, department, board, commission or instrumentality of the United States, any State of the United States or any political subdivision thereof; any court, tribunal or arbitrator; and any self-regulatory organization (as such term is defined in the Securities Exchange Act of 1934, as amended).

“**Guaranteed Indemnification Obligations**” is defined in Section 11.2(b).

“**Holdings Member**” or “**Holdings Members**” is defined in the Preamble.

“**Indebtedness**” means any of the following (without duplication): (a) any indebtedness for borrowed money, (b) any obligations evidenced by bonds, debentures, notes or other similar instruments, (c) any obligations to pay the deferred purchase price of property or services, except trade accounts payable and other current Liabilities arising in the ordinary course of business, (d) any obligations as lessee under capitalized leases, (e) any indebtedness created or arising under any conditional sale or other title retention agreement with respect to acquired property, (f) any obligations, contingent or otherwise, under acceptance credit, letters of credit or similar facilities, and (g) any guaranty or surety of any of the foregoing.

“**Indemnitee**” means any Person that is seeking indemnification from an Indemnitor pursuant to the provisions of this Agreement.

“**Indemnitor**” means any Party to this Agreement from which any Indemnitee is seeking indemnification pursuant to the provisions of this Agreement.

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“**Independent Accounting Firm**” is defined in Section 2.4(b).

“**Intellectual Property**” means all trademarks, service marks, domain names and any and all goodwill associated with any of the foregoing, patent rights, copyrights, together with all renewals, extensions, translations, adaptations, derivations and combinations therefor, and registrations and applications for any of the foregoing, trade secrets, know how, and business data and other intellectual property or similar corresponding or equivalent rights or other proprietary or contract rights relating to any of the foregoing (including remedies against infringements thereof and rights of protection of interest therein under the Laws of all jurisdictions).

“**Interim Agreement**” is defined in Section 7.7(a).

“**Interim Financial Statements**” is defined in Section 4.6.

“**IRS**” means the Internal Revenue Service of the United States.

“**Jarvis Service Agreement**” is defined in Section 3.2(a)(ix).

“**Knowledge**” with respect to the Company means the knowledge of Art N. Burtscher, Rodney D. Cerny, Richard L. Jarvis, Michael R. McCarthy and Andrea McMahon, each of whom shall be deemed to have knowledge of any matters that he or she would reasonably be expected to discover after reasonable inquiry concerning the existence of the fact or matter in question.

“**Law**” means any statute, law, ordinance, rule, regulation or legal binding practice or guidance of any Governmental Entity.

“**Leased Real Property**” is defined in Section 4.11(b).

“**Leases**” is defined in Section 4.11(b).

“**Liability**” means any direct or indirect liability, indebtedness, obligation, expense, claim, fine, penalty, loss, damage, deficiency, guaranty or endorsement of or by any Person, absolute or contingent, accrued or unaccrued, due or to become due, liquidated or unliquidated.

“**Lien**” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or other encumbrance in respect of such property or asset.

“**Losses**” is defined in Section 11.2(a).

“**Material Contracts**” is defined in Section 4.14(a).

“**McCarthy Noncompete Agreement**” is defined in Section 3.2(a)(x).

“**Member**” is defined in the Preamble.

“**Member Disclosure Schedule**” is defined in the preamble to Article V.

“**Member Disclosure Schedule Supplement**” is defined in Section 7.5(b).

“**Member Indemnitees**” is defined in Section 11.4.

“**Member’s Representative**” is defined in Section 11.14(a).

“**Member’s Representative Fund**” means an aggregate amount not to exceed \$15,000 which will be paid by the Buyer from the Purchase Price to the Member’s Representative, such funds to be used as set forth in this Agreement.

“**Membership Interests**” is defined in the Background.

“**MGA Clients**” means MGA Cash Reserves LLC, MGA Core Income LLC, MGA Core Income Tax Exempt LLC, MGA Diversified Core Equity LLC, MGA Focused Core Equity LLC, MGA Focused Small Cap Equity LLC, MGA International Equity LLC, MGA Diversified Small/Mid Cap Equity LLC, MGA Tactical Opportunity LLC, MGA Total Return LLC, MGA Long-Short LP, and KPM Equity Partners Limited Partnership.

“**MGI Noncompete Agreement**” is defined in Section 3.2(a)(xi).

“**Minority Members**” means Andrea McMahon and Rodney D. Cerny.

“**Net Working Capital**” means the current assets of the Company minus the current liabilities of the Company, each as determined in accordance with GAAP, subject to any adjustments described in Schedule 2.4(a).

“**New Plans**” is defined in Section 8.6(b).

“**New Welfare Plans**” is defined in Section 8.6(b).

“**Notice of Claim**” is defined in Section 11.5(a).

“**Notice of Disagreement**” is defined in Section 2.4(b).

“**Notice of Revenue Disagreement**” is defined in Section 2.5(b).

“**Old Plans**” is defined in Section 8.6(b).

“**Operating Agreement**” means the Company’s Operating Agreement, dated as of July 31, 2004.

“**Order**” means any award, injunction, judgment, decree, order, ruling, subpoena or verdict or other decision issued, promulgated or entered by or with any Governmental Entity of competent jurisdiction.

“**Organizational Documents**” means, with respect to any entity, the certificate of incorporation, the articles of incorporation, bylaws, articles of organization, partnership agreement, limited liability company agreement, formation agreement, joint venture agreement or other similar organizational documents of such entity (in each case, as amended through the date of this Agreement).

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“**Party**” and “**Parties**” is defined in the Preamble.

“**Permanent Agreement**” is defined in Section 7.7(a).

“**Permitted Liens**” means (a) Liens for current real or personal property Taxes that are not yet due and payable or that may hereafter be paid without material penalty, (b) workers’, carriers’ and mechanics’ or other like Liens incurred in the ordinary course of business and (c) Liens that are immaterial in character, amount and extent and which do not materially detract from the value or materially interfere with the present or proposed use of the properties they affect.

“**Person**” means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a Governmental Entity or any agency, instrumentality or political subdivision of a Governmental Entity, or any other entity or body.

“**Proceeding**” means any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative or informal) brought, conducted or heard by or before, or otherwise involving any Governmental Entity or arbitrator.

“**Proxy Statement**” is defined in Section 7.7(d).

“**Redemption Agreements**” is defined in Section 2.1.

“**Required Consents**” is defined in Section 4.5.

“**Revenue Shortfall Adjustment**” shall be calculated as set forth on Exhibit C.

“**Subsidiary**” or “**Subsidiaries**” means, with respect to any Party to this Agreement, any corporation or other organization, of which (a) such Party or any other Subsidiary of such Party is a general partner (excluding partnerships, the general partnership interests of which held by such Party or any Subsidiary of such Party do not have a majority of the voting interest in such partnership) or (b) such Party or any other Subsidiary of such Party directly or indirectly owns or controls at least a majority of the Equity Interests or other interests having by their terms ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions.

“**Target Net Working Capital**” means \$180,000.

“**Tax**” or “**Taxes**” means any and all federal, state, local, or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add-on minimum, environmental, profits, windfall profits, transaction, license, lease, service, service use, occupation, severance, energy, unemployment, social security, workers’ compensation, capital, premium, and other taxes, assessments, customs, duties, fees, levies, or other governmental charges.

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“**Tax Returns**” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“**Third Party Claim**” is defined in Section 11.5(a).

“**Third Party Defense**” is defined in Section 11.5(b).

“**Transaction Documents**” means this Agreement, the Assignment and Assumption Agreement, and the Escrow Agreement and any other agreement required to be delivered pursuant to the terms of this Agreement.

“**Trust**” is defined in the definition of “Fund.”

“**WARN Act**” means the Worker Adjustment and Retraining Notification Act of 1988, as amended.

“**Westwood Common Stock**” is defined in Section 2.8(a).

ARTICLE II

THE PURCHASE AND SALE OF THE MEMBERSHIP INTERESTS

2.1 Purchase and Sale of the Membership Interests. On the Closing Date, the Member shall sell, assign, transfer and convey the Membership Interests to Buyer, and Buyer shall purchase from the Member the Membership Interests free and clear of all Liens. Immediately prior to the Closing, the Company shall purchase and redeem the Membership Interests owned by the Minority Members pursuant to redemption agreements substantially in the form of Exhibit I (the “**Redemption Agreements**”).

2.2 Deliveries of Estimates.

(a) Not less than three Business Days prior to the Closing, the Company shall deliver to Buyer a statement (the “**Closing Statement**”) setting forth the Company’s good faith estimate of (i) Net Working Capital as of the Closing (such estimate, the “**Estimated Closing Net Working Capital**”), (ii) the Indebtedness of the Company as of the Closing (such estimate, the “**Estimated Closing Indebtedness**”), (iii) the Company Transaction Expenses as of the Closing, and (iv) the Closing Date Purchase Price.

(b) Not less than three Business Days prior to the Closing, the Company shall deliver to Buyer a statement listing each investment advisory client of the Company (including, in the case of the MGA Clients, a list of each underlying client, partner or member of each of the MGA Clients), denoting whether each such client is a Consenting Client, setting forth the Annualized Revenue attributable to each such client and further setting forth the Company’s good faith estimate of the amount of the Revenue Shortfall Adjustment, if any (the “**Estimated Revenue Shortfall Adjustment**”), calculated in accordance with Exhibit C.

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2.3 Purchase Price.

(a) The aggregate amount to be paid by Buyer on the Closing Date with respect to the outstanding Membership Interests shall equal (such amount, the “**Closing Date Purchase Price**”) \$10,930,000, (i) plus the amount, if any, by which the Estimated Closing Net Working Capital exceeds the Target Net Working Capital or minus the amount, if any, by which the Target Net Working Capital exceeds the Estimated Closing Net Working Capital, (ii) minus the Estimated Closing Indebtedness, (iii) minus the amount, if any, of the Revenue Shortfall Adjustment, (iv) minus any outstanding Company Transaction Expenses (which are to be paid directly by the Company at the Closing), provided that if the amount of legal fees that have been paid by the Company with respect to the transactions contemplated by this Agreement, together with the amounts actually outstanding as of the Closing exceed \$50,000, then all of any such amount outstanding as of the Closing that is less than \$50,000 and only 50% of such amount in excess of \$50,000 should be deemed to be Company Transaction Expenses, (v) minus the Escrow Funds, and (vi) minus the Member’s Representative Fund. The Purchase Price is subject to adjustment after the Closing pursuant to Section 2.4 and Section 2.5. The Closing Date Purchase Price shall be paid in the manner set forth in Section 2.8.

(b) The Closing Date Purchase Price shall be paid to the Member on the Closing Date, by wire transfer of immediately available funds and by transfer of Westwood Common Stock (as provided in Section 2.8) to such accounts as designated in writing by the Member’s Representative to Buyer at least three Business Days prior to the Closing.

(c) The Member’s Representative Fund shall be paid by Buyer to the Member’s Representative on the Closing Date, by wire transfer of immediately available funds to such account as designated in writing by the Member’s Representative to Buyer at least three Business Days prior to the Closing.

2.4 Post-Closing Net Working Capital and Indebtedness Adjustments.

(a) Within 45 Business Days after the Closing Date, Buyer shall deliver to the Member’s Representative a consolidated balance sheet of the Company, including all notes thereto, dated as of the Closing Date (the “**Closing Balance Sheet**”), prepared in accordance with GAAP applied on a basis consistent with the preparation of the Balance Sheet subject to any adjustments described in Schedule 2.4(a), together with, in such detail as shall be reasonably acceptable to the Member’s Representative, such relevant information on which such calculations are based, including Buyer’s determinations of (i) Net Working Capital, and (ii) Indebtedness of the Company, in each case as of the Closing.

(b) If the Member’s Representative disagrees with Buyer’s determinations of Net Working Capital or Indebtedness of the Company (as reflected on the Closing Balance Sheet), the Member’s Representative may, within 30 Business Days after receipt of the Closing Balance Sheet, deliver a written notice (a “**Notice of Disagreement**”) to Buyer setting forth the nature and amount of any disputed item. If Buyer does not receive a Notice of Disagreement

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within 30 Business Days after receipt by the Member's Representative of the Closing Balance Sheet, the Closing Balance Sheet and the calculations of Net Working Capital and Indebtedness of the Company reflected therein shall be conclusive and binding (absent manifest error or willful misrepresentation). If Buyer receives a Notice of Disagreement from the Member's Representative within 30 Business Days after receipt by the Member's Representative of the Closing Balance Sheet, Buyer and the Member's Representative shall use reasonable efforts to resolve any differences that they may have with respect to the matters specified therein. If Buyer and the Member's Representative have not resolved all such matters as of the 20th Business Day after delivery by the Member's Representative of the Notice of Disagreement, Buyer and the Member's Representative shall jointly retain PricewaterhouseCoopers (the "**Independent Accounting Firm**") to resolve such remaining disagreement. The Independent Accounting Firm shall make a written determination as to each disputed item and the amount of Net Working Capital and Indebtedness of the Company as of the Closing, which determination shall be final and binding on the Parties for all purposes hereunder. The Independent Accounting Firm shall be authorized to resolve only those items remaining in dispute between the Parties in accordance with the provisions of this Section 2.4 within the range of the difference between Buyer's position with respect thereto and the Member's Representative position with respect thereto. The Member's Representative and Buyer shall use their commercially reasonable efforts to cause the Independent Accounting Firm to render a written decision resolving the matters submitted to it within 20 Business Days following the submission thereof. The costs of any dispute resolution pursuant to this Section 2.4(b), including the fees and expenses of the Independent Accounting Firm and of any enforcement of the determination thereof, shall be borne by the Member's Representative and Buyer in inverse proportion as they may prevail on the matters resolved by the Independent Accounting Firm, which proportionate allocation shall be calculated on an aggregate basis based on the relative dollar values of the amounts in dispute and shall be determined by the Independent Accounting Firm at the time the determination of such firm is rendered on the merits of the matters submitted. The fees and disbursements of the agents, accountants and other advisors of each Party incurred in connection with their preparation or review of the Closing Balance Sheet and preparation or review of any Notice of Disagreement, as applicable, shall be borne by such Party. The Net Working Capital and Indebtedness of the Company as finally determined in accordance with this Section 2.4 are referred to as the "**Final Net Working Capital**" and the "**Final Indebtedness**" herein.

(c) The Final Purchase Price shall be adjusted, upwards or downwards, as follows:

- (i) increased by the amount that the Final Net Working Capital exceeds the Estimated Closing Net Working Capital, or decreased by the amount that the Final Net Working Capital is less than the Estimated Closing Net Working Capital;
- (ii) increased by the amount that the Final Indebtedness is less than the Estimated Closing Indebtedness, or decreased by the amount that the Final Indebtedness exceeds the Estimated Closing Indebtedness; and
- (iii) decreased by the amount of any Company Transaction Expenses not paid on or prior to the Closing Date and not already deducted from Closing Date Purchase Price pursuant to Section 2.3(a).

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2.5 Post-Closing Revenue Shortfall Adjustment.

(a) Within 45 Business Days after the Closing Date, Buyer shall deliver to the Member's Representative a statement (the "**Closing Revenue Statement**"), together with, in such detail as shall be reasonably acceptable to the Member's Representative, Buyer's determination of the Revenue Shortfall Adjustment, if any, calculated in accordance with Exhibit C.

(b) If the Member's Representative disagrees with Buyer's determinations of Revenue Shortfall Adjustment, the Member's Representative may, within 30 Business Days after receipt of the Closing Revenue Statement, deliver a written notice (a "**Notice of Revenue Disagreement**") to Buyer setting forth the nature and amount of any disputed item. If Buyer does not receive a Notice of Revenue Disagreement within 30 Business Days after receipt by the Member's Representative of the Closing Revenue Statement, the Closing Revenue Statement and the calculation of Revenue Shortfall Adjustment reflected therein shall be conclusive and binding (absent manifest error or willful misrepresentation). If Buyer receives a Notice of Revenue Disagreement from the Member's Representative within 30 Business Days after receipt by the Member's Representative of the Closing Revenue Statement, Buyer and the Member's Representative shall use reasonable efforts to resolve any differences that they may have with respect to the matters specified therein. If Buyer and the Member's Representative have not resolved all such matters as of the 20th Business Day after delivery by the Member's Representative of the Notice of Disagreement, Buyer and the Member's Representative shall jointly retain the Independent Accounting Firm to resolve such remaining disagreement. The Independent Accounting Firm shall make a written determination as to each disputed item and the amount of Revenue Shortfall Adjustment as of the Closing, which determination shall be final and binding on the Parties for all purposes hereunder. The Independent Accounting Firm shall be authorized to resolve only those items remaining in dispute between the Parties in accordance with the provisions of this Section 2.5 within the range of the difference between Buyer's position with respect thereto and the Member's Representative position with respect thereto. The Member's Representative and Buyer shall use their commercially reasonable efforts to cause the Independent Accounting Firm to render a written decision resolving the matters submitted to it within 20 Business Days following the submission thereof. The costs of any dispute resolution pursuant to this Section 2.5(b), including the fees and expenses of the Independent Accounting Firm and of any enforcement of the determination thereof, shall be borne by the Member's Representative and Buyer in inverse proportion as they may prevail on the matters resolved by the Independent Accounting Firm, which proportionate allocation shall be calculated on an aggregate basis based on the relative dollar values of the amounts in dispute and shall be determined by the Independent Accounting Firm at the time the determination of such firm is rendered on the merits of the matters submitted. The fees and disbursements of the agents, accountants and other advisors of each Party incurred in connection with their preparation or review of the Closing Revenue Statement and preparation or review of any Notice of Revenue Disagreement, as applicable, shall be borne by such Party. The Revenue Shortfall Adjustment as finally determined in accordance with this Section 2.5 is referred to as the "**Final Revenue Shortfall Adjustment**" herein.

