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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, 2003

OR

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

For the transition period from _____ to _____

Commission file number 1-31234

WESTWOOD HOLDINGS GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**75-2969997**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
300 Crescent Court, Suite 1300 Dallas, Texas 75201	**75201**
(Address of principal executive offices)	**(Zip Code)**

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

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

Common Stock, par value $0.01 per share
(Title of class)

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

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 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 an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The aggregate market value on June 30, 2003 of the voting and non-voting common equity held by non-affiliates of the registrant was $79,090,219. 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 27, 2004: 5,549,972.

DOCUMENTS INCORPORATED BY REFERENCE

Selected portions of the registrant's definitive Proxy Statement for the 2004 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," "Company," "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. 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 "—Forward-Looking Statements and Risk Factors" below.

General

We manage investment assets and provide services for our clients through our two subsidiaries, Westwood Management Corp. ("Westwood Management") and Westwood Trust. Westwood Management provides investment advisory services to corporate pension funds, public retirement plans, endowments and foundations, mutual funds and clients of Westwood Trust. Westwood Trust provides to institutions and high net worth individuals trust and custodial services and participation in common trust funds that it sponsors. Our revenues are generally derived from fees based on a percentage of assets under management, and at December 31, 2003, Westwood Management and Westwood Trust collectively managed assets valued at approximately $4.0 billion. We have been providing investment advisory services since 1983 and, according to recognized industry sources, including Morningstar, Inc., when measured over multi-year periods, our principal asset classes rank above the median in performance within their peer groups.

The core of our business is dependent on our client relationships. We believe that in addition to investment performance, client service is paramount in the asset management business. As such, a major focus of our business strategy is to continue building strong relationships with clients to better enable us to anticipate their needs and to satisfy their investment objectives. Our team approach ensures efficient, responsive service for our clients. Our future success will depend to a significant degree on both investment performance and our ability to provide responsive client service.

Our Common Stock is listed on the New York Stock Exchange under the ticker symbol "WHG." We maintain a website at www.westwoodgroup.com. Information found on our website is not a part of this Report. All filings made by Westwood with the Securities and Exchange Commission ("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 without charge on our website. Additionally, our Code of Business Conduct and Ethics, our Corporate Governance Guidelines, our Audit Committee Charter, our Compensation Committee Charter and our Governance/Nominating Committee Charter 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 William R. Hardcastle, Jr. at the Company.

Westwood Management

General

Westwood Management Corp. provides investment advisory services to large institutions, including corporate pension funds, public retirement plans, endowments, foundations and mutual funds, having at least $10 – $25 million in investable assets, depending on the asset class. Our overall investment philosophy is determined by our chief executive officer and chief investment officer, Susan M. Byrne, and, with respect to the bulk of assets under management, is focused on achieving a superior, risk-adjusted return by investing in companies that are positioned for growth but are not fully recognized as such in the marketplace. This investment approach is designed to preserve capital in unfavorable periods and to provide superior real returns over the long term. Ms. Byrne has over 30 years of investment experience. Westwood Management's investment advisory team also possesses substantial investment management experience, including a number of portfolio managers, trading and research professionals. The continuity of the team and its years of experience are critical elements in successfully managing investments.

Managed Asset Classes

Asset Management. We provide clients with a broad range of investment asset classes designed to meet varying investment objectives. This affords our clients the opportunity to meet their investment objectives through the use of one management advisor. More than half of our assets under management are invested in our LargeCap Equity asset class. The following sets forth the principal asset classes currently managed by Westwood Management:

LargeCap Equity: Investments in equity securities of approximately 40 well-seasoned companies with market capitalizations generally over $5 billion. Our strategy for this portfolio is to invest in companies where strong earnings growth is driven by operational improvements that are not fully recognized by the market.

SMidCap Equity: Investments in equity securities of approximately 40-60 companies with market capitalizations between $500 million and $7.5 billion at the time of purchase. Similar to the LargeCap Equity asset class, we seek to discover the same kinds of operational improvements that are driving earnings growth, but within small to mid-size companies that can be purchased inexpensively.

SmallCap Equity: Investments in equity securities of approximately 40-60 companies with market capitalizations between $100 million and $2.5 billion at the time of purchase. Similar to the LargeCap Equity and SMidCap Equity classes, we seek to invest in high quality companies where earnings growth is driven by operational improvements that are not fully recognized by the market.

Real Estate Investment Trusts (or REITs): Investments in the publicly traded equity securities of approximately 50 real estate investment trusts. Our investment process involves making investment selections based on qualitative research of high quality REITs.

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

Fixed Income Core/Intermediate Bonds: Investments in high-grade, intermediate term, corporate and government bonds. We seek to add value to client portfolios through yield curve positioning and investment in improving credit quality.

Each asset class is a portfolio of equity and/or fixed income securities determined by Westwood Management's portfolio managers to best provide the long term returns consistent with Westwood Management's investment philosophy. Our portfolio managers make decisions for all of Westwood Management's asset classes in accordance with the investment objectives and policies of such classes, including determining when and which securities to purchase and sell.