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(c) The Final Purchase Price shall be decreased by the amount that the Final Revenue Shortfall Adjustment exceeds the Estimated Revenue Shortfall Adjustment, or increased by the amount that the Final Revenue Shortfall Adjustment is less than the Estimated Revenue Shortfall Adjustment.

2.6 Adjustment Payments. If the Final Purchase Price (as adjusted pursuant to Section 2.4(c) and Section 2.5(c)) exceeds the Closing Date Purchase Price, the Final Purchase Price shall be adjusted upwards by the amount of such excess, and Buyer shall pay to the Member's Representative (to be distributed to the Member) an amount equal to such excess, in the manner set forth in Section 2.8, to accounts designated in writing by the Member's Representative to Buyer. Such payment is to be made within five Business Days of the date on which Final Net Working Capital, Final Indebtedness and Final Revenue Shortfall Adjustment are determined pursuant to Section 2.4 and Section 2.5. If the Final Purchase Price (as adjusted pursuant to Section 2.4(c) and Section 2.5(c)) is less than the Closing Date Purchase Price, the Final Purchase Price shall be adjusted downwards by the amount of such deficiency and the Escrow Agent, shall pay or cause to be paid an amount equal to such shortfall, in the manner set forth in Section 2.8, to an account designated in writing by Buyer to the Escrow Agent. Such payment is to be made within five Business Days of the date on which Final Net Working Capital, Final Indebtedness and Final Revenue Shortfall Adjustment are determined pursuant to Section 2.4 and Section 2.5.

2.7 Escrow Funds. At the Closing, Buyer shall deposit with the Escrow Agent an aggregate amount equal to \$1,093,000, by wire transfer of immediately available funds and by transfer of Westwood Common Stock as provided in Section 2.8 (such cash and shares of Westwood Common Stock, plus any investment proceeds thereon, the "**Escrow Funds**") to be held pursuant to the terms of an escrow agreement with a one-year term substantially in the form of Exhibit D (the "**Escrow Agreement**") to be entered into at the Closing by Buyer, the Member's Representative and Wells Fargo Bank, National Association (the "**Escrow Agent**"). Buyer shall remit the Escrow Funds to the Escrow Agent to account(s) designated by the Escrow Agent in a written notice to Buyer and Member's Representative prior to the Closing Date. Any amount of the Escrow Funds which is distributed to the Member's Representative shall be additional Purchase Price which shall be distributed to the Member by the Member's Representative.

2.8 Purchase Price Payments. The Closing Date Purchase Price payable pursuant to Section 2.3(b), the payment of the Escrow Funds pursuant to Section 2.7, and any payments made pursuant to Section 2.6, whether payable by Buyer or the Escrow Agent, shall be made as follows:

(a) 54.25% of such payment shall be made in restricted shares of Buyer's common stock, par value \$0.01 per share ("**Westwood Common Stock**"), and 45.75% of such payment shall be payable in cash;

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(b) the number of shares of restricted Westwood Common Stock to be issued or transferred pursuant to Section 2.8(a) shall be determined by (i) multiplying such payment by 0.5425, and (ii) dividing the product by the average closing price of Westwood Common Stock over the 15 Business Days prior to the date of this Agreement. Any fractional share of Westwood Common Stock shall be rounded up to the next whole share; and

(c) the restricted shares of Westwood Common Stock issued to the Member pursuant to this Section 2.8 shall become freely tradable by the Member as set forth on Schedule 2.8(c).

2.9 Allocation. The value of the Assets as of the Closing Date for the purposes of determining the Tax consequences of the purchase of the Membership Interests shall be as set forth on the Allocation Schedule. Buyer and the Member hereby agree to prepare all of their respective Tax filings and supporting Tax books and records in a manner consistent with the Allocation Schedule and not to take any position for Tax purposes inconsistent therewith in any administrative or judicial Proceeding (unless required by applicable Law).

ARTICLE III

THE CLOSING

3.1 The Closing. The closing of the transactions contemplated by this Agreement (the “**Closing**”) shall take place effective as of 11:59 p.m. Central Time on the date on which there has been a satisfaction or waiver of all of the conditions to the consummation of the transactions contemplated by this Agreement set forth in Article IX, or on such other date as the Parties shall agree in writing, by means of exchange of signature pages by facsimile or other electronic means (to be followed by delivery of hard copies of all Closing deliveries) or, at the election of the Parties, at the offices of Morgan, Lewis & Bockius LLP, 1701 Market Street, Philadelphia, PA. The date on which the Closing occurs is referred to herein as the “**Closing Date**.”

3.2 Deliveries. At the Closing, subject to the terms and conditions contained herein:

(a) The Company shall deliver to Buyer the following items:

(i) Duly executed counterparts to each of the Transaction Documents to which the Company is party;

(ii) A certificate of the Secretary of State of Nebraska as to the good standing as of the most recent practicable date of the Company in such jurisdiction;

(iii) The Certificate of Formation certified as of the most recent practicable date by the Secretary of State of Nebraska;

(iv) A certificate of the Secretary of the Company, given by him or her on behalf of the Company and not in his or her individual capacity, certifying as to the

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Certificate of Formation and Operating Agreement and as to the resolutions of the Company's board of managers authorizing the Transaction Documents and the transactions contemplated hereby;

(v) An officer's certificate of the Company certifying to the matters set forth in Section 9.2(d);

(vi) The resignations referenced in Section 7.3;

(vii) The consents referred to in Section 9.2(f);

(viii) A service contract by and between Art N. Burtcher and Buyer substantially in the form of Exhibit E (the "**Burtcher Service Agreement**"), duly executed by Mr. Burtcher;

(ix) A service contract by and between Richard L. Jarvis and Buyer substantially in the form of Exhibit F (the "**Jarvis Service Agreement**"), duly executed by Mr. Jarvis;

(x) A noncompete agreement by and between Michael R. McCarthy and Buyer substantially in the form of Exhibit G (the "**McCarthy Noncompete Agreement**"), duly executed by Mr. McCarthy;

(xi) A noncompete agreement by and between McCarthy Group, LLC, MGI Holdings, Inc. (fka McCarthy Group, Inc.), and Buyer substantially in the form of Exhibit H (the "**MGI Noncompete Agreement**"), duly executed by McCarthy Group, L.L.C. and MGI Holdings, Inc.;

(xii) The duly executed Client Consents referenced in Section 7.6;

(xiii) The Redemption Agreements together with documentation reasonably satisfactory to Buyer confirming that the consideration payable thereunder has been paid in full; and

(xiv) Evidence satisfactory to the Buyer that the Company has obtained "tail" directors and officers and errors and omissions liability insurance policies as set forth in Section 7.8.

(b) Buyer shall deliver the following items:

(i) Duly executed counterparts to the Transaction Documents to which it is a party;

(ii) The certificate of incorporation of Buyer certified as of the most recent practicable date by the Secretary of State of Delaware;

(iii) A certificate of the Secretary of State of Delaware as to the good standing as of the most recent practicable date of Buyer in such jurisdiction;

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(iv) A certificate of the Secretary of Buyer, given by him or her on behalf of Buyer and not in his or her individual capacity, certifying as to the certificate of incorporation and the bylaws of Buyer and as to the resolutions of the Board of Directors of Buyer authorizing the Transaction Documents and the transactions contemplated hereby;

(v) An officer's certificate of Buyer certifying to the matters set forth in Section 9.3(c) with respect to Buyer;

(vi) The Closing Date Purchase Price in accordance with Section 2.3(a);

(vii) The Escrow Funds in accordance with Section 2.7;

(viii) Duly executed counterparts to the Burtcher Service Agreement;

(ix) Duly executed counterparts to the Jarvis Service Agreement;

(x) Duly executed counterparts to the McCarthy Noncompete Agreement; and

(xi) Duly executed counterparts to the MGI Noncompete Agreement.

(c) The Member's Representative shall deliver the following items:

(i) Duly executed counterparts to each of the Transaction Documents to which the Member's Representative is party; and

(ii) A certificate of the Member's Representative, given by him or her, in his or her capacity as the Member's Representative and not in his or her individual capacity, certifying as to the matters set forth in Section 9.2(e).

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Member hereby represents and warrants to Buyer that each statement contained in this Article IV is true and correct as of the date hereof and as of the Closing Date, except as set forth in the Schedules numbered 4.1 through 4.22 accompanying this Agreement (collectively, the "**Company Disclosure Schedule**").

4.1 **Organization and Good Standing.** The Company is a limited liability company duly formed, validly existing and in good standing under the Laws of the jurisdiction of its formation, has all requisite limited liability company power to own, lease and operate its properties and to carry on the Business as now being conducted, and is duly qualified to do business and is in good standing as a foreign entity in each jurisdiction in which it owns or leases property or conducts any business so as to require such qualification, except where the failure to qualify has not had and would not reasonably be expected to have a Company Material Adverse

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Effect. The Certificate of Formation and Operating Agreement have been delivered to Buyer, and such documents are effective as of the date hereof under applicable Laws and are current, correct, and complete.

4.2 Membership Interests. The authorized, issued and outstanding Membership Interests of the Company are set forth on Schedule 4.2. All of such issued and outstanding Membership Interests have been duly authorized and validly issued, are fully paid and non-assessable, were not issued in violation of the terms of any Contract binding upon the Company and were issued in compliance with the Certificate of Formation and Operating Agreement and all applicable federal and state securities Laws, rules and regulations. Except as set forth on Schedule 4.2 there are no outstanding subscriptions, options, warrants, calls, commitments, agreements or rights (contingent or otherwise) of any character to purchase or otherwise acquire from the Company any Membership Interests, or any securities convertible into the Membership Interests, of the Company. There are, and have been, no preemptive rights with respect to the issuance of the Membership Interests.

4.3 Subsidiaries of the Company. The Company has no Subsidiaries. The Company owns no Equity Interests in any Person.

4.4 Authority and Enforceability. The Company has the requisite limited liability company power and authority to (a) own the Assets, (b) carry on the Business as it currently exists, (c) execute and deliver the Transaction Documents to which it is or will become a party, and (d) perform the transactions contemplated by this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary limited liability company action on the part of the Company. This Agreement has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery by Buyer and the Member, constitutes the valid and binding obligation of the Company, enforceable against it in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting or relating to creditors' rights generally, and (ii) the availability of injunctive relief and other equitable remedies.

4.5 No Conflicts; Consents. Except as set forth on Schedule 4.5 (the "**Required Consents**"):

(a) the execution, delivery and performance by the Company of the Transaction Agreements, and the consummation of the transactions contemplated hereby and thereby, do not and will not:

(i) conflict with or violate any of the Certificate of Formation or Operating Agreement;

(ii) conflict with or violate any Law applicable to the Company or by which any property or Asset of the Company is bound or affected;

or

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(iii) conflict with, result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, or require any consent of any Person pursuant to, any Material Contract; and

(b) the Company is not required to file, seek or obtain any notice, authorization, approval, Order, permit or consent of or with any Governmental Entity in connection with the execution, delivery and performance by the Company of the Transaction Agreements or the consummation of the transactions contemplated hereby or thereby.

4.6 Financial Statements. The audited balance sheet of the Company and the related statements of income and retained earnings, members' equity and cash flow, for the years ended December 31, 2009 and 2008 (collectively, the "**Audited Financial Statements**") and unaudited balance sheet of the Company and the related statements of income and retained earnings, stockholders' equity and cash flow for the six month period ended June 30, 2010 (collectively, the "**Interim Financial Statements**" and together with the Audited Financial Statements, the "**Financial Statements**"), have been prepared in accordance with United States generally accepted accounting principles ("**GAAP**") applied on a consistent basis throughout the periods involved (except as may be indicated in the notes to such Financial Statements), and on that basis fairly present in all material respects the financial position and results of operations of the Company as of the respective dates thereof and for the respective periods indicated, subject, in the case of the Interim Financial Statements, to normal year-end adjustments and the absence of notes. The balance sheet of the Company as of June 30, 2010 is referred to herein as the "**Balance Sheet**" and the date thereof as the "**Balance Sheet Date**."

4.7 Title to Assets. The Company has good and marketable title to, valid leasehold interests in or valid licenses to use, all of the Assets, free and clear of all Liens, except for Permitted Liens, and such use does not encroach on the property or rights of any Person. All tangible personal property is suitable for the purposes for which it is used, is in good operating condition, ordinary wear and tear excepted and is free from any known defects. The Assets constitute all of the assets, properties, rights and services required for, or material to, the continued operation of the Business by Buyer as operated by the Company during the past 12 months. There are no Assets used in the operation of the Business that are owned by any Person other than the Company that will not be licensed or leased to the Company under valid, current license arrangements or Leases at the Closing.

4.8 Liabilities. The Company has no Liabilities other than (a) Liabilities set forth in Schedule 4.8, (b) Liabilities specified in the Balance Sheet (except as heretofore paid or discharged) or (c) Liabilities incurred in the ordinary course since the Balance Sheet Date that, individually or in the aggregate, are not material to the Business.

4.9 Taxes.

(a) All Tax Returns required to have been filed by or with respect to the Company have been duly and timely filed (taking into account any extension of time to file granted or obtained), and such Tax Returns are accurate and correct in all material respects and reflect all Taxes required to be paid with respect to the matters for which such Tax Returns were filed for the periods covered by such Tax Returns. All Taxes shown to be payable on such Tax

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Returns have been paid or will be timely paid and all other material Taxes required to be paid by the Company have been timely paid. No deficiency for any material amount of Tax has been asserted or assessed by a Governmental Entity, or, to the Company's Knowledge, threatened against the Company that has not been satisfied by payment, settled or withdrawn, nor is there any reasonable basis for any such assertion or assessment, and no issues relating to Taxes were asserted in writing by any Governmental Entity in any completed Proceeding that would reasonably be expected to recur in a later taxable period. There are no Tax Liens on the Assets of the Company (other than Permitted Liens). All Taxes not yet due and payable by the Company have been, in all material respects, properly accrued on the books of account of the Company in accordance with GAAP. All material amounts of Tax required to be withheld by the Company have been or will be timely withheld and paid over to the appropriate Tax authority. There are no agreements, waivers or applications by the Company for an extension of time for the assessment or payment of any material amount of Taxes. The Company has not received and is not subject to any written ruling of a Governmental Entity related to Taxes and has not entered into any written and legally binding agreement with a Governmental Entity relating to Taxes.

(b) The Company (i) does not have any Liability for Taxes of any Person other than the Company (A) as a result of the Company being a member of an affiliated, combined, consolidated, unitary or similar Tax group, (B) as a transferee or successor, (C) by Contract or (D) otherwise, and (ii) will not be required to include amounts in income, or exclude items of deduction, in a taxable period beginning after the Closing Date as a result of (A) a change in method of accounting occurring prior to the Closing Date, (B) an installment sale or open transaction arising in a taxable period (or portion thereof) ending on or before the Closing Date, (C) a prepaid amount received, or paid, prior to the Closing Date or (D) deferred gains arising prior to the Closing Date.

(c) Since formation, the Company has been either a disregarded entity separate from its owner for Tax purposes or taxable as a partnership for U.S. federal, state and local income Tax purposes and neither the Company nor any other Person on its behalf has made an election to be treated as other than a partnership pursuant to Treasury Regulations Section 301.7701-3 (or any other similar provision of state or local Law).

4.10 Legal Proceedings and Compliance with Law.

(a) As of the date hereof, there is (i) no Proceeding by or against the Company pending, or to the Company's Knowledge, threatened, (ii) there is no dispute or disagreement pending or, to the Company's Knowledge, threatened between the Company and any customer, licensor or supplier, (iii) to the Company's Knowledge, no event has occurred, and no claim has been asserted, that is likely to result in an Proceeding against the Company, its Businesses or Assets, and (iv) to the Company's Knowledge, there is no reasonable basis for any such Proceeding.

(b) The Company is in compliance in all material respects with all Laws applicable to it, and the Company has not received, at any time, any written notice or other communication from any Governmental Entity regarding (i) any actual, alleged, possible or potential violation of, or failure to comply with, any Law, or (ii) any actual, alleged, possible or potential obligation on the part of the Company to undertake, or to bear all or any portion of the cost of, any remedial, corrective or response action of any nature.

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(c) The Company is in possession of all Authorizations and Orders of any Governmental Entity necessary for the Company to own, lease and operate its properties and to carry on the Business as presently conducted. All Authorizations and Orders held by the Company are listed on Schedule 4.10, and accurate and complete copies of such Authorizations and Orders have been provided to Buyer. No present or former member, stockholder, director, officer or employee of the Company or any Subsidiary, or any other Person owns or has any proprietary, financial or other interest (direct or indirect) in any Authorizations and Orders which the Company owns, possesses or uses. All Authorizations and Orders listed on Schedule 4.10, except as set forth therein, have been duly obtained and are in full force and effect and no Proceedings are pending or, to the Company's Knowledge, threatened that may result in the revocation, cancellation, suspension, limitation or adverse modification of any of the same.

(d) This Section 4.10 does not relate to real property or interests in real property, such items being the subject of Section 4.11, nor employee benefit matters, such items being the subject of Section 4.15.