We primarily employ a value-oriented approach in managing the bulk of our asset classes, but also offer other strategies that are more closely correlated to high quality growth investing. The common thread that permeates through our investment strategies is our focus on a disciplined approach to controlling risk and preserving the core value of the assets under management whenever possible. Our value oriented asset classes have a greater emphasis on identifying companies where earnings result from actual operational improvements and not manufactured improvements occurring through financial statement adjustments. Our desire to prevent the loss of the core value of the assets under management is the overriding objective of this strategy, even if the cost is the loss of opportunity for potentially higher returns. The growth strategy seeks to primarily invest in companies that are leaders in their industry or sector and are worthy of paying a slight premium relative to their growth rate. However, the growth strategy incorporates an element of risk control through investments in less volatile, more stable growth companies, thus controlling downside losses in the total portfolio. Whether through investments in leaders of industry or in companies that provide steady and stable growth, Westwood Management seeks to consistently demonstrate superior performance relative to industry peers and the broad market.

More than two-thirds of our assets under management are invested in equity securities of companies with a large market capitalization. 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 Westwood Management 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 business.

When measured over multi-year periods, five years and longer, Westwood Management's principal asset classes rank above the median within their peer groups in performance according to recognized industry sources, including Morningstar, Inc. For the ten-year period ended on December 31, 2003, our LargeCap Equity and Balanced asset classes rank in the top quartile in their peer groups.

Our assets under management have grown 66.7% from December 31, 1999 through December 31, 2003. Our ability to obtain such growth is a result of our competitive long-term performance record and our strong relationships with investment consulting firms throughout the nation. We are continually looking for opportunities to expand our asset classes in terms of growing our existing asset classes and developing new portfolios focusing on investment areas that are not currently part of our asset classes under management. We intend to grow our asset classes either internally or by acquiring new asset classes from third parties, as discussed under "—Growth Strategy" below. Our growth strategy not only provides our clients more investment opportunities, but also diversifies our assets under management, thereby reducing our risk in any one area of investment and increasing our competitive ability to attract new clients.

Cash Management. Westwood Management also provides cash management and custodial services for the cash reserve funds of SWS Group, Inc. ("SWS"). We were spun-off from SWS in 2002. The SWS cash reserve funds totaled $178 million at December 31, 2003. Westwood Management charges a fee based on the total amount of cash assets under management.

Advisory and Subadvisory Service Agreements

Westwood Management manages accounts of its clients under investment advisory and subadvisory agreements. These agreements are usually terminable upon short notice and provide for compensation based on the market value of the client's assets under management. Our fees are generally payable in advance on a calendar quarterly basis. Advance payments are deferred and recognized over the period that services are performed. Pursuant to these agreements, Westwood Management provides overall investment management services, including providing advice and recommendations concerning investments and reinvestments in conformity with the investment objectives and restrictions imposed by the clients. Unless otherwise directed in writing by our client, Westwood Management has the authority to vote all proxies with respect to a client's assets.

Westwood Management is also a party to subadvisory agreements with other investment companies under which it performs substantially the same services as it does under its advisory agreements. However, the investment strategy adopted for a particular client is subject to supervision and review by the client. Our subadvisory fees are computed based upon the daily net assets of the client and are payable on a monthly basis. As with our advisory agreements, these agreements are terminable upon short notice.

Under our subadvisory agreement with Gabelli Advisers, Inc., Westwood Management provides investment advisory services to the Gabelli Westwood family of funds. The Gabelli Westwood Equity Fund is a large cap fund with assets consisting of securities valued at approximately $221 million as of December 31, 2003. As of that date, Morningstar, Inc. awarded the Gabelli Westwood Equity Fund a four star overall rating. Westwood Management owns shares of Class A Common Stock representing an 18.8% economic interest in Gabelli Advisers, Inc., a subsidiary of Gabelli Asset Management Inc. Based on SEC filings, we believe that Gabelli Asset Management Inc. owned 11.7% of our Common Stock as of December 31, 2003.

Our three largest clients accounted for approximately 17.1% of total revenues for the twelve months ended December 31, 2003, and we are therefore dependent to a significant degree on our ability to maintain our existing relationships with these clients. There can be no assurance that we will be successful in maintaining our existing client relationships or in securing additional clients.

Westwood Trust

General

Westwood Trust provides to institutions and high net worth individuals having at least $1 million in assets under management trust and custodial services and participation in common trust funds that it sponsors. Westwood Trust seeks to define and improve the risk/return profile of the client's investment portfolio by complementing or enhancing existing investment strategies. Westwood Trust also provides back office services to its clients, including tax reporting, distribution of income to beneficiaries, preparation of trust and account statements and attending to the special needs of particular trusts. Westwood Trust serves as trustee for tax and estate-planning purposes, as well as 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, such as defined contribution plans, pensions and 401(k) plans. Westwood Trust may be appointed trustee and 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 these trusts and assists in developing tax advantaged trust portfolios for them. The fees charged by Westwood Trust are separately negotiated with each client and are based on the complexity of the operations of the trust and the amount of assets under management.