4.11 Real Property.

(a) Owned Real Property. The Company owns no real property.

(b) Leased Real Property. Schedule 4.11(b) contains a list of all real property leases and subleases under which the Company is either lessor or lessee (the "**Leased Real Property**"). The Company has delivered to Buyer a correct and complete copy of every lease and sublease with respect to the Leased Real Property (the "**Leases**"). All Leases are in full force and effect and binding on the parties thereto and neither the Company, nor to the Company's Knowledge, any other party to any such Lease is in breach of any of the material provisions thereof. All Leased Real Property leased under the Leases or otherwise used by the Company is in good operating condition, ordinary wear and tear excepted, and is sufficient for the current operations of the Company.

4.12 Intellectual Property.

(a) Schedule 4.12 sets forth a true and complete list of all material Company Owned Intellectual Property subject to an application, registration or patent with a Governmental Entity.

(b) The Company owns, or is licensed or otherwise possesses valid rights to use, the Company Intellectual Property, except where any failure to own, license or otherwise possess valid rights to use such Company Intellectual Property would not reasonably be expected to materially impact the Business.

(c) With respect to the Business, the Company has not been named in any Proceeding which involves a claim of infringement of the Intellectual Property of any third party. The Business as presently conducted does not infringe, violate, or misappropriate any Intellectual Property of any third party.

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(d) To the Company's Knowledge, no third party has infringed or infringes on any Company Owned Intellectual Property or Company Licensed Intellectual Property exclusively licensed to the Company.

(e) With respect to the Business, the Company has materially performed the obligations required to be performed by it under the terms of any agreement pursuant to which the Company has rights in any Company Licensed Intellectual Property, and neither the Company nor, to the Company's Knowledge, any third party is in breach or default in any material respect and, to the Company's Knowledge, no event has occurred which, with notice or lapse of time or both, would constitute a breach or default in any material respect or permit termination, modification or acceleration under any such agreement.

(f) Other than rights and licenses granted in the ordinary course of business, the Company has not granted to any third party any license or right to the commercial use of any of the Company Owned Intellectual Property.

4.13 Absence of Certain Changes. Except as contemplated by this Agreement, the Business has been conducted in the ordinary course since the Balance Sheet Date, and there has not been with respect to the Company any of the items specified below since the Balance Sheet Date:

(a) any change that has had or is reasonably likely to have a Company Material Adverse Effect;

(b) any distribution or payment declared or made in respect of the Membership Interests by way of distribution, purchase or redemption of Membership Interests or otherwise;

(c) any increase in the compensation payable or to become payable to any director, officer, employee or agent, except for increases for non-officer employees made in the ordinary course of business, nor any other change in any employment or consulting arrangement;

(d) any sale, assignment or transfer of Assets, or any additions to or transactions involving any Assets, other than those made in the ordinary course of business;

(e) any mortgage, pledge or other Lien on any Asset;

(f) any waiver or release of any claim or right or cancellation of any debt held other than those made in the ordinary course of business;

(g) any payments to any Affiliate of the Company, other than wages and reimbursements in the ordinary course of business; or

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(h) any change in accounting or Tax accounting methods or practices, or any election, agreement or arrangement entered into with respect to Taxes.

4.14 Contracts.

(a) Schedule 4.14 sets forth a list of each Contract described in this Section 4.14(a) to which the Company is party or by which it is bound (such Contracts as described in this Section 4.14(a) being "**Material Contracts**"):

(i) all Contracts that provide for receipt by the Company of more than \$20,000 per year, including any such Contracts with customers or investment advisory clients, and all Contracts that provide for payment by the Company of more than \$20,000 per year, including any such Contracts with suppliers;

(ii) all Contracts relating to Indebtedness;

(iii) all Contracts that limit or purport to limit the ability of the Company to compete in any line of business or with any Person or in any geographic area or during any period of time;

(iv) all material joint venture, partnership or similar agreements or arrangements;

(v) all Contracts relating to the employment of any officer or employee, including contracts and agreements regarding compensation, bonus payments and severance arrangements;

(vi) all Contracts granting any exclusive rights to make, use, sell, or otherwise exploit the Company's products or otherwise exploit the Company's Intellectual Property rights;

(vii) all Contracts under which the Company has received a license to any third-party Intellectual Property rights that are (A) embedded in the products of the Company, (B) embedded in any other software licensed or used by the Company excluding all "off-the-shelf software," or (C) otherwise material to the Business;

(viii) any agency, distributorship or management agreement;

(ix) all Contracts which can be terminated in the event of any change in the underlying ownership or control of the Company or would be materially affected by such change; and

(x) any other Contract that is material to the Company.

(b) Each Material Contract is valid and binding on the Company and, to the Company's Knowledge, the counterparties thereto, and is in full force and effect. The Company is not in breach of, or material default under, any Material Contract to which it is a party. Neither the Company nor, to the Company's Knowledge, any other party thereto has threatened to breach any of the material provisions thereof or notified the Company of a default thereunder.

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(c) Company has delivered to Buyer complete and correct copies of all written Material Contracts, together with all amendments thereto, and accurate descriptions of all material terms of all oral Material Contracts.

4.15 Employee Benefits.

(a) Schedule 4.15(a) sets forth (i) a list of all employee benefit plans (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”)) and all bonus, stock option, stock purchase, restricted stock, incentive, deferred compensation, retiree medical or life insurance, supplemental retirement, change of control, severance or other benefit plans, programs or arrangements, that are maintained, contributed to or sponsored by the Company or an ERISA Affiliate for the benefit of any current or former employee, officer or director of the Company, and (ii) a list of all employment, termination, severance or other Contracts, agreements or arrangements, pursuant to which the Company or an Affiliate of the Company currently has any obligation with respect to any current or former employee, officer or director of the Company (collectively, the “**Employee Plans**”). The Company has made available to Buyer a true and complete copy of each Employee Plan and all current summary plan descriptions and the most recent determination letter from the IRS with respect to any Employee Plan.

(b) Except as set forth in Schedule 4.15(b), (i) each Employee Plan has been maintained in all material respects in accordance with its terms and in compliance with the applicable provisions of legal requirements (including ERISA and the Code), (ii) the Company has performed all obligations required to be performed by it under any Employee Plan and is not in any material respect in default under or in violation of any Employee Plan and (iii) no Proceeding (other than claims for benefits in the ordinary course) is pending or, to the Company’s Knowledge, threatened in writing with respect to any Employee Plan by any current or former employee, officer or director of the Company.

(c) Except as set forth in Schedule 4.15(c), each Employee Plan that is intended to be qualified under Section 401(a) of the Code has at all times since its adoption been so qualified, and each trust which forms a part of any such plan has at all times since its adoption been tax-exempt under section 501(a) of the Code.

(d) None of the Employee Plans is a multiemployer plan (within the meaning of Section 3(37) or 4001(a)(3) of ERISA) or a single employer plan (within the meaning of Section 4001(a)(15) of ERISA).

(e) Neither the Company nor any ERISA Affiliate has incurred any Liability for any Tax imposed under Chapter 43 of the Code or civil liability under Section 502(i) or (l) of ERISA.

(f) No Employee Plan provides health or death benefit coverage beyond the termination of an employee’s employment, except as required by Part 6 of Subtitle B of Title I of ERISA or Section 4980B of the Code or any state Laws requiring continuation of benefits coverage following termination of employment.

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(g) The Company is not a party to any Contract, agreement or arrangement that could, directly or in combination with other events, result, separately or in the aggregate, in a material payment, acceleration or enhancement of any benefit as a result of the transactions contemplated by this Agreement, including, without limitation, the payment of any “excess parachute payments” within the meaning of Section 280G of the Code.

(h) With respect to each Employee Plan that is funded mostly or partially through an insurance policy, neither the Company nor any of its ERISA Affiliates has any Liability in the nature of retroactive rate adjustment, loss sharing arrangement or other actual or contingent Liability arising wholly or partially out of events occurring on or prior to the Closing.

(i) Each Employee Plan that is a “nonqualified deferred compensation plan” (as defined under Section 409A(d)(1) of the Code) (i) has been operated and administered in compliance with Section 409A of the Code or (ii) any payments under such plans have been earned and vested on or prior to December 31, 2004 and such plans have not been materially modified since October 2, 2004. Any amounts paid or payable pursuant to each Employee Plan subject to Section 409A of the Code is not includible in the gross income of a service provider (within the meaning of Section 409A) until received by the service provider and is not subject to interest or the additional tax imposed by Section 409A of the Code. The Company has not entered into any agreement or arrangement to, and does not otherwise have any obligation to, indemnify or hold harmless any Person for any Liability that results from the failure to comply with the requirements of Section 409A of the Code, and does not have any Liability for nonreporting or underreporting of income subject to Section 409A of the Code.

4.16 Labor and Employment Matters.

(a) Except as set forth in Schedule 4.16(a), (i) the Company is not a party to any Collective Bargaining Agreement or other Contract or agreement with any labor organization or other representative of any of the employees of the Company. To the Company’s Knowledge, there is no material unfair labor practice, charge or complaint pending, unresolved or threatened before the National Labor Relations Board or any other Governmental Entity. The Company is in compliance in all material respects with all legal requirements applicable to the employees of the Company with respect to employment or termination of employment and/or in relation to transfer of employment of the employees of the Company as contemplated by this Agreement, including without limitation, all such Laws relating to labor relations, equal employment opportunities, fair employment practices, prohibited discrimination or distinction, consultation and/or information, terms and conditions of employment, classification of workers, pay equity, data protection, automatic transfer legislation, occupational safety and health, wages and hours, child labor, immigration, employee leave issues, unemployment insurance, workers’ compensation, disability rights or benefits, plant closures and layoffs and the WARN Act.

(b) The Company has paid or properly accrued in the ordinary course of business all wages and compensation due to employees of the Company, including all vacations or vacation pay, holidays or holiday pay, sick days or sick pay and bonuses. The Company has properly maintained records for the employees of the Company and personnel records in material compliance with applicable Law.

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(c) To the Company's Knowledge, no employee, consultant or contractor of the Company has been, is or will be, by performing services for Buyer of the same nature as services such employee, consultant or contractor has rendered to the Company, in violation of any term of any employment, invention disclosure or assignment, confidentiality or noncompetition agreement or other restrictive covenant or any Order as a result of such employee's, consultant's or contractor's employment by Buyer or any services rendered by such employee, consultant or contractor to Company.

4.17 Insurance. Schedule 4.17 sets forth a list of all policies of general liability, errors and omissions, directors and officers, fire, liability, workmen's compensation, life, property and casualty and other insurance owned or held by the Company, specifying with respect to each policy the insurer, the amount of the coverage, the premium, the type of insurance, indicating whether claims made form or occurrence form, the deductibles or self-insured retentions, effective date and the expiration date, the policy number and any pending claims thereunder. All of such policies are in full force and effect and provide coverage as may be required by applicable Law or by agreements binding upon the Company. There is no default (or an event that, with notice or lapse of time or both, would become a default), to the Company's Knowledge, with respect to any such policy or binder, nor has there been any failure to give any notice or present any claim under any such policy or binder in a timely fashion or in the manner or detail required by the policy or binder. The Company has not received written notice, of a disallowance of any pending claim under, any such policy or binder. There are no unpaid, past-due premiums with respect to any of the insurance policies. Except as set forth in Schedule 4.17, there are no gaps in the periods covered by historical insurance policies in force. All of such insurance policies are in full force and effect and the Company is not in default (or an event that, with notice or lapse of time or both, would become a default) in any material respect with respect to its obligations under any of such insurance policies. Since the respective dates of such policies, no notice of cancellation or non-renewal with respect to any such policy has been received by the Company. Schedule 4.17 sets forth a list of all pending claims with respect to all such policies, except worker's compensation claims, claims for benefits under health insurance policies and claims which individually are estimated to be less than \$2,500. Except as set forth in Schedule 4.17, the Company has no self-insurance or co-insurance programs.

4.18 Accounts Receivable. The Accounts Receivable of the Company are bona fide Accounts Receivable created in the ordinary course of business. There is no contest, claim, defense or right of set-off, other than returns in the ordinary course of business, of any account debtor relating to the amount or validity of any Account Receivable.

4.19 Clients and Suppliers.

(a) Schedule 4.19(a) specifies the 20 largest investment advisory clients in terms of dollar value of services sold by the Business during the 12 months ended August 31, 2010. Except as specified on Schedule 4.19(a), the Company has not received any written notice from any of such clients terminating, canceling or threatening to terminate or cancel any Contract or relationship with the Company. Schedule 4.19(a) also specifies the names of the

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respective suppliers that were, in the aggregate, the 10 largest suppliers in terms of dollar value of products or services, or both, used by the Company during the twelve months ended August 31, 2010. The Company has not received any written notice from any of such suppliers terminating, canceling or threatening to terminate or cancel any Contract or relationship with the Company.

(b) Schedule 4.19(b) sets forth an itemized list of each investment advisory client of the Company (including, in the case of the MGA Clients, a list of each underlying client, partner or member of each of the MGA Clients) as of June 30, 2010 and each such client's contribution to the revenue of the Company for the six months ended June 30, 2010.

4.20 Additional Information. Schedule 4.20 contains accurate lists and summary descriptions of the following:

(a) the names of all present officers and directors of the Company;

(b) the names and addresses of every bank and other financial institution in which the Company maintains an account (whether checking, savings or otherwise), lock box or safe deposit box, and the account numbers and names of Persons having signing authority or other access thereto;

(c) the names of all Persons authorized to borrow money or incur or guarantee indebtedness on behalf of the Company;

(d) the names of all Persons holding powers of attorney from the Company and either a copy or a summary statement of the terms thereof; and

(e) all names under which the Company has conducted any Business or which it has otherwise used since it was organized.

4.21 Corporate Records. The minute book of the Company is current and contains correct and complete copies of the Operating Agreement, including all amendments thereto and restatements thereof, and of all minutes of meetings, resolutions and other actions and proceedings of its members and managers and all committees thereof, and the transfer records of the Company reflect the issuance of all of the Equity Interests to the Member.

4.22 Brokers. Except as set forth on Schedule 4.22, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company.

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ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE MEMBER AND THE
HOLDINGS MEMBERS

Each of the Member and the Holdings Members hereby severally represent and warrant to Buyer that each statement contained in this Article V is true and correct as of the date hereof and as of the Closing, except as set forth in the Schedules numbered 5.1 through 5.6 accompanying this Agreement (collectively, the "**Member Disclosure Schedule**").

5.1 Authority and Enforceability. Each of the Member and the Holdings Members has the requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by each of the Member and the Holdings Members and, assuming due authorization, execution and delivery by the Company and Buyer, constitutes the valid and binding obligation of each of the Member and the Holdings Members, enforceable against each of them in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting or relating to creditors' rights generally, and (ii) the availability of injunctive relief and other equitable remedies.

5.2 No Conflicts; Consents. Except as set forth on Schedule 5.2:

(a) the execution, delivery and performance by each of the Member and the Holdings Members of the Transaction Agreements to which each respectively is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not:

(i) conflict with or violate any of the Organization Documents of the Member and each of the Holdings Members;

(ii) conflict with or violate any Law applicable to the Member or any of the Holdings Members; or

(iii) conflict with, result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, or require any consent of any Person pursuant to, any material contract to which the Member or any of the Holdings Members is a party; and

(b) none of the Member or any of the Holdings Members is required to file, seek or obtain any notice, authorization, approval, Order, permit or consent of or with any Governmental Entity in connection with the execution, delivery and performance by each of the Member and the Holdings Members of the Transaction Agreements or the consummation of the transactions contemplated hereby or thereby.

5.3 Ownership of the Interests. The Member is the record and beneficial owner of the Membership Interests set forth opposite the Member's name on Schedule 4.2 and the Member has good and marketable title to the Membership Interests, free and clear of any Liens. Except for the Operating Agreement, there are no outstanding obligations, options, warrants, convertible

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securities or other rights, agreements, arrangements or commitments of any kind relating to the Membership Interests or obligating the Member to issue or sell any Membership Interests. Except for the Operating Agreement, there are no agreements or understandings in effect with respect to the voting or transfer of any of the Membership Interests. The Holdings Members are the record and beneficial owner of the Equity Interests of the Member set forth opposite each respective Holdings Member's name on Schedule 4.2, which Equity Interests constitute all of the outstanding Equity Interests of the Member. Each of the Holdings Members has good and marketable title to such Equity Interests, free and clear of any Liens. Except as described on Schedule 5.3, there are no outstanding obligations, options, warrants, convertible securities or other rights, agreements, arrangements or commitments of any kind relating to the Equity Interests of the Member or obligating any of the Holdings Members to issue or sell any Equity Interests of the Member. Except as described on Schedule 5.3, there are no agreements or understandings in effect with respect to the voting or transfer of any of the Equity Interests of the Member.

5.4 Brokers. Except as set forth on Schedule 5.4, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of any of the Member, the Holdings Members or the Company.

5.5 Member Claims. None of the Member or any of the Holdings Members has any rights to acquire any Assets, nor any direct or indirect claim against the Company, except for claims (a) for accrued and unpaid salaries or commissions arising in the ordinary course of business or (b) arising pursuant to this Agreement.

5.6 Obligations of the Company. None of the Member or any of the Holdings Members is a party to any guaranty, surety or other similar obligation relating to the obligations of the Company or the Business.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to the Company and the Member that each statement contained in this Article VI is true and correct as of the date hereof and as of the Closing, except as set forth in the Schedules numbered 6.1 through 6.5 accompanying this Agreement (collectively, the "**Buyer Disclosure Schedule**").