Services

Westwood Trust undertakes a fiduciary responsibility toward the management of each client's assets and utilizes a consultative asset allocation approach. This approach involves Westwood Trust examining the client's financial situation, including the client's portfolio of investments, and advising the client on ways in which it can enhance its investment returns and 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 we commingle clients' assets to achieve economies of scale. Our common trust funds fall within two basic categories: personal trust and employee benefit trust. We sponsor common trust funds for most of the asset classes managed by Westwood Management. We also engage third party subadvisors to supplement the management services provided by Westwood Management for some of our common trust funds, such as our International Equity and High Yield Bond common trust funds.

Enhanced Balanced Portfolios

Westwood Trust is a strong proponent of asset class diversification. We offer our clients the ability to diversify among ten different asset classes. Westwood Trust enhanced balanced portfolios seek to combine these asset classes into a unique customizable portfolio for clients seeking to maximize return for a given level of risk. Periodic adjustments are made to the portfolios based on historical return, risk and correlation data, as well as an analysis of current and expected capital markets assumptions.

Distribution Channels

We market our services through several distribution channels that allow us to expand the reach of our investment advisory services. These channels provide us the ability to leverage the existing distribution infrastructure and capabilities of other financial services firms and intermediaries and focus on our core competency of developing outstanding investment asset classes.

Institutional Investment Consultants

Investment management consulting firms serve as gatekeepers to an overwhelming percentage of corporate pension plans, endowments and foundations, which represent Westwood's primary client markets. Consultants provide

guidance and expertise in setting a client's asset allocation strategy, as well as the establishment of an investment policy. In addition, consultants make recommendations of best in class investment firms that they believe will allow their client's investment objectives to best be met. Westwood has established strong relationships with many national and regional investment consulting firms, which has resulted in Westwood being considered and hired by many of 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 the underlying institutional client base.

Subadvisory Relationships

Westwood's sub-advisory relationships allow Westwood to extend the reach of its investment management services to the clients of other investment companies that have far reaching distribution capabilities. In sub-advisory arrangements, Westwood's client is typically the investment company through which our services are offered to investors. In these sub-advisory arrangements, Westwood's investment advisory services are typically made available through retail-based mutual fund offerings. The investment company that sponsors the mutual fund is responsible for marketing, distribution, operations and accounting related to these funds.

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 assembling this focused, stable team has contributed in large part to our solid investment performance results, quality customer service and a growing array of asset classes under management. Opportunities for our future growth are expected to come from existing and new clients, strategic acquisitions and alliances and the continued strengthening of our brand name.

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 a high level of quality service to these existing relationships. Additionally, we will pursue growth through targeted sales and marketing efforts that emphasize our performance results and client services. New institutional client accounts are generally derived via investment consultants. We have been successful in developing solid long-term relationships with many national and regional investment consultants. These relationships are one of the key factors in being considered for new client investment mandates.

Attract and retain key employees. In order to achieve our performance and client relationship objectives, we must be able to retain and attract talented investment 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 now able to offer to our employees a compensation program that includes strong equity incentives so that the success of our employees will be closely tied to the success of our clients. We believe this is a critical ingredient to continuing to build a stable, client-focused environment.

Pursue strategic acquisitions and alliances. We will evaluate strategic acquisition, joint venture and alliance opportunities carefully. We may, in time, have an interest in pursuing asset management firms or trust companies that have assets with respect to which we have expertise or those that appear appropriate as a means of expanding the range of our asset classes. By acquiring investment firms that successfully manage asset classes in which we do not specialize, we could attract new clients and provide our existing clients with a more diversified range of asset classes. We may also consider entering into alliances with other financial services firms that would allow us to leverage our core competency of developing superior investment products in combination with alliance partners that provide world-class distribution capabilities.

Continue strengthening our brand name. We believe that the strength of our brand name has been a key component to our long-term tenure in the investment industry and will be instrumental to our future success. We have developed our strong brand name largely through high profile coverage in various investment publications and electronic media. In particular, Ms. Byrne enjoys a highly visible presence in print and electronic media, which also enhances our brand name. We will continue to look for creative ways to strengthen our brand name and reputation in the institutional investment consultant community.

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 our management anticipates that we will 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 we do.

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

We compete against an ever-increasing number of investment dealers, banks, insurance companies and others that sell equity funds, taxable income funds, tax-free investments and other investment products. Also, the allocation by many investors of assets away 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 effectively compete with us. In short, the competitive landscape in which we operate is both intense and dynamic, and there can be no assurance that we will 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 a degree of 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.