6.1 Organization and Good Standing. Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation, has all requisite corporate power to own, lease and operate its properties and to carry on its business as now being conducted, and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which it owns or leases property or conducts any business so as to require such qualification.

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6.2 Authority and Enforceability. Buyer has the requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer and, assuming due authorization, execution and delivery by the Company, the Member and the Holdings Members, constitutes the valid and binding obligation of Buyer, enforceable against it in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting or relating to creditors' rights generally, and (ii) the availability of injunctive relief and other equitable remedies.

6.3 No Conflicts; Consents.

(a) The execution, delivery and performance by Buyer of the Transaction Agreements, and the consummation of the transactions contemplated hereby and thereby, do not and will not:

(i) conflict with or violate the Organizational Documents of Buyer;

(ii) conflict with or violate any Law applicable to Buyer or by which any property or asset of Buyer is bound or affected; or

(iii) conflict with, result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, or require any consent of any Person pursuant to, any material Contract or agreement to which Buyer is a party;

(b) Buyer is not required to file, seek or obtain any notice, authorization, approval, Order, permit or consent of or with any Governmental Entity in connection with the execution, delivery and performance by the Buyer of the Transaction Agreements or the consummation of the transactions contemplated hereby or thereby.

6.4 Litigation. There is no Proceeding pending or, to the knowledge of Buyer, threatened, against Buyer which (a) challenges or seeks to enjoin, alter or materially delay the consummation of the transactions contemplated hereby or (b) would reasonably be expected to have a Buyer Material Adverse Effect.

6.5 Brokers. Except as set forth on Schedule 6.5, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer or any Affiliate of Buyer.

6.6 Acknowledgement No Other Representations or Warranties. Buyer acknowledges that neither the Company, the Member, nor any of their Affiliates or any other Person has (a) made any representation or warranty, express or implied, including any implied representation or warranty as to the condition, merchantability, suitability or fitness for a particular purpose of any of the Assets of the Company, or (b) made any representation or warranty, express or implied, as to the accuracy or completeness of any information about the Company or the Member, including estimates, projections and other forecasts and plans regarding the Company, in each case except as expressly set forth in this Agreement.

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6.7 Westwood Stock. Buyer has full legal right and authority to issue the shares of Westwood Common Stock to the Member at the Closing as contemplated by this Agreement. When issued to the Member at the Closing, whether delivered directly to the Member or deposited with the Escrow Agent, the shares of Westwood Common Stock will be (a) duly authorized and validly issued, (b) fully paid and non-assessable, (c) free and clear of liens or encumbrances or restrictions (other than the restrictions on sale imposed by Schedule 2.8(c) and the terms of the Escrow Agreement, as applicable) and (d) issued in compliance with the Organizational Documents of Buyer and all applicable federal and state securities Laws, rules and regulations and stock exchange rules and regulations. Upon issuance of the shares of Westwood Common Stock at Closing, the Member will be reflected as the sole legal and beneficial owner of such shares in the stock transfer records maintained by Buyer or its transfer agent; provided, however, that the Escrow Agent will be reflected as the record owner of such shares as are deposited with the Escrow Agent at Closing subject to the terms of the Escrow Agreement.

ARTICLE VII

COVENANTS OF THE COMPANY AND THE MEMBER

7.1 Conduct of Business. Except as set forth on Schedule 7.1 and except as consented to by Buyer, during the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Closing Date, the Company shall:

(a) operate in the ordinary course of business consistent with past practice;

(b) not sell any property or Asset having a value individually exceeding \$10,000 or an aggregate value exceeding \$30,000, except in the ordinary course of business;

(c) except in the ordinary course of business, not enter into any Contract that would be required to be listed as a Material Contract if such Contract were in effect on the date hereof;

(d) not make any capital expenditure or commit to make any capital expenditure which in any one case exceeds \$10,000 or capital expenditures which in the aggregate exceed \$30,000;

(e) not mortgage, pledge or subject to Liens, other than Permitted Liens, any properties or Assets of the Company except pursuant to existing Contracts;

(f) not amend the Certificate of Formation or Operating Agreement;

(g) except for quarterly tax distributions in amounts that are equal to the reasonably contemplated Tax liability of the Member with respect to the operations of the Company, not issue, amend the terms of, or declare or pay any dividend or make any other payment or distribution with respect to, the Membership Interests;

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(h) not (i) increase the wages, salaries, compensation, severance, pension or other benefits payable to any employee, (ii) pay any bonus or other amount to any employee, (iii) modify in any material respect, or enter into any new, employment, deferred compensation, severance, retirement or other agreement or arrangement providing for additional or different benefits with any employee than those payable on the date hereof, in each case other than (A) pursuant to existing Contracts or Employee Plans or (B) for non-executive employees in the ordinary course of business;

(i) not adopt or amend in any material respect any Employee Plan, except as required by applicable Law;

(j) not agree, whether in writing or otherwise, to do any of the foregoing;

(k) not grant or enter into any waiver or release of any claim or right or cancellation of any debt held other than those made in the ordinary course of business; or

(l) not make or enter into any change in accounting or Tax accounting methods or practices, or any election, agreement or arrangement related to Taxes.

7.2 Access to Information. The Company shall afford to Buyer and its accountants, counsel and other representatives reasonable access, upon reasonable notice during normal business hours prior to the Closing, to the personnel, properties, books, Contracts and records of the Company; provided that such access does not unreasonably disrupt the normal operations of the Company.

7.3 Resignations. On the Closing Date, the Company shall cause to be delivered to Buyer duly signed resignations, effective immediately upon the Closing, of all members of the board of managers of the Company in their capacity as such managers (and, if requested by Buyer in writing at least 10 Business Days prior to Closing, of officers of their position as an officer) of the Company; provided that no such resignation by any individual shall be a resignation from employment with the Company if such individual is so employed.

7.4 Intercompany Liabilities; Indebtedness; Release of Liens. On or prior to the Closing Date, except as set forth on Schedule 7.4, the Company shall settle all intercompany accounts between the Company and any Affiliates. On or prior to the Closing Date, the Company shall extinguish all guarantees by the Company of any Indebtedness of the Company or its Affiliates.

7.5 Notification.

(a) The Member shall notify Buyer in writing of the existence or happening of any fact, event or occurrence which should be included in the Company Disclosure Schedule in order to make the representations and warranties set forth in Article IV true and correct in all material respects as of the Closing Date (each such additional written disclosure, a “**Company**”

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Disclosure Schedule Supplement”), it being understood and agreed that the delivery of such information shall not in any manner constitute a waiver by Buyer of any of the conditions precedent to the Closing hereunder. Any such Company Disclosure Schedule Supplement shall not be deemed to have cured any breach of any representation or warranty made in this Agreement for purposes of the indemnification provided in Article XI hereof.

(b) The Member’s Representative shall notify Buyer in writing of the existence or happening of any fact, event or occurrence which should be included in the Member Disclosure Schedule in order to make the representations and warranties set forth in Article V true and correct in all material respects as of the Closing Date (each such additional written disclosure, a “**Member Disclosure Schedule Supplement**”), it being understood and agreed that the delivery of such information shall not in any manner constitute a waiver by Buyer of any of the conditions precedent to the Closing hereunder. Any such Member Disclosure Schedule Supplement shall not be deemed to have cured any breach of any representation or warranty made in this Agreement for purposes of the indemnification provided in Article XI hereof.

7.6 **Client Consents**. As promptly as possible following the date of this Agreement (and for those investment advisory clients signed by the Company after the date hereof, contemporaneously with such signing) the Company and the Member shall provide each investment advisory client (including, in the case of the MGA Clients, each underlying client, partner or member of each of the MGA Clients), other than the clients listed on Schedule 7.6 attached hereto (the “**Excluded Clients**”), written notice of the transactions contemplated hereby and take such action as is reasonably necessary to obtain each such client’s consent to the transactions contemplated by this Agreement, which consents (the “**Client Consents**”) will contain the client’s consent to the assignment to Buyer of such client’s investment advisory agreement(s) with the Company (such clients, the “**Consenting Clients**”). Buyer and its counsel shall have the opportunity to review the form of the notice letter and consent prior to distribution, and the notice letter and consent shall be in compliance with all applicable legal requirements and otherwise in a form and substance reasonably satisfactory to Buyer and its counsel. The Company shall give prompt notice to Buyer of any indications (written or oral) from any investment advisory client that such client will not consent to the transactions contemplated by this Agreement.

7.7 **Fund-Related Matters**. In connection with the transactions contemplated hereby, between the date hereof and the Closing Date, the Company will perform the following, to the extent that it has not already done so:

(a) The Company will recommend to the board of trustees of the Trust (the “**Board of Trustees**”) and use all commercially reasonable efforts to obtain the requisite approval of the Board of Trustees of (i) an interim investment advisory agreement, pursuant to Rule 15a-4 under the Investment Company Act of 1940 (the “**Interim Agreement**”), and (ii) an investment advisory agreement, meeting the requirements of Section 15 of the Investment Company Act of 1940 (the “**Permanent Agreement**”), in each case, by and between the Trust, on behalf of the Fund, and Westwood Management Corp. or such other Affiliate entity designated by Buyer to serve as the successor to the Company as investment adviser to the Fund after the Closing.

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(b) The Company will recommend to the Board of Trustees and use all commercially reasonable efforts to obtain the requisite approval of the Board of Trustees of an agreement and plan of reorganization providing for the transfer of the assets and liabilities of the Fund to a newly created or an existing and operating series of the Advisors' Inner Circle Fund, a business trust organized under the laws of the Commonwealth of Massachusetts and registered with the U.S. Securities and Exchange Commission as an open-end management investment company under the Investment Company Act of 1940, for which Westwood Management Corp. or such other Affiliate of the Buyer serves as investment adviser and that has investment policies that are compatible with those of the Fund (the "**Agreement and Plan of Reorganization**").

(c) The Company will use all commercially reasonable efforts to cause the Fund to call a special meeting of its shareholders as soon as practicable after the Closing for the purpose of obtaining, to the extent required by applicable Law or the governing documents of the Trust, shareholder approval of the Interim Agreement, the Permanent Agreement and the Agreement and Plan of Reorganization.

(d) The Company shall provide reasonable assistance with the preparation and filing by Buyer at Buyer's sole expense of a proxy statement for the Fund requesting shareholder approval of the matters identified in Section 7.7(c) and such other matters as may be approved by the Board of Trustees of the Trust and presented to shareholders of the Fund (the "**Proxy Statement**") and will use all commercially reasonable efforts in accordance with applicable Law to cause the Trust to mail a definitive Proxy Statement to shareholders of the Fund.

(e) The Company shall provide reasonable assistance, in a manner in compliance with the federal securities Laws, in the solicitation of proxies for the shareholder meeting contemplated by Section 7.7(c) and shall use commercially reasonable efforts to obtain approval from the shareholders of the Fund of the matters identified in the Proxy Statement.

(f) The Company will give access to Buyer and its attorneys, accountants and other representatives, during reasonable business hours, under the Company's supervision, and upon reasonable notice, to all books, records and files related to the business of the Fund that Buyer reasonably requests.

(g) The Company will use reasonable efforts to do or cause to be done all things necessary and appropriate to continue operation of the Fund in the ordinary course and to preserve the goodwill of shareholders of the Fund.

(h) The Company shall promptly notify Buyer of any matter or event occurring with respect to the Fund that has or could reasonably be expected to have a material adverse effect on the Fund.

7.8 Tail Insurance Policies. Prior to the Closing, the Company shall obtain, effective as of the Closing Date, a "tail" policy or policies for directors and officers liability insurance and errors and omissions liability insurance, with a claims period of not less than six (6) years from the Closing with respect to alleged breaches of fiduciary duty, errors and omissions occurring prior to the Closing Date. All premiums paid or payable by the Company with respect to such tail insurance policies shall be split equally between Buyer, on one hand, and the Member, on the other hand.

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7.9 Annualized Revenue Calculation. Within seven Business Days of the date hereof, the Member's Representative shall deliver to Buyer a statement listing each investment advisory client of the Company, other than the Excluded Clients, (including, in the case of the MGA Clients, a list of each underlying client, partner or member of each of the MGA Clients) and setting forth the true and correct annualized revenue attributable to each such client as of August 31, 2010 and setting forth the aggregate amount of such annualized revenue for all such clients (the "**Annualized Revenue**"). The methodology by which the Annualized Revenue is computed as well as the calculation by which such amount is derived shall each, in every aspect, be acceptable to Buyer in its sole discretion.

ARTICLE VIII

COVENANTS OF THE PARTIES

8.1 Consents and Filings; Further Assurances.

(a) Each of the Parties shall use all commercially reasonable efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the transactions contemplated by this Agreement as promptly as practicable, including to (i) obtain from Governmental Entities and other Persons all consents, approvals, authorizations, qualifications and orders as are necessary for the consummation of the transactions contemplated by this Agreement and (ii) promptly make all necessary filings, and thereafter make any other required submissions, with respect to this Agreement required under any applicable Law.

(b) Each of the Parties shall promptly notify the other Parties of any communication it or any of its Affiliates receives from any Governmental Entity relating to the matters that are the subject of this Agreement and permit the other Parties to review in advance any proposed communication by such Party to any Governmental Entity. No Party to this Agreement shall agree to participate in any meeting with any Governmental Entity in respect of any filings, investigation or other inquiry unless it consults with the other Parties in advance and, to the extent permitted by such Governmental Entity, gives the other Parties the opportunity to attend and participate at such meeting. The Parties will coordinate and cooperate fully with each other in exchanging such information and providing such assistance as the other Parties may reasonably request in connection with the foregoing. The Parties will provide each other with copies of all correspondence, filings or communications between them or any of their representatives, on the one hand, and any Governmental Entity or members of its staff, on the other hand, with respect to this Agreement and the transactions contemplated hereby.

(c) Promptly after the date hereof, the Company will make all filings and take all steps reasonably necessary to obtain all Required Consents to be obtained by the Company to consummate the transactions contemplated by this Agreement.

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8.2 Fulfillment of Closing Conditions. At and prior to the Closing, each Party shall use commercially reasonable efforts to fulfill, and use commercially reasonable efforts to cause each other to fulfill, as soon as practicable the conditions specified in Article IX to the extent that the fulfillment of such conditions is within its or his control. In connection with the foregoing, each Party will (i) refrain from any actions that would cause any of its representations and warranties to be inaccurate as of the Closing, and take any reasonable actions within its control that would be necessary to prevent its representations and warranties from being inaccurate as of the Closing, (ii) execute and deliver the applicable agreements and other documents referred to in Article IX, (iii) comply with all applicable Laws in connection with its execution, delivery and performance of this Agreement and the transactions contemplated hereby, (iv) use commercially reasonable efforts to obtain in a timely manner all necessary waivers, consents and approvals required under any Laws, Contracts or otherwise, including any Required Consents (v) use commercially reasonable efforts to take, or cause to be taken, all other actions and to do, or cause to be done, all other things reasonably necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated hereby.

8.3 Public Announcements. Each of the Parties shall not, nor shall any of their respective Affiliates, without the approval of the other Parties, issue any press releases or otherwise make any public statements with respect to the transactions contemplated by this Agreement, except as may be required by applicable Law or by obligations pursuant to any listing agreement with any national securities exchange or stock market, in which case the Party required to make the release or announcement shall allow the other Parties reasonable time to comment on such release or announcement in advance of such issuance; provided that each of the Company and Buyer may make internal announcements to their respective employees that are consistent with the prior public disclosures regarding the transactions contemplated hereby.

8.4 Tax Matters. The following provisions shall govern the allocation of responsibility as between Buyer, the Company and the Member's Representative for certain Tax matters:

(a) Tax Returns for Periods Ending on or Before the Closing Date. The Company shall prepare or cause to be prepared (in a manner consistent with prior practice) and timely file or cause to be timely filed all Tax Returns for the Company for all periods ending on or prior to the Closing Date which are filed after the Closing Date, and shall pay all Taxes with respect to such Tax Returns.

(b) Tax Returns for Periods Beginning Before and Ending After the Closing Date. Buyer shall prepare or cause to be prepared and file or cause to be filed any Tax Returns of the Company for Tax periods which begin before the Closing Date and end after the Closing Date. Buyer shall permit the Member's Representative to review and comment on such Tax Returns prior to filing. The Member's Representative shall pay to Buyer within 15 days of demand therefor an amount equal to the portion of such Taxes with respect to such Tax Returns which relates to the portion of the taxable period ending on the Closing Date, except to the extent such Taxes have been taken into account in (and therefore reduced) the Net Working Capital at Closing. For this purpose, the portion of the Tax which relates to the portion of the taxable period ending on the Closing Date shall (i) in the case of any Taxes other than Taxes based upon

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or related to income or receipts, be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Closing Date and the denominator of which is the number of days in the entire taxable period, and (ii) in the case of any Tax based upon or related to income or receipts, be deemed equal to the amount which would be payable if the relevant taxable period ended on the Closing Date.

(c) Cooperation on Tax Matters. (i) Buyer, the Company and the Member's Representative shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns and any audit, litigation or other Proceeding with respect to Taxes. Such cooperation shall include the retention and (upon another Party's request) the provision of records and information which are reasonably relevant to any such Tax Return, audit, litigation or other Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Company and Buyer agree (A) to retain all books and records with respect to Tax matters pertinent to the Company relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (B) to give the other Party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other Party so requests, to allow the other Party to take possession of such books and records.