Regulation

Westwood Management

Virtually all aspects of our business are subject to various federal and state laws and regulations. These laws and regulations are primarily intended to protect investment advisory clients and stockholders of registered investment companies. Under such laws and regulations, agencies that regulate investment advisers, such as ourselves, have broad administrative powers, including the power to limit, restrict or prohibit such an adviser from carrying on its business in the event that it fails to comply with such laws and regulations. In such event, the possible sanctions that may be imposed include the 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 the federal and state level 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. Under the rules and regulations of the SEC promulgated pursuant to the federal securities laws, we are subject to periodic examination by the SEC. The SEC is authorized to institute proceedings and impose sanctions for violations of the

Investment Advisers Act, ranging from censure to termination of an investment adviser's registration. The failure of Westwood Management to comply with the requirements of the SEC could have a material adverse effect on Westwood. We believe that we are in substantial compliance with the requirements of the regulations under the Investment Advisers Act.

Westwood Trust

Westwood Trust also 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 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; and
- prior regulatory approval for certain corporate events (for example, 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 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 the law defines that term).

As required by the Finance Code, Westwood Trust maintains minimum restricted capital of $1.0 million; however, the Finance Code permits the Commissioner to require trust companies on a case-by case basis to maintain additional capital. In addition, under Texas law, Westwood Trust generally cannot have liabilities in excess of five times its restricted capital. At December 31, 2003, Westwood Trust had total liabilities of approximately $225,000.

Westwood Trust is limited by the Finance Code in the payment of dividends to undivided profits: that part of equity capital equal to the balance of net profits, income, gains, and losses since its formation date minus subsequent distributions to stockholders and transfers to surplus or capital under share dividends or appropriate Board resolutions. At December 31, 2003, Westwood Trust had undivided profits of approximately $218,000.

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 of our clients. ERISA and applicable provisions of the Code impose certain duties on persons who are fiduciaries under ERISA or who 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 on us.

Employees

At December 31, 2003, we had 43 full-time employees, 18 of whom are portfolio managers, research and trading professionals, 10 of whom are marketing and client service professionals and 15 of whom are operations and business management personnel. None of our employees are represented by a labor union, and we consider our employee relations to be good.

Forward-Looking Statements and Risk Factors

Forward-Looking Statements

Statements in this Report and the Annual Report to Stockholders that are not purely historical facts, including statements about our expected future financial position, results of operations or cash flows, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "should," "could," "goal," "target," "designed," "on track," "comfortable with," "optimistic" and other similar expressions, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results and the timing of some events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including, without limitation, those set forth below and elsewhere in this Report. Readers are cautioned not to place undue reliance on forward-looking statements, for no assurances can be given with respect to any forward-looking statements. In addition to the other information in this Report, the following factors, which may affect our current position and future prospects, should be considered carefully in evaluating us and an investment in our common stock.

Risk Factors

We have little operating history as an independent public company, and therefore most of our historical financial information may not be indicative of our future performance.

Our spin-off from SWS was completed on June 28, 2002. Our historical financial information for all periods prior to the completion of the spin-off may not be indicative of our future performance as an independent, public company and does not necessarily reflect our financial position, results of operations and cash flows had we operated as an independent public company during such periods. SWS owned our business for many years and operated that business as a part of its overall financial services business. As part of SWS's business, we were able to rely, to some degree, on the cash flow and other resources of SWS, including administrative services, as well as on fees related to our management of the SWS cash reserve funds. Our pre-spin-off expenses were allocated by SWS on the basis of our relative number of employees, relative revenues and other allocation bases. These allocated expenses represent services provided by SWS, including human resources, accounting, internal audit, income tax, legal, insurance and information technology. In the period since the completion of the spin-off, we have obtained from third parties many of the services previously provided by SWS, and have found, in some cases, that the cost of these third party services is higher than those provided by SWS. We also now incur the additional expenses associated with being a publicly-held company. As a result, our pre-spin-off expense levels are generally lower than our post-spin-off expense levels. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements.

Some members of our management are 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 executive officers, particularly Susan M. Byrne, our Chairman of the Board and Chief Executive Officer, and Brian O. Casey, our President and Chief Operating Officer. We do not have employment agreements with any of our key employees, including Ms. Byrne or Mr. Casey. The loss of the services of one or more of our 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. As with other asset management businesses, our future performance depends to a significant degree upon the continued contributions of certain officers, portfolio managers and other key marketing, client service and management personnel. There is substantial competition for these types of skilled personnel.

Some executive officers have substantial influence over our investment policies.

Susan M. Byrne, our chief investment officer, establishes and implements policy with respect to our investment advisory activity. Ms. Byrne and Mr. Casey decide on any changes in management philosophy, style or approach with respect to our investment advisory policies.

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 in the securities markets or certain segments of those markets or short-term volatility in the securities markets or segments thereof could result in investors withdrawing assets from the markets or decreasing their rate of investment, either 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, more than two-thirds of our assets under management are invested in equity securities of companies with a large market capitalization. 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 Westwood Management 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 and/or the election by clients to select other firms to manage their assets, either of which events would result in decreased assets under management and therefore reduced revenues and a decline in results of operations.

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

Because we compete with many other asset management firms on the basis of asset classes offered and the investment performance of those asset classes, our success is dependent to a significant extent on the investment performance of the assets that we manage. During 2003 the asset classes comprising the bulk of assets under our management performed below the median within their peer groups. This relative underperformance could adversely affect our results of operations, especially if it continues. Good performance stimulates new client accounts, which results in higher revenues for us. Conversely, poor performance tends to result in the loss or reduction of client accounts, with corresponding decreases in revenues.

Our business is dependent on investment advisory, subadvisory and trust agreements that are subject to termination or non-renewal; therefore, 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 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 an adverse impact on our business, financial condition and results of operations.

Our largest three clients accounted for 17.1% of total revenues for the twelve months ended December 31, 2003, and we are therefore dependent to a significant degree on our ability to maintain our existing relationships with these clients. There can be no assurance that we will be successful in maintaining our existing client relationships or in securing additional clients. Any failure by us to retain one or more of our large clients or establish profitable relationships with additional clients could have a material adverse effect on our business, financial condition and results of operations.

Any event that negatively affects the asset management industry 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.

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

The development and marketing of new asset classes in our industry is extremely costly and requires a substantial amount of time. Our ability to successfully market and sell a new asset class depends on our financial resources, the performance results of the asset class, the timing of the offering and our marketing strategies. Once an asset class is developed, whether through acquisition or internal development, we need to be able to effectively market the asset class to our existing and prospective clients. This entails incurring significant financial expenses related to research on the target assets and the demand for such asset class in the market, as well as sales and marketing costs associated with attracting assets to the new asset class. In addition, our ability to sell new asset classes to our existing and potential clients depends on our ability to meet or exceed the performance of our competitors who offer the same or similar asset classes. We may not be able to profitably manage the assets within a given asset class. 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 capitalize on the costs and expenses incurred in developing new asset classes, we may experience losses as a result of our management of these asset classes, and our ability to introduce further new asset classes and compete in our industry may be hampered.

If we are unable to successfully and timely expand our asset classes, we may not be able to maintain our competitive position in the asset management industry.

Our ability to remain competitive will depend, in part, on our ability to expand our asset classes under management. We are continually looking for opportunities to expand our asset classes, both in terms of growing our existing asset classes and developing new asset classes focusing on investment areas that we do not currently cover. We intend to grow our asset classes either internally or by acquiring asset classes from third parties. It may be costly and time consuming for us to develop these new assets internally. Moreover, we may not be able to find asset classes that are consistent with our growth strategies or acquire asset classes from third parties on terms acceptable to us, if at all. If we are unable to expand our asset classes or be able to do so in a timely manner, we may lose clients to other asset management firms, which would have an adverse effect on our business, financial condition and results of operations.

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

Virtually all aspects of our business are subject to various laws and regulations. Violations of such laws or regulations could subject us and/or our employees to disciplinary proceedings or civil or criminal liability, including revocation of licenses, censures, fines or temporary suspension, permanent bar 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. These laws and regulations generally grant regulatory agencies and bodies broad administrative powers, including, in some cases, the power to limit or restrict us from operating our business and, in other cases, the powers to place us under conservatorship or closure, in the event we fail to comply with such laws and regulations. Due to the extensive regulations and laws to which we are subject, our management is required to devote substantial time and effort to legal and regulatory compliance issues. 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 " — Regulation."

Potential misuse of assets and information in the possession of our portfolio managers and employees could result in costly litigation and liability for us and our clients.

Our portfolio managers handle a significant amount of assets, financial and personal information for our clients. Although we have implemented a system of controls to minimize the risk of fraudulent taking or misuse of assets and

information, there can be no assurance that our controls will be adequate to prevent taking or misuse by our portfolio managers or employees. If our controls are ineffective in preventing the fraudulent taking or misuse of assets and information, we could be subject to costly litigation, which could consume a substantial amount of our resources and distract our management from the operation of Westwood and could also result in regulatory sanctions. Additionally, any such fraudulent actions could adversely affect some of our clients in other ways, and these clients could seek redress against us.

Acquisitions, which may be part of our long-term business strategy, 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 consider acquisitions of similar or complementary businesses. See " — Growth Strategy." If we are not correct when we assess the value, strengths, weaknesses, liabilities and potential profitability of acquisition candidates or if we are not successful in integrating the operations of the acquired businesses, the success of the combined business could be compromised. Any future acquisitions will be accompanied by the risks commonly associated with acquisitions. These risks include, 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, the potential disruption 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 the changes in management, potential future write-downs related to goodwill impairment 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, asset classes, technologies or businesses of acquired companies may not be effectively assimilated into our business or have a positive effect on the combined company's revenues or earnings. The combined company may also incur significant expense to complete acquisitions and to support the acquired asset classes 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.

Various factors may hinder the declaration and payment of dividends.

We instituted a quarterly dividend program during our 2002 third quarter. However, the payment of dividends in the future 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, any loan agreement restrictions, 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 our subsidiaries. At the present time our primary source of cash is dividends that may be received 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. 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 not be adequate or sufficient to eliminate the risk of extended interruptions in operations.

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 will vary greatly from quarter to quarter depending on,

among other things, capital expenditures, fluctuations in our operating results and financing activities. We believe that our current cash and cash equivalents and cash flows from operations will be sufficient to satisfy our cash requirements for the foreseeable future. However, if future financing is 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 the then existing holders of our common stock, and any future debt financings could involve restrictive covenants that limit our ability to take certain actions.