(d) Transfer Taxes. All transfer (including, without limitation, real property transfer and stock transfer), documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement shall be paid equally by Buyer and Member's Representative when due. Buyer and Member's Representative will, at their equally shared expense, file all necessary Tax Returns and other documentation with respect to all such transfer (including, without limitation, real property transfer and stock transfer), documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by applicable Law, will cause their respective Affiliates to, join in the execution of any such Tax Returns and other documentation.

8.5 Releases. Effective upon and following the Closing, the Member and the Holdings Members hereby generally, irrevocably, unconditionally and completely releases and forever discharges the Company, Buyer and their respective Affiliates from all past, present and future Liabilities arising from or related to any matter involving the Company occurring prior to the Closing Date; provided that nothing in this Section 8.5 will be deemed to constitute a release by the Member or the Holdings Members of any right to enforce its rights under this Agreement or under any of the Ancillary Agreements to which the Member or the Holdings Members is a party.

8.6 Employee Matters.

(a) For the one-year period following the Closing Date (or, if earlier, the date of the Continuing Employee's termination of employment with the Buyer and its Affiliates (including as of the Closing, the Company)) (the "**Continuation Period**"), Buyer shall provide, or shall cause to be provided, to each individual who is an employee at the Closing (each, a

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“Continuing Employee”) (i) base salary at a rate no less than the rate in effect for such Continuing Employee immediately prior to the Closing; (ii) bonus and other incentive compensation opportunities that are no less favorable than those opportunities in effect for such Continuing Employee immediately prior to Closing; and (iii) employee benefits that are no less favorable in the aggregate than those provided to such Continuing Employee immediately prior to Closing.

(b) For purposes of employee benefit vesting, eligibility to participate and level of benefits under the employee benefit plans of the Buyer or its Affiliates (as applicable) providing benefits to Continuing Employees after the Closing (the **“New Plans”**), each Continuing Employee in such plans shall be credited with his or her years of service with the Company and their respective predecessors before the Closing, to the same extent as such Continuing Employee was entitled, before the Closing, to credit for such service under any similar Employee Plan in which such Continuing Employee participated or was eligible to participate immediately prior to Closing; provided, for the avoidance of any doubt, that the foregoing shall not apply to the extent that its application would result in a duplication of benefits with respect to the same period of service. In addition, and without limiting the generality of the foregoing, (i) each Continuing Employee shall be immediately eligible to participate, without any waiting time, in any and all New Plans to the extent coverage under such New Plan is comparable to a Employee Plan in which such Continuing Employee participated immediately before the Closing (such plans, collectively, the **“Old Plans”**); and (ii) for purposes of each New Plan providing medical, dental, pharmaceutical, vision, disability, life insurance and/or other welfare benefits to any Continuing Employee (collectively, the **“New Welfare Plans”**) (A) the Buyer shall cause all pre-existing conditions, exclusions and actively-at-work requirements of such New Welfare Plan to be waived for such Continuing Employee and his or her covered dependents (to the extent such conditions, exclusions and requirements were waived or satisfied as of immediately prior to the Closing under comparable Old Plans in which such Continuing Employee participated immediately prior to the Closing); and (B) the Buyer shall cause any eligible expenses incurred by each Continuing Employee and his or her covered dependents during the portion of the plan year of the Old Plan ending on the date such Continuing Employee’s participation in the corresponding New Welfare Plan begins to be taken into account under such New Welfare Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such Continuing Employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such New Welfare Plan. During the Continuation Period, the participation cost to a Continuing Employee under the New Welfare Plans shall be not more than the participation cost to similarly situated employees of the Buyer and its affiliates.

(c) Nothing contained in this Section 8.6 or elsewhere in this Agreement, express or implied, shall confer upon any Continuing Employee or legal representative or beneficiary thereof, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement, including any right to employment or continued employment for any specified period, or level of compensation or benefits.

8.7 Fund-Related Matters. Company and Buyer intend to rely on the safe harbor under Section 15(f) of the Investment Company Act of 1940 in connection with the change in

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control of the Company. In furtherance thereof, and subject to obtaining the approvals by the Board of Trustees which are described in Section 7.7, Buyer covenants that it will use commercially reasonable efforts to cause both the Board of Trustees and the board of trustees of the Fund's successor in interest pursuant to the Agreement and Plan of Reorganization to take (or refrain from taking, as the case may be) such actions as are necessary to ensure, for the minimum time periods specified in Section 15(f), that: (a) at least 75% of the Board of Trustees (including the board of trustees of the Fund's successor in interest pursuant to the Agreement and Plan of Reorganization) shall not be interested persons of either the Company or of Westwood Management Corp. or such other Affiliate entity designated by Buyer to serve as successor to the Company as investment adviser to the Fund (including the Fund's successor in interest pursuant to the Agreement and Plan of Reorganization) after the Closing; and (b) no "unfair burden" (within the meaning of such Section 15(f)) shall be imposed on the Fund (including the Fund's successor in interest pursuant to the Agreement and Plan of Reorganization) after the Closing.

8.8 Name Change. Promptly following the Closing (and in any event no later than six (6) months following the Closing), Buyer shall cause the Company to file with the appropriate jurisdictions any forms necessary to change its name to a name that does not include "McCarthy" and shall cease to use, and shall not license or permit any third party to use, any names or trademarks which include "McCarthy."

ARTICLE IX CONDITIONS TO CLOSING

9.1 Conditions to Obligations of the Parties. The obligations of Buyer, the Company, the Member and the Holdings Members to consummate the transactions contemplated hereby are subject to the satisfaction on or prior to the Closing Date of the following conditions:

(a) All Authorizations and Orders of, declarations and filings with, and notices to any Governmental Entity required to permit the consummation of the transactions contemplated hereby shall have been obtained or made.

(b) No temporary restraining order, preliminary or permanent injunction or other Order preventing the consummation of the transactions contemplated hereby shall be in effect. No Law shall have been enacted or shall be deemed applicable to the transactions contemplated hereby which makes the consummation of the transactions contemplated hereby illegal.

9.2 Conditions to Obligation of Buyer. The obligation of Buyer to consummate the transactions contemplated hereby is subject to the satisfaction (or waiver by Buyer in its sole discretion) of the following further conditions:

(a) Each of the representations and warranties of the Member set forth in this Agreement that is qualified by materiality shall be true and correct at and as of the Closing Date as if made at and as of the Closing Date (without giving effect to any Company Disclosure Schedule Supplement) and each of such representations and warranties that is not so qualified

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shall be true and correct in all material respects at and as of the Closing Date as if made at and as of the Closing Date (without giving effect to any Company Disclosure Schedule Supplement), except to the extent that such representations and warranties refer specifically to an earlier date, in which case such representations and warranties shall have been true and correct as of such earlier date.

(b) Each of the representations and warranties of the Holdings Members set forth in this Agreement that is qualified by materiality shall be true and correct at and as of the Closing Date as if made at and as of the Closing Date (without giving effect to any Member Disclosure Schedule Supplement) and each of such representations and warranties that is not so qualified shall be true and correct in all material respects at and as of the Closing Date as if made at and as of the Closing Date (without giving effect to any Member Disclosure Schedule Supplement), except to the extent that such representations and warranties refer specifically to an earlier date, in which case such representations and warranties shall have been true and correct as of such earlier date.

(c) The Company, the Member and the Holdings Members shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with at or prior to the Closing Date.

(d) Buyer shall have received a certificate signed on behalf of the Company by the President of the Company to the effect that the conditions relating to the Company set forth in Section 9.2(a) and (c) have been satisfied.

(e) Buyer shall have received a certificate signed on behalf of the Member's Representative to the effect that the conditions relating to the Member and the Holdings Members set forth in Section 9.2(a), (b) and (c) have been satisfied.

(f) The Company shall have received the Required Consents.

(g) The Company shall have received Client Consents representing accounts that contributed at least an aggregate of 70% of the Annualized Revenue.

(h) There shall not have occurred any event, change, occurrence or effect that, individually or in the aggregate, has had or would be reasonably likely to have a Company Material Adverse Effect.

(i) Buyer shall have received each of those items required to be delivered to it pursuant to Sections 2.2 and 3.2(a).

(j) The Company shall have purchased and redeemed the Membership Interests owned by the Minority Members pursuant to the Redemption Agreements.

(k) Buyer shall have received the Annualized Revenue pursuant to Section 7.9 and shall be satisfied with such delivery to the extent provided for in Section 7.9.

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9.3 Conditions to Obligation of the Company, the Member and the Holdings Members. The obligation of the Company, the Member and the Holdings Members to consummate the transactions contemplated hereby is subject to the satisfaction (or waiver by the Company and the Member's Representative) of the following further conditions:

(a) Each of the representations and warranties of Buyer set forth in this Agreement that is qualified by materiality shall be true and correct at and as of the Closing Date as if made at and as of the Closing Date and each of such representations and warranties that is not so qualified shall be true and correct in all material respects at and as of the Closing Date as if made at and as of the Closing Date, except to the extent that such representations and warranties refer specifically to an earlier date, in which case such representations and warranties shall have been true and correct as of such earlier date.

(b) Buyer shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with at or prior to the Closing Date.

(c) The Company and the Member's Representative shall have received a certificate signed on behalf of Buyer by the President of Buyer to the effect that the conditions relating to Buyer set forth in Section 9.3(a) and (b) have been satisfied.

(d) The Company and the Member's Representative shall have received each of those items required to be delivered to them pursuant to Section 3.2(b).

(e) The Company shall have received Client Consents representing accounts that contributed at least an aggregate of 70% of the Annualized Revenue; provided, however, that the Parties will not schedule the Closing until the earlier of 60 days from the date hereof or the date on which the Company secures Client Consents representing accounts that contributed at least an aggregate of 95% of the Annualized Revenue.

(f) There shall not have occurred any event, change, occurrence or effect that, individually or in the aggregate, has had or would be reasonably likely to have a Buyer Material Adverse Effect.

ARTICLE X TERMINATION

10.1 Termination.

(a) This Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:

(i) by written agreement of Buyer, the Company and the Member's Representative;

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(ii) by Buyer, the Company or the Member's Representative if the Closing does not occur on or before December 31, 2010; provided that the right to terminate this Agreement under this clause (ii) shall not be available to any Party whose breach of a representation, warranty, covenant or agreement under this Agreement has been the cause of or resulted in the failure of the Closing to occur on or before such date;

(iii) by Buyer if (A) there has been a breach by the Company, the Member or the Holdings Members of any representation, warranty, covenant or agreement contained in this Agreement, the Company Disclosure Schedule or the Member Disclosure Schedule or if any representation or warranty of the Company, the Member or the Holdings Members shall have become untrue, in either case without giving effect to any Company Disclosure Schedule Supplement or any Member Disclosure Schedule Supplement and such that the conditions set forth in Sections 9.2(a), (b) or (c) would not be satisfied, and (B) such breach is not curable, or, if curable, is not cured within 15 Business Days after written notice of such breach is given to the Company and the Member's Representative by Buyer;

(iv) by the Company or the Member's Representative if (A) there has been a breach by Buyer of any representation, warranty, covenant or agreement contained in this Agreement or the Buyer Disclosure Schedule or if any representation or warranty of Buyer shall have become untrue and such that the conditions set forth in Sections 9.3(a) or (b) would not be satisfied, and (B) such breach is not curable, or, if curable, is not cured within fifteen (15) Business Days after written notice of such breach is given to Buyer by the Company or the Member's Representative;

(v) by Buyer, the Company or the Member's Representative if a Governmental Entity shall have issued an Order or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the transactions contemplated hereby, which Order or other action is final and non-appealable; or

(vi) by Buyer, the Company or the Member's Representative if the Company has failed to obtain Client Consents representing accounts that contributed at least an aggregate of 70% of the Annualized Revenue.

(b) The Party desiring to terminate this Agreement pursuant to clause (ii), (iii), (iv), (v) or (vi) shall give written notice of such termination to the other Parties hereto.

10.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 10.1, this Agreement shall immediately become void and there shall be no Liability or obligation on the part of Buyer, the Company, the Member or the Holdings Members or their respective officers, directors, stockholders, members or Affiliates, except as set forth in Section 10.3; provided that the provisions of 8.3 (Public Announcements), 10.3 (Remedies) and Article XII of this Agreement shall remain in full force and effect and survive any termination of this Agreement.

10.3 Remedies. Any Party terminating this Agreement pursuant to Section 10.1(a)(ii), (iii) or (iv) shall have the right to recover damages sustained by such Party as a result of any willful breach by the other Party of any representation, warranty, covenant or agreement

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contained in this Agreement or fraud or willful misrepresentation; provided, however, that the Party seeking relief is not in breach of any representation, warranty, covenant or agreement contained in this Agreement under circumstances which would have permitted the other Party to terminate the Agreement under Section 10.1(a)(ii), (iii) or (iv).

ARTICLE XI INDEMNIFICATION

11.1 Survival.

(a) The representations and warranties contained in this Agreement shall survive the Closing for a period of eighteen months after the Closing Date; provided, however, that the representations and warranties set forth in Section 4.2 and Section 5.3 relating to Membership Interests shall survive indefinitely; and the representations and warranties set forth in Sections 4.1 and 6.1 relating to organization and good standing, Sections 4.4, 5.1, and 6.2 relating to authority and enforceability, Section 4.9 relating to Taxes, 4.15 relating to employee benefits, and Sections 4.22, 5.4 and 6.5 relating to brokers shall survive until 60 days following the expiration of the statute of limitations applicable to third-party claims pertaining to such matters (Sections 4.1, 4.2, 4.4, 4.9, 4.15, 4.22, 5.1, 5.3, 5.4, 6.1, 6.2 and 6.5 are collectively referred to herein as “**Fundamental Representations**”). The covenants and agreements contained in this Agreement shall survive the Closing until 60 days following the expiration of any applicable statute of limitations.

(b) The period for which a representation or warranty, covenant or agreement survives the Closing is referred to herein as the “**Applicable Survival Period**.” In the event notice of claim for indemnification under Section 11.2 or 11.4 is given within the Applicable Survival Period, the representation or warranty, covenant or agreement that is the subject of such indemnification claim shall survive with respect to such claim only until such claim is finally resolved.

11.2 Indemnification by the Member and the Holdings Members.

(a) Subject to the limitations set forth in this Article XI, the Member shall indemnify and defend the Buyer and its Affiliates (including, after the Closing, the Company) and their respective stockholders, members, managers, officers, directors, employees, agents, successors and assigns (the “**Buyer Indemnitees**”) against, and shall hold them harmless from, any and all loss, Liability, claim, charge, action, suit, Proceeding, assessed interest, penalty, damage, Tax or expense (collectively, “**Losses**”) resulting from, arising out of, or incurred by any Buyer Indemnitee in connection with, or otherwise with respect to (i) any inaccuracy or breach of any representation or warranty made by the Member in this Agreement, any other Transaction Document to which the Member is a party or any certificate or other document furnished or to be furnished to Buyer in connection with the transactions contemplated by this Agreement; (ii) any breach by the Company or the Member of any covenant or agreement contained in this Agreement or any other Transaction Document; (iii) any breaches by the Company or the Member of the terms and conditions of the Operating Agreement occurring prior

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to Closing; (iv) any Taxes for pre-Closing periods (except to the extent such Taxes were accrued or reserved for in Final Net Working Capital) and (v) any claims, actions or proceedings brought by investment advisory clients of the Company related to pre-Closing actions and activities of the Company and the Business.

(b) Subject to the limitations set forth in this Article XI, each of the Holdings Members hereby jointly and severally, absolutely, unconditionally, and irrevocably guarantees, as a principal obligor, and not merely as a surety, to the Buyer Indemnitees, the due and punctual payment, performance and observance by the Member of the indemnification obligations of the Member set forth in Section 11.2(a) (referred to collectively as the “**Guaranteed Indemnification Obligations**”); provided that no claim may be made against any Holding Member for a Guaranteed Indemnification Obligation if the Applicable Survival Period for such Guaranteed Indemnification Obligation has expired pursuant to the terms of this Agreement or is otherwise limited pursuant to the terms of this Agreement. Demand for payment in accordance with the terms hereof may be made hereunder on any number of occasions in the amount of all or any portion of the Guaranteed Indemnification Obligations when due and no single demand shall exhaust the rights of Buyer Indemnitees hereunder. In the sole discretion of the Buyer Indemnitee, each Buyer Indemnitee may seek fulfillment of the Guaranteed Indemnification Obligations directly from any or all of the Holdings Members without first making demand or otherwise seeking fulfillment of such Guaranteed Indemnification Obligations by the Member. The Buyer Indemnitee seeking fulfillment of the Guaranteed Indemnification Obligations directly from the Holdings Members will use commercially reasonable efforts to proceed concurrently against all of the Holdings Members; however, nothing herein shall limit the Buyer Indemnitee’s right to seek fulfillment directly from any or all of the Holdings Members, in the Buyer Indemnitee’s sole discretion.