The distribution agreement and the tax separation agreement that we entered into with SWS contain indemnification obligations for SWS and us that neither party may be able to satisfy, which could result in increased expenses and liabilities for us.

The distribution agreement and the tax separation agreement that we entered into with SWS allocate responsibility between SWS and us for various liabilities and obligations. However, the availability of such indemnities will depend upon the future financial strength of SWS and us. SWS or we may not be in a financial position to fund such indemnities if they should arise, which could result in increased expenses and liabilities for us. The distribution agreement provides that each party will indemnify the other against claims arising out of the distribution agreement and claims arising out of their respective businesses before and after the spin-off. The tax separation agreement provides that each party will indemnify the other with respect to some taxes attributable to their respective businesses arising before or after the spin-off. The tax separation agreement also allocates responsibility between SWS and us with respect to any corporate income taxes for which SWS becomes liable by reason of a change-in-control of SWS or us resulting in the application of Section 355(e) of the Code. Any acquisition that occurs during the four-year period beginning two years before the spin-off will be presumed to be part of a plan or a series of transactions relating to the spin-off. SWS or us, whichever is responsible for triggering a change-in-control resulting in the application of Section 355(e) of the Code, will bear any related taxes that arise. The IRS' presumption related to Section 355(e) of the Code expires on June 28, 2004. If this occurs as a result of our actions, we would be liable to pay SWS the amount of taxes for which SWS becomes liable solely by reason of application of Section 355(e) of the Code and without consideration of any other tax attribute of SWS.

Members of our Board of Directors and executive management may have conflicts of interest due to their relationships with SWS.

Two members of our Board of Directors, Frederick R. Meyer and Jon L. Mosle, Jr., also serve on the SWS Board of Directors. In addition, members of our Board of Directors and executive management own shares of both SWS and Westwood common stock. These circumstances could create, or appear to create, potential conflicts of interest when our directors and management are faced with decisions that could have different implications for SWS and Westwood. Examples of these types of decisions might include the resolution of disputes arising out of the agreements that we entered into with SWS at the time of the spin-off and SWS's continued use of Westwood to act as manager of its cash reserve funds. Also, the appearance of conflicts, even if such conflicts do not materialize, might adversely affect the public's perception of us. For a more detailed discussion of the spin-off and the various agreements entered into by SWS and us, see the Registration Statement on Form 10 filed by Westwood with the Securities and Exchange Commission on June 6, 2002.

Some provisions may discourage a third party from acquiring control of Westwood.

It could be difficult for a potential bidder to acquire us because our Certificate of Incorporation and Bylaws contain provisions that may discourage takeover attempts. In particular, our Certificate of Incorporation and Bylaws permit our Board of Directors to issue, without stockholder approval, preferred stock with such terms as the Board may determine. Additionally, our directors may only be removed for cause by a vote of the holders of at least two-thirds of the shares of stock entitled to vote, and stockholders cannot act by written consent. We have also elected to not exclude ourselves from the restrictions of Section 203 of the Delaware General Corporation Law, which makes it more difficult for a person who is an "interested stockholder" to effect various business combinations with a corporation for a three-year period. Also, the tax separation agreement provides that if, as a result of our actions, a change-in-control of SWS or us triggers application of Section 355(e) of the Code, we would be liable to pay SWS the amount of any corporate income taxes for which SWS becomes liable solely by reason of application of Section 355(e) of the Code and without consideration of any other tax attribute of SWS. These provisions may increase the cost or difficulty for a third party to acquire control of us or may discourage acquisition bids altogether.

Item 2. Properties.

We conduct our principal operations through a leased property with approximately 13,500 square feet located in Dallas, Texas. We recently amended our lease agreement to reflect the fact that we will be relocating in 2004 to new space with approximately 21,600 square feet in the same office complex in which we currently operate. The amended lease agreement will expire eighty-four months after our relocation to the new space, which we expect to occur in the second or third quarter of 2004. 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. We do not believe the outcome of these proceedings will have a material impact on our financial position, operations or cash flow.

Item 4. Submission of Matters to A Vote of Security Holders.

No matter was submitted to a vote of our stockholders during the quarterly period ended December 31, 2003.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Market Information

Our Common Stock has traded on the New York Stock Exchange under the symbol "WHG" since July 1, 2002, the first trading day after SWS completed the spin-off of Westwood by effecting a dividend distribution of all of the Westwood common stock held by SWS to all of its stockholders. At December 31, 2003, there were approximately 160 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 for each fiscal quarter since our Common Stock began trading on the New York Stock Exchange the high and low sale prices for the Common Stock, as reported by the New York Stock Exchange.

	High	Low
2003		
Fourth Quarter	$18.18	$16.65
Third Quarter	21.70	15.20
Second Quarter	19.40	13.15
First Quarter	15.20	13.01
2002		
Fourth Quarter	$14.30	$12.55
Third Quarter	17.27	11.40

Dividends

We have declared a cash dividend on our Common Stock for each quarter since the date of our spin-off. In 2002, after completing our spin-off from SWS, we declared quarterly dividends of $0.02 per share for each of the latter two quarters of the year. In 2003, we declared quarterly dividends of $0.02 per share for each of the first two quarters of the year, and quarterly dividends of $0.03 per share for each of the latter two quarters of the year. We also declared special dividends aggregating $1.08 per share in 2003. In addition, on February 3, 2004 we declared a quarterly cash dividend of $0.04 per share on our Common Stock payable on April 1, 2004 to stockholders of record on March 15, 2004. We currently intend to continue paying quarterly cash dividends in such amounts as our board of directors determines is appropriate. Any payment of cash dividends in the future will be at the discretion of the board of directors and subject to some limitations under the Delaware General Corporation Law.

Westwood Holdings Group, Inc. is the sole stockholder of both Westwood Management and Westwood Trust. Westwood Trust is limited under applicable Texas law in the payment of dividends to undivided profits: that part of equity capital equal to the balance of net profits, income, gains, and losses since its formation date minus subsequent distributions to stockholders and transfers to surplus or capital under share dividends or appropriate board of director resolutions. At December 31, 2003, Westwood Trust had undivided profits of approximately $218,000.

Item 6. Selected Financial Data.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data of Westwood with respect to each of the five years in the period ended December 31, 2003, and as of December 31, 2003, 2002, 2001 and 2000, except Assets Under Management, is derived from the audited consolidated financial statements of Westwood and should be read in conjunction with those statements. The selected consolidated balance sheet data as of December 31, 1999 is derived from the unaudited consolidated financial statements of Westwood. The data below for a portion of the year ended December 31, 2002 and for all of the years ended on or prior to December 31, 2001 reflects Westwood's results as it has historically been operated as a part of SWS, and these results may not be indicative of Westwood's performance as an independent company. The information set forth 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.

	Years ended December 31, (in thousands, except per share amounts)				
	2003	2002	2001[1]	2000	1999
Statements of Income Data:					
Total revenues	$20,078	$21,624	$19,587	$16,136	$11,336
Total expenses	12,198	12,960	15,229	9,524	7,933
Income before income taxes	7,880	8,664	4,358	6,612	3,403
Provision for income tax expense	2,996	3,453	3,097	2,628	1,469
Net income	4,884	5,211	1,261	3,984	1,934
Earnings per share – basic	$ 0.91	$ 0.97	$ 0.23	$ 0.74	$ 0.36
Earnings per share – diluted [2]	$ 0.90	$ 0.97	$ 0.23	$ 0.74	$ 0.36
Cash dividends declared per common share	$ 1.18	$ 0.04	—	—	—

	As of December 31, (in thousands)				
	2003	2002	2001[1]	2000	1999
Balance Sheet Data:					
Cash and investments	$21,056	$18,589	$15,720	$12,519	$ 6,988
Total assets	26,237	24,120	21,053	18,100	11,711
Stockholders' equity	21,853	19,123	14,032	12,802	8,590
Assets Under Management (in millions)	$ 3,954	$ 4,078	$ 4,120	$ 3,601	$ 2,373

(1) In 2001, total expenses include a $4.0 million equity based compensation charge, reflecting (i) the difference in value of $3.4 million between the amount paid by our executive officers to SWS for shares of our common stock purchased by them and the value for financial reporting purposes of the shares on December 14, 2001 and (ii) the below market interest rate associated with the loans made by Westwood to the executive officers to enable them to purchase such shares (these loans were fully repaid by the executive officers in 2003). Total expenses would have been approximately $11,253,000 and net income would have been approximately $5,027,000 without the compensation charge.

(2) Earnings per share figures reflect a 1,003.8-for-1 stock split in the form of a stock dividend effective as of June 21, 2002. All amounts have been restated to reflect the impact of this stock split.

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

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed in the forward looking statements as a result of various factors, including those set forth under "Business – Forward-Looking Statements and Risk Factors," elsewhere in this Report or in the information incorporated by reference in this Report. You should read the following discussion and analysis in conjunction with "Selected Consolidated Financial Data" included in this Report, as well as our consolidated financial statements and related notes thereto appearing elsewhere in this Report.

Overview

We manage investment assets and provide services for our clients through our two subsidiaries, Westwood Management and Westwood Trust. Westwood Management provides investment advisory services to corporate pension funds, public retirement plans, endowments and foundations, mutual funds and clients of Westwood Trust. Westwood Trust provides to institutions and high net worth individuals trust and custodial services and participation in common trust funds that it sponsors. Our revenues are generally derived from fees based on a percentage of assets under management, and at December 31, 2003 Westwood Management and Westwood Trust collectively managed assets valued at approximately $4.0 billion. We have been providing investment advisory services since 1983 and, according to recognized industry sources, including Morningstar, Inc., when measured over multi-year periods, our principal asset classes have consistently ranked above the median in performance within their peer groups.