(c) Subject to the limitations set forth in this Article XI, the Holdings Members shall jointly and severally indemnify and defend the Buyer Indemnitees against, and shall hold them harmless from, any and all Losses resulting from, arising out of, or incurred by any Buyer Indemnitee in connection with, or otherwise with respect to (i) any inaccuracy or breach of any representation or warranty made by the Holdings Members in this Agreement, any other Transaction Document to which the Holdings Members are a party or any certificate or other document furnished or to be furnished to Buyer in connection with the transactions contemplated by this Agreement; and (ii) any breach by the Holdings Members of any covenant or agreement contained in this Agreement or any other Transaction Document. The Buyer Indemnitee seeking fulfillment of the indemnification obligations in this Section 11.2(c) will use commercially reasonable efforts to proceed concurrently against all of the Holdings Members; however, nothing herein shall limit the Buyer Indemnitee’s right to seek fulfillment directly from any or all of the Holdings Members, in the Buyer Indemnitee’s sole discretion.

11.3 Limitations.

(a) The Member shall not be liable for any Losses pursuant to clause (i) of Section 11.2(a) (other than Losses related to Fundamental Representations) unless and until the aggregate amount of all Losses incurred by the Buyer Indemnitees under clause (i) of Section 11.2(a) (other than Losses related to Fundamental Representations) exceeds \$54,650, in which

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event the Member shall be liable for all Losses in excess of \$54,650. The cumulative indemnification obligation of the Member under clause (i) of Section 11.2(a) (other than Losses related to Fundamental Representations) shall in no event exceed \$2,186,000. The foregoing limitations shall not apply in the case of willful breach or fraud.

(b) The cumulative indemnification obligations of the Holdings Members under Section 11.2(c) shall in no event exceed the Final Purchase Price. The foregoing limitation shall not apply in the case of willful breach or fraud or the obligations of the Holdings Members under Section 11.2(b).

11.4 Indemnification by Buyer. The Buyer shall indemnify and defend the Member and its Affiliates, stockholders, members, managers, officers, directors, employees, agents, successors and assigns (the “**Member Indemnitees**”) against, and shall hold them harmless from, any and all Losses resulting from, arising out of, or incurred by any Member Indemnatee in connection with, or otherwise with respect to (a) any inaccuracy or breach of any representation or warranty made by the Buyer in this Agreement, any other Transaction Document or any certificate or other document furnished or to be furnished to the Company or the Member in connection with the transactions contemplated by this Agreement; and (b) any breach by the Buyer of any covenant or agreement contained in this Agreement or any other Transaction Document.

11.5 Indemnification Procedure for Third-Party Claims.

(a) In the event that any claim or demand, or other circumstance or state of facts which could give rise to any claim or demand, for which an Indemnitor may be liable to an Indemnatee hereunder is asserted or sought to be collected by a third party (“**Third Party Claim**”), the Indemnatee shall as soon as practicable (and in any event prior to the expiration of the Applicable Survival Period in Section 11.1) notify the Indemnitor in writing of such Third Party Claim (“**Notice of Claim**”). The Notice of Claim shall (i) state that the Indemnatee has paid or properly accrued Losses or anticipates that it will incur Liability for Losses for which such Indemnatee is entitled to indemnification pursuant to this Agreement, and (ii) specify in reasonable detail each individual item of Loss included in the amount so stated, the date such item was paid or properly accrued, the basis for any anticipated Liability and the nature of the misrepresentation, breach of warranty, breach of covenant or claim to which each such item is related and the computation of the amount to which such Indemnatee claims to be entitled hereunder. The Indemnatee shall enclose with the Notice of Claim a copy of all papers served with respect to such Third Party Claim, if any, and any other documents evidencing such Third Party Claim.

(b) The Indemnitor will have 60 days from the date on which the Indemnitor received the Notice of Claim to notify the Indemnatee that the Indemnitor desires to assume the defense or prosecution of such Third Party Claim and any litigation resulting therefrom with counsel of its choice and at its sole cost and expense (a “**Third Party Defense**”). If the Indemnitor assumes the Third Party Defense in accordance herewith, (i) the Indemnatee may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim but the Indemnitor shall control the investigation, defense and settlement thereof, (ii) the Indemnatee will not file any papers or consent to the entry of any judgment or enter into

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any settlement with respect to the Third Party Claim without the prior written consent of the Indemnitor, and (iii) the Indemnitor will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim to the extent such judgment or settlement provides for equitable relief without the prior written consent of the Indemnitor. The Parties will use commercially reasonable efforts to minimize Losses from Third Party Claims and will act in good faith in responding to, defending against, settling or otherwise dealing with such claims. The Parties will also cooperate in any such defense and give each other reasonable access to all information relevant thereto. Whether or not the Indemnitor has assumed the Third Party Defense, such Indemnitor will not be obligated to indemnify the Indemnitor hereunder for any settlement entered into or any judgment that was consented to without the Indemnitor's prior written consent. Notwithstanding the foregoing, the Indemnitor shall not be entitled to assume control of such defense if (x) the Third Party Claim relates to or arises in connection with any criminal Proceeding, (y) the Third Party Claim seeks an injunction or equitable relief against the Indemnitor, or (z) the Third Party Claim is brought against Buyer or the Company by a Governmental Entity and such claim seeks to, or could have the effect of, limiting the scope of business or services offered by the Company.

(c) If the Indemnitor does not assume the Third Party Defense within 60 days of receipt of the Notice of Claim, the Indemnitor will be entitled to assume the Third Party Defense, at its sole cost and expense upon delivery of notice to such effect to the Indemnitor; provided that the (i) Indemnitor shall have the right to participate in the Third Party Defense at its sole cost and expense, but the Indemnitor shall control the investigation, defense and settlement thereof; (ii) the Indemnitor may at any time thereafter assume the Third Party Defense, in which event the Indemnitor shall bear the reasonable fees, costs and expenses of the Indemnitor's counsel incurred prior to the assumption by the Indemnitor of the Third Party Defense, and (iii) the Indemnitor will not be obligated to indemnify the Indemnitor hereunder for any settlement entered into or any judgment that was consented to without the Indemnitor's prior written consent.

11.6 Indemnification Procedures for Non-Third Party Claims. In the event of a claim that does not involve a Third Party Claim being asserted against it, the Indemnitor shall send a notice of claim to the Indemnitor. The notice of claim shall set forth the amount, if known, or, if not known, an estimate of the foreseeable maximum amount of claimed Losses (which estimate shall not be conclusive of the final amount of such Losses) and a description of the basis for such claim. The Indemnitor will have 30 days from receipt of such notice of claim to dispute the claim and will reasonably cooperate and assist the Indemnitor in determining the validity of the claim for indemnity. If the Indemnitor does not give notice to the Indemnitor that it disputes such claim within 30 days after its receipt of the notice of claim, the claim specified in such notice of claim will be conclusively deemed a Loss subject to indemnification hereunder.

11.7 No Indemnification by the Company. Upon and following the Closing, the Company shall not have any Liability or obligation to indemnify, save or hold harmless or otherwise pay, reimburse or make the Member or the Holdings Members whole for or on account of any indemnification or other claims made by any Buyer Indemnitor hereunder. The Member and the Holdings Members shall not have any right of contribution against the Company with respect to any such indemnification or other claim.

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11.8 Further Liability Limitations. A claim with respect to any Loss shall be reduced by the amount of any (a) insurance proceeds in respect of such Loss that are actually received by any Indemnitee hereunder, and (b) indemnification or recovery of damages from a third party for such Loss that are actually received by any Indemnitee hereunder; however, no Party shall be obligated to seek recovery from insurance policies or third parties for such Losses. No Buyer Indemnitee shall make any claim for indemnification for Losses under this Agreement to the extent it would result in double recovery for any such Loss.

11.9 Contingent Claims. Nothing herein shall be deemed to prevent an Indemnitee from making a claim hereunder for potential or contingent claims or demands; provided that the notice of claim sets forth the specific basis for any such contingent claim to the extent then feasible and the Indemnitee has reasonable grounds to believe that such a claim will be made.

11.10 Recoupment and Offset. Buyer shall first seek indemnity from the Escrow Funds with respect to any indemnification claim of Buyer under this Agreement. After the Escrow Funds have been first exhausted, Buyer shall have the right, at its election upon notice to Member's Representative, to fully and completely recoup from or otherwise offset against any or all of the Final Purchase Price payable or becoming payable, by Buyer pursuant to this Agreement for (a) any and all amounts owed to any Buyer Indemnitee pursuant to this Article XI (or any portion thereof) and (b) any and all amounts otherwise owed by the Member or the Holdings Members to Buyer pursuant to this Agreement.

11.11 Exclusive Remedy. Except with respect to an action based upon an allegation of fraud or with respect to which equitable relief is sought (and solely to the extent such action is based on the allegation of fraud or seeks equitable relief) or as otherwise expressly provided in this Agreement, the provisions of this Article 11 constitute the exclusive remedy of the Parties hereto with respect to indemnification for any breach, inaccuracy or nonfulfillment of any representation, warranty or covenant contained in this Agreement.

11.12 Effect of Investigation. An Indemnitee's right to indemnification or other remedies based upon the representations and warranties and covenants and agreements of the Indemnitor will not be affected by any investigation or knowledge of the Indemnitee or any waiver by the Indemnitee of any condition based on the accuracy of any representation or warranty, or compliance with any covenant or agreement. Such representations and warranties and covenants and agreements shall not be affected or deemed waived by reason of the fact that the Indemnitee knew or should have known that any representation or warranty might be inaccurate or that the Indemnitor failed to comply with any agreement or covenant. Any investigation by any Party shall be for its own protection only and shall not affect or impair any right or remedy hereunder.

11.13 Tax Treatment of Indemnification Payments. Except as otherwise required by applicable Law, the Parties shall treat any indemnification payment made hereunder as an adjustment to the consideration payable under this Agreement.

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11.14 Member's Representative.

(a) The Member and each of the Holdings Members hereby appoints Art Burtscher as its true and lawful attorney-in-fact and agent (the "**Member's Representative**"), with full power of substitution or resubstitution, to act solely and exclusively on behalf of the Member and each of the Holdings Members with respect to the transactions contemplated by this Agreement and to act on behalf of the Member and each of the Holdings Members in any litigation or arbitration involving this Agreement, to do or refrain from doing all such further acts and things, and to execute all such documents (including without limitation the Escrow Agreement) as the Member's Representative shall deem necessary or appropriate in connection with the transactions contemplated hereby, including the power:

(i) to act for the Member and each of the Holdings Members with regard to matters pertaining to indemnification referred to in this Agreement, including the power to compromise any indemnity claim on behalf of the Member and each of the Holdings Members;

(ii) to act for the Member and each of the Holdings Members with regard to matters pertaining to litigation;

(iii) to execute and deliver all documents in connection with the transactions contemplated hereby or amendments thereto that the Member's Representative deems necessary or appropriate;

(iv) to receive funds, make payments of funds, and give receipts for funds;

(v) to receive funds for the payment of expenses of the Member and each of the Holdings Members and apply such funds in payment for such expenses;

(vi) to do or refrain from doing any further act or deed on behalf of the Member and each of the Holdings Members that the Member's Representative deems necessary or appropriate in his sole discretion relating to the subject matter of this Agreement as fully and completely as the Member and each of the Holdings Members could do if personally present; and

(vii) to receive service of process in connection with any claims under this Agreement.

(b) The appointment of the Member's Representative shall be deemed coupled with an interest and shall be irrevocable, and Buyer and any other Person may conclusively and absolutely rely, without inquiry, upon any action of the Member's Representative in all matters referred to herein. Any action taken by the Member's Representative must be in writing and must be signed by the Member's Representative. All notices required to be made or delivered by Buyer to the Company and the Member and each of the Holdings Members described above shall be made to the Member's Representative for the benefit of the Member and each of the Holdings Members and shall discharge in full all notice requirements of Buyer, as applicable, to the Member and each of the Holdings Members with respect thereto. By appointment of the Member's Representative, the Member and each of the

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Holdings Members thereby confirm all that the Member's Representative shall do or cause to be done by virtue of his appointment as the representative of the Member and each of the Holdings Members hereunder. The Member's Representative shall act for the Member and each of the Holdings Members on all of the matters set forth in this Agreement in the manner the Member's Representative believes to be in the best interest of the Member and each of the Holdings Members and consistent with the obligations of the Member and each of the Holdings Members under this Agreement, but the Member's Representative shall not be responsible to the Member or any of the Holdings Members for any damages which the Member or any of the Holdings Members may suffer by the performance of such duties under this Agreement, other than damages arising from willful violation of applicable Law or gross negligence in the performance of such duties under this Agreement. The Member's Representative shall not have any duties or responsibilities except those expressly set forth in this Agreement, and no implied covenants, functions, responsibilities, duties or liabilities shall be read into this Agreement or shall otherwise exist against the Member's Representative. The Member's Representative Fund shall be used to pay expenses incurred by the Member's Representative. The Member's Representative is authorized to replenish the Member's Representative Fund with funds that would otherwise be distributed from the Escrow Funds to the Member's Representative for distribution to the Member, if at that time there have been expenditures from the Member's Representative Fund or if the Member's Representative in his discretion believes it necessary to maintain or increase the Member's Representative Fund at that time. Any portion of the Member's Representative Fund not expended at the termination of the Escrow Agreement shall be distributed promptly by the Member's Representative to the Member. The Member and each of the Holdings Members hereby agrees (i) to reimburse the Member's Representative for all out-of-pocket costs and expenses incurred by the Member's Representative under this Agreement, including fees for any attorneys or other representative he may employ, and (ii) to indemnify and hold harmless and defend the Member's Representative, his agents and assigns against all Liabilities, claims, actions, damages, Losses and expenses (including, without limitation, legal and other professional fees and expenses, and litigation costs) of any kind (whether known or unknown, fixed or contingent) arising out of or in connection with (A) the Member's Representative's omissions to act, or actions taken, resulting from, arising out of, or incurred in connection with, or otherwise with respect to this Agreement, or (B) services taken with respect to this Agreement or reasonably believed to be in the scope of the Member's Representative.

(c) In the event that Art Burtscher dies, becomes legally incapacitated or resigns from his position as Member's Representative, Rich Jarvis shall be the replacement Member's Representative and deemed to be the Member's Representative for all purposes of this Agreement.

(d) The Member's Representative shall be entitled to rely, and shall be fully protected in relying, upon any statements furnished to it by the Member and each of the Holdings Members, Buyer or any other evidence deemed by the Member's Representative to be reliable, and the Member's Representative shall be entitled to act on the advice of counsel selected by it. The Member's Representative shall be fully justified in failing or refusing to take any action under this Agreement unless he shall have received such advice or concurrence of the Member and each of the Holdings Members as he deems appropriate or he shall have been expressly

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indemnified to his satisfaction by the Member and each of the Holdings Members against any and all Liability and expense that the Member's Representative may incur by reason of taking or continuing to take any such action. The Member's Representative shall in all cases be fully protected in acting, or refraining from acting, under this Agreement in accordance with a request of the Member and each of the Holdings Members, and such request, and any action taken or failure to act pursuant thereto, shall be binding upon the Member and each of the Holdings Members.

ARTICLE XII

MISCELLANEOUS

12.1 Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted hereunder shall be in writing and shall be deemed given (a) on the date established by the sender as having been delivered personally, (b) on the date delivered by a private courier as established by the sender by evidence obtained from the courier, (c) on the date sent by facsimile, with confirmation of transmission, if sent during normal business hours of the recipient, if not, then on the next Business Day, or (d) on the fifth Business Day after the date mailed by certified or registered mail, return receipt requested, postage prepaid. Such communications, to be valid, must be addressed as follows:

If to Buyer, to:

Westwood Holdings Group, Inc.
200 Crescent Court, Suite 1200
Dallas, Texas 75201
Attn: Julie K. Geron, CFA
Facsimile: 214.756.6979

With a required copy to:

Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103
Attn: Michael N. Peterson, Esquire
Facsimile: 215.963.5001

If to the Company after the Closing Date, to:

Westwood Holdings Group, Inc.
200 Crescent Court, Suite 1200
Dallas, Texas 75201
Attn: Julie K. Geron, CFA
Facsimile: 214.756.6979

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With a required copy to:

Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103
Attn: Michael N. Peterson, Esquire
Facsimile: 215.963.5001

If to the Company before the Closing Date, to:

McCarthy Group Advisors, L.L.C.
One Pacific Place
1125 South 103rd Street, Suite 580
Omaha, NE 68124
Attn: Art Burtscher
Facsimile: 402.361.2053

With a required copy to:

Koley Jessen P.C., L.L.O.
One Pacific Place
1125 South 103rd Street, Suite 800
Omaha, NE 68124
Attn: Teresa A. Beaufait
Facsimile: 402.390.9005

If to Member's Representative, to:

Art Burtscher
McCarthy Group Advisors, L.L.C.
One Pacific Place
1125 South 103rd Street, Suite 580
Omaha, NE 68124
Attn: Art Burtscher
Facsimile: 402.361.2053

With a required copy to:

Koley Jessen P.C., L.L.O.
One Pacific Place
1125 South 103rd Street, Suite 800
Omaha, NE 68124
Attn: Teresa A. Beaufait
Facsimile: 402.390.9005

or to such other address or to the attention of such Person or Persons as the recipient party has specified by prior written notice to the sending party (or in the case of counsel, to such other readily ascertainable business address as such counsel may hereafter maintain). If more than one method for sending notice as set forth above is used, the earliest notice date established as set forth above shall control.

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12.2 Amendments and Waivers. No amendment of this Agreement will be effective unless it is in writing and signed by the Parties. No waiver of any provision of this Agreement will be effective unless it is in writing and signed by the Party granting the waiver, and no such waiver will constitute a waiver of satisfaction of any other provision of this Agreement. To be valid, any document signed by a Party in accordance with this Section 12.2 must be signed by a party authorized to do so. No failure or delay by any Party in exercising any right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof of the exercise of any other right, power or privilege.

12.3 Expenses. Except as otherwise provided in this Agreement (including the handling of Company Transaction Expenses), each Party shall bear its own costs and expenses in connection with this Agreement, the Escrow Agreement and the transactions contemplated hereby and thereby, including all legal, accounting, financial advisory, consulting and all other fees and expenses of third parties, whether or not the transactions contemplated by this Agreement are consummated.

12.4 Successors and Assigns. No Party may assign any part of its rights, or delegate any of its obligations, under this Agreement, except (a) with the other Parties' prior written consent, and (b) the Buyer may assign its rights and obligations under this Agreement, in whole or in part, (i) to any of its Affiliates, (ii) for collateral security purposes to any lender providing financing to the Buyer or its Affiliates or (iii) to any subsequent purchaser of all or substantially all of the Assets of the Company, but Buyer shall not be released from any of its obligations hereunder by reason of such assignment. No Party shall unreasonably withhold its consent to assignment. Any purported assignment of rights or delegation of obligations in violation of this Section 12.4 is void.

12.5 Governing Law. The Laws of the State of Delaware, without giving effect to principles of conflict of Laws, govern all matters arising out of or relating to this Agreement and all of the transactions it contemplates.

12.6 Consent to Jurisdiction. Each Party irrevocably submits to the exclusive jurisdiction of any state or federal court located in Delaware for the purposes of any Proceeding arising out of this Agreement or the Escrow Agreement or any transaction contemplated hereby or thereby, and agrees to commence any such Proceeding only in such courts. Each Party further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party's respective address set forth herein shall be effective service of process for any such Proceeding. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any Proceeding arising out of this Agreement, the Escrow Agreement or the transactions contemplated hereby or thereby in such courts, and hereby irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Proceeding brought in any such court has been brought in an inconvenient forum. EACH PARTY HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ESCROW AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY OR THE ACTIONS OF SUCH PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT HEREOF AND THEREOF.

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12.7 Counterparts. This Agreement may be executed in two or more counterparts (delivery of which may occur via facsimile), each of which shall be binding as of the date first written above, and, when delivered, all of which shall constitute one and the same instrument. This Agreement and any documents delivered pursuant hereto, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or as an attachment to an electronic mail message in "pdf" or similar format, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any Party or to any such agreement or instrument, each other Party or thereto shall re-execute original forms thereof and deliver them to all other Parties. No Party or to any such agreement or instrument shall raise the use of a facsimile machine or electronic mail attachment in "pdf" or similar format to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or as an attachment to an electronic mail message as a defense to the formation of a Contract and each such Party forever waives any such defense. A facsimile signature or electronically scanned copy of a signature shall constitute and shall be deemed to be sufficient evidence of a Party's execution of this Agreement, without necessity of further proof. Each such copy shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

12.8 No Third Party Beneficiaries. No provision of this Agreement is intended to confer upon any Person other than the Parties any rights or remedies hereunder.

12.9 Entire Agreement. This Agreement and the documents, instruments and other agreements specifically referred to herein or delivered pursuant hereto, including the Exhibits and Schedules, set forth the entire understanding of the Parties with respect to the transactions contemplated hereby. All Exhibits and Schedules referred to herein are intended to be and hereby are specifically made a part of this Agreement. Any and all previous agreements and understandings between or among the Parties regarding the subject matter hereof, whether written or oral, are superseded by this Agreement.

12.10 Captions. All captions contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

12.11 Severability. Any provision of this Agreement which is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12.12 Specific Performance. Buyer, the Company, the Member and the Holdings Members agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by them in accordance with the terms hereof and that any Party shall be entitled to specific performance of the terms hereof, in addition to any other remedy at Law or equity.

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12.13 Interpretation.

(a) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term and vice versa, and words denoting either gender shall include both genders as the context requires. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(b) The terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement.

(c) When a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article, Section, Exhibit or Schedule to this Agreement unless otherwise specified.

(d) The word “include,” “includes,” and “including” when used in this Agreement shall be deemed to be by the words “without limitation,” unless otherwise specified.

(e) A reference to any Party to this Agreement or any other agreement or document shall include such Party’s predecessors, successors and permitted assigns.

(f) Reference to any Law means such Law as amended, modified, codified, replaced or reenacted, and all rules and regulations promulgated thereunder.

12.14 Negotiated Agreement. The Parties have participated jointly in the negotiation and drafting of this Agreement. Any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any Party by virtue of the authorship of this Agreement shall not apply to the construction and interpretation hereof.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

BUYER:

WESTWOOD GROUP HOLDINGS, INC.

By: _____
Name: William R. Hardcastle, Jr.
Title: Vice President, Chief Financial Officer

COMPANY:

McCARTHY GROUP ADVISORS, L.L.C.

By: _____
Name:
Title:

THE MEMBER:

MGA Holdings, L.L.C., a Nebraska limited liability company

By: _____
Name:
Title:

HOLDINGS MEMBERS:

Richard L. Jarvis

Art N. Burtscher

McCarthy Group Asset Management, Inc., a Nebraska corporation

By: _____
Name:
Title:

MEMBER'S REPRESENTATIVE

Name: Art Burtscher

Securities Purchase Agreement
Signature Page

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TWELFTH MODIFICATION OF OFFICE LEASE

THIS TWELFTH MODIFICATION OF OFFICE LEASE (this "*Twelfth Modification*") is entered into as of the 17 day of August, 2012, by and between CRESCENT TC INVESTORS, L.P., a Delaware limited partnership ("*Landlord*"), and WESTWOOD MANAGEMENT CORP., a New York corporation ("*Tenant*").

RECITALS:

A. The Crescent, a Texas joint venture, predecessor-in-interest to Landlord, and Tenant executed that certain Office Lease, dated April 9, 1990 (the "*Original Lease*"), covering certain space therein designated as Suite 1110, containing approximately 1,621 rentable square feet (the "*Original Premises*"), situated on the eleventh floor of 300 Crescent Court which is part of an office building commonly known as The Crescent®, located at 100, 200 and 300 Crescent Court, Dallas, Texas (the "*Office Building*").

B. The Original Lease has been amended by (i) that certain First Modification of Office Lease dated September 11, 1991 (the "*First Modification*"), pursuant to which the Original Premises were expanded to include an additional 1,783 rentable square feet to consist of a total of 3,404 rentable square feet; (ii) that certain Second Modification of Office Lease dated September 27, 1991 (the "*Second Modification*"), pursuant to which an error in the amount of the monthly installments of Basic Rental was corrected; (iii) that certain Third Modification of Office Lease dated October 5, 1994 (the "*Third Modification*"), pursuant to which Tenant relocated to Suite 1320, containing approximately 5,322 rentable square feet located in 300 Crescent Court, Dallas, Texas (hereinafter referred to as the "*New Premises*"); (iv) that certain Letter Agreement dated June 15, 1995 (the "*Letter Agreement*"), pursuant to which the term of the Original Lease was extended for an additional five (5) years, through and including March 31, 2000; (v) that certain Fourth Modification of Office Lease dated April 26, 1996 (the "*Fourth Modification*"), pursuant to which the New Premises were expanded to include an additional 2,691 rentable square feet located at 200 Crescent Court, Dallas, Texas (the "*First Expansion Space*") and an additional 1,770 rentable square feet located in 300 Crescent Court, Dallas, Texas (the "*Second Expansion Space*"), and the term of the Original Lease was extended through June 30, 2001; (vi) that certain Fifth Modification of Office Lease dated May 30, 1996 (the "*Fifth Modification*"), pursuant to which the New Premises were expanded to include an additional 167 rentable square feet located at 200 Crescent Court, Dallas, Texas (the "*Third Expansion Space*"); (vii) that certain Sixth Modification of Office Lease dated September 18, 1997 (the "*Sixth Modification*"), pursuant to which the New Premises were expanded to include an additional 1,038 rentable square feet located at 200 Crescent Court, Dallas, Texas (the "*Fourth Expansion Space*"); (viii) that certain Seventh Modification of Office Lease dated June 24, 1998 (the "*Seventh Modification*"), pursuant to which the New Premises were reduced by approximately 3,896 rentable square feet of space located at 200 Crescent Court, Dallas, Texas (the "*Released Space*") and expanded to include an additional 5,818 rentable square feet located on the thirteenth floor of 200 and 300 Crescent Court, Dallas, Texas (the "*Fifth Expansion Space*"); (ix) that certain Eighth Modification of Office Lease dated September 21, 1998 (the "*Eighth Modification*"), pursuant to which the New Premises were expanded to include an additional 665 rentable square feet located on the thirteenth floor of 200 Crescent Court, Dallas,

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Texas (the “**Sixth Expansion Space**”); (x) that certain Ninth Modification of Office Lease dated November 25, 2003 (the “**Ninth Modification**”), pursuant to which the Lease Term was extended and the New Premises, together with the First Expansion Space, the Second Expansion Space, the Third Expansion Space, the Fourth Expansion Space, the Fifth Expansion Space and the Sixth Expansion Space, and as reduced by the Released Space, were substituted with approximately 22,002 rentable square feet located on the 12th floor of 200 Crescent Court (the “**Relocated Premises**”); (xi) that certain Tenth Modification of Office Lease dated February 24, 2004 (the “**Tenth Modification**”), pursuant to which the Relocated Premises were redefined to contain 21,587 rentable square feet of space; and (xii) that certain Eleventh Modification of Office Lease dated December 9, 2010 (the “**Eleventh Modification**”), pursuant to which the Lease Term was extended and the Relocated Premises were expanded to include Suite 1300, containing approximately 3,968 rentable square feet, located on the 13th floor of 200 Crescent Court (the “**Seventh Expansion Space**”).

C. The Original Lease, as modified by the First Modification, the Second Modification, the Third Modification, the Letter Agreement, the Fourth Modification, the Fifth Modification, the Sixth Modification, the Seventh Modification, the Eighth Modification, the Ninth Modification, the Tenth Modification and the Eleventh Modification, is hereinafter referred to as the “**Lease**”. The Relocated Premises, together with the Seventh Expansion Space, collectively containing approximately 25,555 rentable square feet, are hereinafter referred to as the “**Current Premises**”. Unless otherwise expressly provided herein, capitalized terms used herein shall have the same meanings as designated in the Lease.

D. Landlord and Tenant desire to further amend and modify the Lease in certain respects as provided herein.

AGREEMENT:

In consideration of the sum of Ten Dollars (\$10.00), the mutual covenants and agreements contained herein and in the Lease, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby further amend and modify the Lease as follows:

1. **Premises.** Tenant has exercised its Option to Expand pursuant to **Rider No. 3** attached to the Eleventh Modification. Effective as of the Eighth Expansion Space Commencement Date (hereinafter defined), the Lease is hereby modified and amended to include approximately 2,683 rentable square feet, located on the 13th floor of 200 Crescent Court as shown on **Exhibit A** attached hereto (the “**Eighth Expansion Space**”). As used herein, the term “**Eighth Expansion Space Commencement Date**” shall be the earliest of (1) the first business day after the date on which the Landlord Work (defined in the Work Letter attached as **Exhibit B**) with respect to the Eighth Expansion Space is Substantially Complete, as determined pursuant to the Work Letter, or (2) the date on which the Landlord Work with respect to the Eighth Expansion Space would have been Substantially Complete but for Tenant Delay, as such term is defined in the Work Letter, or (3) the date Tenant takes possession of any part of the Eighth Expansion Space for purposes of conducting business therein. From and after the Eighth Expansion Space Commencement Date, the term “**Premises**” wherever used in the Lease or in this Twelfth Modification shall mean the Current Premises, together with the Eighth Expansion

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Space, collectively containing 28,238 rentable square feet. Tenant acknowledges that the Eighth Expansion Space is currently leased by another tenant of the Office Building through December 31, 2012 (“**Current Tenant**”). Current Tenant has exercised its option to renew its lease for the Eighth Expansion Space and accordingly, Landlord will exercise its option to relocate Current Tenant to other space in the Office Building. Landlord will relocate Current Tenant prior to January 1, 2013. Tenant hereby acknowledges and agrees that the Eighth Expansion Space is leased by Tenant subject to all terms and conditions of the Lease, as modified by this Twelfth Modification. In addition, **Rider No. 3** attached to the Eleventh Modification is hereby deleted in its entirety.

2. **Basic Rental.** Effective as of the Eighth Expansion Space Commencement Date, the Basic Rental due and payable for the Eighth Expansion Space shall be in the following amounts:

<u>Lease Months</u>	<u>Annual Basic Rental Rate Per Rentable Square Foot</u>	<u>Monthly Basic Rental Installment</u>
EESCD – 11/30/15	\$ 33.50	\$ 7,490.04*
12/1/15 – 11/30/17	\$ 34.50	\$ 7,713.63
12/1/17 – 11/30/21	\$ 35.50	\$ 7,937.21

EESCD = Eighth Expansion Space Commencement Date
 Month = One full calendar month

* Subject to abatement as provided below

Notwithstanding anything to the contrary contained in the foregoing, Tenant shall be entitled to an abatement against the Basic Rental next due and payable for the Eighth Expansion Space commencing on the Eighth Expansion Space Commencement Date and continuing for a period of 4 months and 29 days thereafter. Rent for any partial month shall be prorated on a daily basis. Rent for the Eighth Expansion Space shall be paid in addition to Rent for the Current Premises, and all Rent shall be payable in accordance with the terms and provisions of the Lease, as modified by this Twelfth Modification.

3. **Operating Expense Stop.** The Operating Expense Stop applicable to the Eighth Expansion Space shall be the same as that applicable to the Current Premises, which is the amount of the Actual Operating Expenses for the Project for the calendar year 2011 (grossed up to full occupancy).

4. **Condition of Eighth Expansion Space.** Landlord agrees to cause leasehold improvements to be constructed in the Eighth Expansion Space pursuant to the Work Letter attached hereto as **Exhibit B**, which shall be executed by Landlord, Tenant, and Landlord’s construction manager, Crescent Property Services, Inc.

5. **Parking.** Effective as of the Eighth Expansion Space Commencement Date, Tenant shall have the right to lease up to 8 additional unreserved parking spaces in the Parking Facilities in accordance the Parking Agreement attached to the Ninth Modification as **Rider No. 3**, as modified by the Eleventh Modification. The rates payable for such unreserved parking spaces shall be as set forth in **Paragraph 11** of the Eleventh Modification.

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6. Broker. Tenant represents and warrants that no broker or agent has represented Tenant in connection with this Twelfth Modification, other than Jones Lang LaSalle Brokerage, Inc. ("**Broker**") whose commission shall be paid by Landlord in accordance with a separate agreement between Landlord and Broker. Except as provided in the immediately preceding sentence, each party shall indemnify and defend the other party against any Claims for real estate commissions or fees in connection with this Twelfth Modification made by any other party claiming through the indemnifying party. The foregoing indemnification obligation of each indemnifying party shall include indemnification of any affiliates or subsidiaries of the foregoing, and all of their respective officers, directors, employees, shareholders, members, partners, agents and contractors (and, in the case of Landlord as the indemnified party, shall include Landlord's mortgagees and the manager of the Office Building).

7. ERISA Representation. Tenant represents that (i) neither Tenant nor any entity controlling or controlled by Tenant owns a five percent (5%) or more interest (within the meaning of Prohibited Transaction Class Exemption 84-14) in JPMorgan Chase Bank, N.A. ("**JPMorgan**") or any of JPMorgan's affiliates, and (ii) neither JPMorgan, nor any of its affiliates, owns a five percent (5%) or more interest in Tenant or any entity controlling or controlled by Tenant.

8. Time of the Essence. Time is of the essence with respect to Tenant's execution and delivery of this Twelfth Modification to Landlord. If Tenant fails to execute and deliver a signed copy of this Twelfth Modification to Landlord by 5:00 p.m. (Dallas, Texas time), on August 17, 2012, it shall be deemed null and void and shall have no force or effect, unless otherwise agreed in writing by Landlord. Landlord's acceptance, execution and return of this document shall constitute Landlord's agreement to waive Tenant's failure to meet the foregoing deadline.

9. Miscellaneous. This Twelfth Modification shall become effective only upon full execution and delivery of this Twelfth Modification by Landlord and Tenant. This Twelfth Modification contains the parties' entire agreement regarding the subject matter covered by this Twelfth Modification, and supersedes all prior correspondence, negotiations, and agreements, if any, whether oral or written, between the parties concerning such subject matter. There are no contemporaneous oral agreements, and there are no representations or warranties between the parties not contained in this Twelfth Modification. Except as modified by this Twelfth Modification, the terms and provisions of the Lease shall remain in full force and effect, and the Lease, as modified by this Twelfth Modification, shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns. In case of a conflict between the Lease and this Twelfth Modification, the terms of this Twelfth Modification shall control.

10. Ratification. Landlord and Tenant hereby ratify and confirm their respective obligations under the Lease and each party represents and warrants to the other that to its current actual knowledge, it has no defenses thereto. Additionally, Tenant further confirms and ratifies that, as of the date hereof, (a) the Lease is and remains in good standing and full force and effect, and (b) to its current actual knowledge, Tenant has no claims, counterclaims, set-offs or defenses against Landlord arising out of the Lease or in any way relating thereto. Landlord confirms that, to its current actual knowledge, Tenant is not in default under the Lease.

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11. Consent. Landlord represents and warrants that either (a) Landlord has obtained all required consents and approvals, or (b) no consents or approvals are required, in connection with Landlord's execution and delivery of this Twelfth Modification. Tenant represents and warrants that either (a) Tenant has obtained all required consents and approvals, or (b) no consents or approvals are required, in connection with Tenant's execution and delivery of this Twelfth Modification.

EXECUTED as of the day and year first above written.

LANDLORD:

CRESCENT TC INVESTORS, L.P.,
a Delaware limited partnership

By: Crescent TCI GP, LLC.,
a Delaware limited liability company,
its general partner



By: _____
Name: Virgilio De La Piedra
Title: President

TENANT:

WESTWOOD MANAGEMENT CORP.,
a New York corporation



By: _____
Name: William R. Hardcastle, Jr.
Title: CFO

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INVESTMENT SUB-ADVISORY AGREEMENT

INVESTMENT SUB-ADVISORY AGREEMENT, dated October 6, 1994, between The Westwood Funds and its four series, the Equity Fund, the Cash Management Fund, the Intermediate Bond Fund and the Balanced Fund (the "Trust" and the "Funds", respectively), a Massachusetts business trust, for purposes of section 5 only, and Teton Advisers, LLC. (the "Adviser"), a Texas limited liability company and Westwood Management Corp. (the "Sub-Adviser").

Whereas the Adviser has been appointed investment adviser to the Trust and pursuant to such appointment desires to appoint the Sub-Adviser as its subadviser; and whereas the Sub-Adviser desires to be so appointed;

In consideration of the mutual promises and agreements herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, it is agreed by and between the parties hereto as follows:

1. In General

The Sub-Adviser agrees, all as more fully set forth herein, to act as investment adviser to the Trust with respect to the investment of the assets of the Trust allocated to the Funds and to supervise and arrange the purchase and sale of assets held in the investment portfolios of the Funds.

2. Duties and obligations of the Sub-Adviser with respect to investments of assets of the Funds

(a) Subject to the succeeding provisions of this paragraph and subject to the direction and control of the Adviser, the Sub-Adviser shall (i) act as investment adviser for and supervise and manage the investment and reinvestment of each Fund's assets and in connection therewith have complete discretion in purchasing and selling securities and other assets for the Funds and in voting, exercising consents and exercising all other rights appertaining to such securities and other assets on behalf of the Funds and (ii) arrange for the purchase and sale of securities and other assets held in the investment portfolio of each Fund.

(b) The specific services to be provided or arranged for by the Sub-Adviser for the Funds are to supervise the calculation of the net asset value of each Fund's shares.

(c) In the performance of its duties under this Agreement, the Sub-Adviser shall at all times use all reasonable efforts to conform to, and act in accordance with, any requirements imposed by (i) the provisions of the Investment Trust Act of 1940 (the "Act"), and of any rules or regulations in force thereunder; (ii) any other applicable provision of law; (iii) the provisions of the Articles of Incorporation and By-Laws of the Trust, as such documents are amended from time to time; (iv) the investment objectives, policies and restrictions applicable to the Funds as set forth in the Trust's Registration Statement on Form N-1A and (v) any policies and determinations of the Board of Trustees of the Trust with respect to the Funds.

(d) The Sub-Adviser will seek to provide qualified personnel to fulfill its duties hereunder and will bear all costs and expenses (including any overhead and personnel costs) incurred in connection with its duties hereunder and shall bear the costs of any salaries or trustees fees of any officers or trustees of the Trust who are affiliated persons (as defined in the Act) of the Sub-Adviser. If in any fiscal year any Fund's aggregate expenses (excluding interest, taxes, distribution expenses, brokerage commissions and extraordinary expenses) exceed the most restrictive expense limitation imposed by the

securities law of any state in which the shares of that Fund are registered or qualified for sale, the Sub-Adviser will reimburse the Trust pro-rata with the Adviser for the amount of such excess up to the amount of fees accrued for such fiscal year hereunder, subject to the minimum fee requirements of paragraph 4(a)(i). The amount of such reimbursement shall be calculated monthly and an appropriate amount shall be held back or released to the Sub- Adviser each month so that the aggregate amount held back at any particular time shall equal the net amount of the reimbursement on a cumulative year-to- date basis. As of the end of the year the final amount of the total reimbursement shall be calculated and the appropriate amount released to the Funds or the Sub-Adviser or paid to the Funds by the Sub-Adviser.

(e) The Sub-Adviser shall give the Funds the benefit of its best judgment and effort in rendering services hereunder, but neither the Sub- Adviser nor any of its officers, trustees, employees, agents or controlling persons shall be liable for any act or omission or for any loss sustained by the Funds in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of its reckless disregard of its obligations and duties under this Agreement; provided, however, that the foregoing shall not constitute a waiver of any rights which the Trust may have which may not be waived under applicable law.

(f) Nothing in this Agreement shall prevent the Sub-Adviser or any director, officer, employee or other affiliate thereof from acting as investment adviser for any other person, firm or corporation, or from engaging in any other lawful activity, and shall not in any way limit or restrict the Sub-Adviser or any of its trustees, officers, employees or agents from buying, selling or trading any securities for its or their own accounts or for the accounts of others for whom it or they may be acting, provided that, for the term of this agreement, the Sub-Adviser will not act as investment adviser to any investment companies other than the Trust.

3. Portfolio Transactions

In the course of the Sub-Adviser's execution of portfolio transactions for the Funds, it is agreed that the Sub-Adviser shall employ securities brokers and dealers which, in its judgment, will be able to satisfy the policy of the Funds to seek the best execution of its portfolio transactions at reasonable expenses. For purposes of this agreement, "best execution" shall mean prompt, efficient and reliable execution at the most favorable price obtainable. Under such conditions as may be specified by the Trust's Board of Trustees in the interest of its shareholders and to ensure compliance with applicable law and regulations, the Sub-Adviser may (a) place orders for the purchase or sale of each Fund's portfolio securities with the Adviser's affiliate, Gabelli & Company, Inc. or its affiliates, Southwest Securities Inc. or their affiliated entities pursuant to procedures under 17e-1; (b) pay commissions to brokers other than its affiliate which are higher than might be charged by another qualified broker to obtain brokerage and/or research services considered by the Sub-Adviser to be useful or desirable in the performance of its duties hereunder and for the investment management of other advisory accounts over which it or its affiliates exercise investment discretion; and (c) consider sales by brokers (other than affiliates) of shares of the Funds and any other mutual fund for which it or its affiliates act as investment adviser, as a factor in its selection of brokers and dealers for each Fund's portfolio transactions.

4. Compensation of the Sub-Adviser

(a) The Adviser agrees to pay to the Sub-Adviser out of its advisory fees with respect to the Funds, which advisory fees may be paid to the Sub-Adviser directly by the Trust at the Adviser's request, and the Sub-Adviser

agrees to accept as full compensation for all services rendered by or through the Sub-Adviser a fee computed daily and payable monthly in an amount equal on an annualized basis to the greater of (i) \$150,000 per year on an aggregate basis for all the Funds or (ii) 35% of the net revenues to the Adviser from the Funds; net revenues are gross revenues less administrative and marketing fees at an annual rate of .20% of each Funds average net assets; gross revenues equal all advisory and administrative fees paid to the Adviser. For any period of less than a month during which this Agreement is in effect, the fee shall be prorated according to the proportion which such period bears to a full month of 28, 29, 30 or 31 days, as the case may be.

(b) For purposes of this Agreement, the net assets of each Fund shall be calculated pursuant to the procedures adopted by resolutions of the Trustees of the Trust for calculating the net asset value of each Fund's shares.

5. Indemnity

(a) The Trust hereby agrees to indemnify the Sub-Adviser and each of the Sub-Adviser's trustees, officers, employees, and agents (including any individual who serves at the Adviser's request as director, officer, partner, trustee or the like of another corporation) and controlling persons (each such person being an "indemnitee") against any liabilities and expenses, including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees (all as provided in accordance with applicable corporate law) reasonably incurred by such indemnitee in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, before any court or administrative or investigative body in which he may be or may have been involved as a party or otherwise or with which he may be or may have been threatened, while acting in any capacity set forth above in this paragraph or thereafter by reason of his having acted in any such capacity, except with respect to any matter as to which he shall have been adjudicated not to have acted in good faith in the reasonable belief that his action was in the best interest of the Trust and furthermore, in the case of any criminal proceeding, so long as he had no reasonable cause to believe that the conduct was unlawful, provided, however, that (1) no indemnitee shall be indemnified hereunder against any liability to the Trust or its shareholders or any expense of such indemnitee arising by reason of (i) willful misfeasance, (ii) bad faith, (iii) gross negligence iv) reckless disregard of the duties involved in the conduct of his position (the conduct referred to in such clauses (i) through (v) being sometimes referred to herein as "disabling conduct"), (2) as to any matter disposed of by settlement or a compromise payment by such indemnitee, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless there has been a determination that such settlement or compromise is in the best interests of the Trust and that such indemnitee appears to have acted in good faith in the reasonable belief that his action was in the best interest of the Trust and did not involve disabling conduct by such indemnitee and (3) with respect to any action, suit or other proceeding voluntarily prosecuted by any indemnitee as plaintiff, indemnification shall be mandatory only if the prosecution of such action, suit or other proceeding by such indemnitee was authorized by a majority of the full Board of the Trust. Notwithstanding the foregoing the Trust shall not be obligated to provide any such indemnification to the extent such provision would waive any right which the Trust cannot lawfully waive. The Sub-Adviser and Adviser shall each indemnify the other and their respective officers, trustees, shareholders, partners and controlling persons to the extent such persons are not indemnified by the Trust and have not engaged in disabling conduct with respect to all actions or omissions to act or any matter related to the activities of the such persons hereunder.

(b) The Trust shall make advance payments in connection with the expenses of defending any action with respect to which indemnification might be sought hereunder if the Trust receives a written affirmation of the indemnitee's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to reimburse the Trust unless it is subsequently determined that he is entitled to such indemnification and if the trustees of the Trust determine that the facts then known to them would not preclude indemnification. In addition, at least one of the following conditions must be met: (A) the indemnitee shall provide a security for his undertaking, (B) the Trust shall be insured against losses arising by reason of any lawful advances, or (C) a majority of a quorum of trustees of the Trust who are neither "interested persons" of the Trust (as defined in Section 2(a)(19) of the Act) nor parties to the proceeding ("Disinterested Non-Party Trustees") or an independent legal counsel in a written opinion, shall determine, based on a review of readily available facts (as opposed to a full trial-type inquiry), that there is reason to believe that the indemnitee ultimately will be found entitled to indemnification.

(c) All determinations with respect to indemnification hereunder shall be made (1) by a final decision on the merits by a court or other body before whom the proceeding was brought that such indemnitee is not liable by reason of disabling conduct or, (2) in the absence of such a decision, by (i) a majority vote of a quorum of the Disinterested Non-party Trustees of the Trust, or (ii) if such a quorum is not obtainable or even, if obtainable, if a majority vote of such quorum so directs, independent legal counsel in a written opinion.

The rights accruing to any indemnitee under these provisions shall not exclude any other right to which he may be lawfully entitled.

6. Duration and Termination

This Agreement shall become effective upon the date hereof and shall continue in effect for a period of two years and thereafter from year to year, but only so long as such continuation is specifically approved at least annually in accordance with the requirements of the Act.

This Agreement may be terminated by the Sub-Adviser at any time without penalty upon giving the Trust sixty days written notice (which notice may be waived by the Trust) and may be terminated by the Trust or by the Adviser at any time without penalty upon giving the Sub-Adviser sixty days notice (Which notice may be waived by the Adviser), provided that such termination by the Trust shall be directed or approved by the vote of a majority of the Trustees of the Trust in office at the time or by the vote of the holders of a "majority of the voting securities" (as defined in the Act) of the Funds at the time outstanding and entitled to vote. This Agreement shall terminate automatically in the event of its assignment (as "assignment" is defined in the Act and the rules thereunder.)

7. Notices

Any notice under this Agreement shall be in writing to the other party at such address as the other party may designate from time to time for the receipt of such notice and shall be deemed to be received on the earlier of the date actually received or on the fourth day after the postmark if such notice is mailed first class postage prepaid.

8. Governing Law

This Agreement shall be construed in accordance with the laws of the State of New York for contracts to be performed entirely therein and in accordance with the applicable provisions of the Act.

9. Miscellaneous

The Declaration of Trust has been filed with the Secretary of State of the Commonwealth of Massachusetts. The obligations of the Trust are not personally binding upon, nor shall resort be had to the private property of, any of the Trustees, shareholders, officers, employees or agents of the Trust, but only the Trust's property shall be bound.

IN WITNESS WHEREOF, the parties hereto have caused the foregoing instrument to be executed by their duly authorized officers, all as of the day and the year first above written.

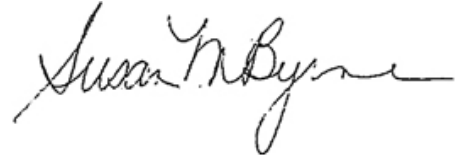
Teton Advisers, LLC.



By _____

Name: Bruce N. Alpert
Title: President

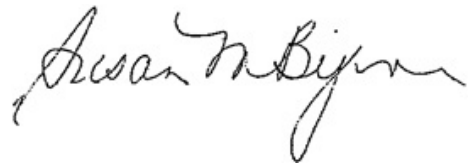
Westwood Management Corp.



By _____

Name: Susan Byrne
Title: President

The Westwood Funds



By _____

Name: Susan Byrne
Title: President

**WESTWOOD HOLDINGS GROUP, INC.
MUTUAL FUND SHARE INCENTIVE AGREEMENT**

AMENDMENT

THIS AMENDMENT OF THE MUTUAL FUND SHARE INCENTIVE AGREEMENT (The "Agreement") dated February 7, 2012 between Mark Freeman ("Participant") and Westwood Holdings Group, Inc. (the "Company" and, together with its subsidiaries, "WHG"), whose registered office is 200 Crescent Court, Suite 1200, Dallas, Texas, is made and entered into as of the 14 day of JANUARY, 2013.

Effective February 7, 2012, the Agreement is amended as follows:

1. **Revised Paragraph 2(a).** Add the following sentence at the end of Paragraph 2(a):

The Morningstar rating assigned to the Fund for the Performance Period shall be the Overall Rating reflecting Fund performance through December 31 of the Performance Period as published by Morningstar on or about the third business day following the end of the Performance Period.

2. **Revised Paragraph 4(a).** Remove Paragraph 4(a) A in its entirety and replace with the following language:

(a) **General.** Participant's right to receive payment of the Account will become vested twelve (12) months from December 31, 2012, which is the end of the Performance Period (the "Stated Vesting Date"), subject to Participant's continuous employment with WHG. If Participant's employment with WHG terminates before the Stated Vesting Date (or before an Accelerated Vesting Date, as described below), the Participant will forfeit the entire Account balance and will have no further rights under or in respect of this Agreement, except where vesting terms that are more favorable to the Participant are specified elsewhere in this Agreement, in the employment agreement between Westwood Holdings Group, Inc. and Participant effective **February 7, 2012**, or as determined by the Committee (in its sole discretion), the vesting terms most favorable to the Participant shall control.

3. **Miscellaneous.** Except as herein modified, the Agreement dated February 7, 2012 shall be and remain unchanged and in full force and effect according to its terms.

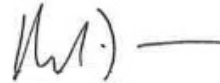
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

WESTWOOD HOLDINGS GROUP, INC.



By: _____
Brian O. Casey
President and Chief Executive Officer

PARTICIPANT:



By: _____
Mark Freeman
Executive Vice President, Chief Investment Officer

SCHEDULE OF DIRECTOR COMPENSATION

For 2012, Westwood Holdings Group, Inc. paid each non-employee member of our Board of Directors a \$20,000 annual retainer, \$5,000 for each regularly scheduled quarterly meeting of the Board of Directors attended by the member and \$5,000 per board or committee meeting attended other than regularly scheduled quarterly meetings. The Chairman of the Audit Committee receives an additional \$5,000 annual retainer. Additionally, upon the date of election or re-election as a member of our Board of Directors, each non-employee director is awarded 1,500 restricted shares of our common stock, which vest approximately 12 months from the date of grant. We review our compensation arrangement for directors from time to time.

Subsidiaries

- a) Westwood Management Corp.
- b) Westwood Trust
- c) Westwood Advisors, LLC
- d) Westwood International Advisors Inc.

Consent of Independent Registered Public Accounting Firm

We have issued our report dated February 28, 2013, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Westwood Holdings Group, Inc. on Form 10-K for the year ended December 31, 2012. We hereby consent to the incorporation by reference of said reports in the Registration Statement of Westwood Holdings Group, Inc. on Form S-8 (File No. 333-175696, effective July 21, 2011).

/s/ Grant Thomton LLP

Dallas, Texas
February 28, 2013

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-14 AND 15D-14**

I, Brian O. Casey, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 28, 2013

/s/ Brian O. Casey

Brian O. Casey
President & Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-14 AND 15D-14**

I, Mark A. Wallace, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 28, 2013

/s/ Mark A. Wallace
Mark A. Wallace
Chief Financial Officer

**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 Annual Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2012, 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.

Dated: February 28, 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.

**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 Annual Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2012, 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 (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.

Dated: February 28, 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.