Revenues

We derive our revenues from investment advisory fees, trust fees, and other revenues. Our advisory fees are generated by Westwood Management, which manages its clients' 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. Most of Westwood Management's advisory fees are paid quarterly in advance based on the assets under management on the last day of the preceding quarter. However, some fees are paid quarterly in arrears or are based on daily or monthly average assets under management for the stated period. Westwood Management recognizes revenues as services are rendered.

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, which in turn is influenced by the complexity of the operations of the trust and the services provided. Westwood Trust also provides trust services to a small number of clients on a fixed fee basis. Similar to advisory fees generated by Westwood Management, most trust fees are paid quarterly in advance and are recognized as services are rendered.

Our other revenues generally consist of interest income, investment income and consulting fees. We invest most of our cash in money market funds, although we do invest smaller amounts in bonds and equity instruments. The most significant component of our other revenues is consulting fees paid to us by Gabelli Advisers, Inc.

Assets Under Management

Assets under management decreased $124 million, or 3.0%, to $4.0 billion at December 31, 2003 compared to $4.1 billion at December 31, 2002. The decline in assets under management was primarily due to the withdrawal of assets by certain clients, substantially offset by the market appreciation of assets under management and inflows of assets from new clients. Quarterly average assets under management decreased $183 million, or 4.4%, to $4.0 billion for 2003 compared with $4.2 billion for 2002.

As of December 31, 2002, assets under management were $4.1 billion, a decrease of $42 million, or 1.0%, compared with December 31, 2001. The decline in assets under management in 2002 was principally attributable to market depreciation of assets under management, offset by inflows of assets from new clients. Quarterly average assets

under management for 2002 increased $515 million, or 14.2%, to $4.2 billion compared with $3.6 billion for 2001, primarily as a result of inflows of assets from new clients.

	As of December 31, [1] (in millions)			% Change	
	2003	2002	2001	2003 vs. 2002	2002 vs. 2001
Westwood Management Corp.					
Separate Accounts	$1,832	$1,786	$2,185	2.6%	(18.3)%
Subadvisory	614	1,108	678	(44.6)	63.4
Gabelli Westwood Funds	420	428	501	(1.9)	(14.6)
Managed Accounts	155	108	119	43.5	(9.2)
Total	3,021	3,430	3,483	(11.9)	(1.5)
Westwood Trust					
Commingled Funds	759	528	477	43.8	10.7
Private Accounts	121	74	77	63.5	(3.9)
Agency/Custody Accounts	53	46	83	15.2	(44.6)
Total	933	648	637	44.0	1.7
Total Assets Under Management	$3,954	$4,078	$4,120	(3.0)%	(1.0)%

(1) The above table excludes the SWS cash reserve funds for which Westwood Management serves as investment advisor and Westwood Trust serves as custodian. The SWS cash reserve funds were $178 million, $490 million and $500 million as of December 31, 2003, 2002 and 2001, respectively. These accounts are noted separately due to their unique nature within our business and because they can experience significant fluctuations on a weekly basis.

Westwood Management. In the above table, "Separate Accounts" represent corporate pension and profit sharing plans, public employee retirement accounts, Taft Hartley plans, endowments, foundations and individuals. "Subadvisory" represents relationships where Westwood Management provides investment management services for funds offered by other financial institutions. "Gabelli Westwood Funds" represent the family of mutual funds for which Westwood Management serves as subadvisor. "Managed Accounts" represent relationships with brokerage firms and other registered investment advisors who offer Westwood Management's products to their customers.

Westwood Trust. In the above table, "Commingled Funds" are established to facilitate investment of fiduciary funds of multiple clients by combining assets into a single trust for taxable and tax-exempt entities. "Private Accounts" represent discretionary accounts where Westwood Trust acts as trustee or agent and has full investment discretion. "Agency/Custody Accounts" represent non-discretionary accounts in which Westwood Trust provides agent or custodial services for a fee, but does not act in an advisory capacity.

Matters Involving SWS Group, Inc.

We were incorporated under the laws of the State of Delaware on December 12, 2001 as a subsidiary of SWS. Our principal assets consist of the capital stock of Westwood Management and Westwood Trust. On June 28, 2002, SWS completed the spin-off of Westwood by effecting a dividend distribution of all of our common stock held by SWS to all of its stockholders on a pro rata basis. We are now an independent public company, with SWS having no continuing ownership interest in us. As part of the spin-off, we entered into various agreements with SWS that address the allocation of certain rights and obligations and that define our relationship with SWS after the spin-off, including a distribution agreement, a tax separation agreement and a transition services agreement.

On December 14, 2001, SWS sold shares of Westwood common stock, constituting 19.82% of Westwood's outstanding common stock, to five Westwood executive officers for an aggregate of $4.1 million. Westwood's 2001 results of operations include a non-cash compensation expense of $4.0 million, reflecting (i) the difference in value of $3.4 million between the amount paid by the executive officers to SWS for the shares of Westwood common stock and the value for financial reporting purposes of the shares on December 14, 2001 and (ii) the below market interest rate

associated with the loans made by Westwood to the executive officers to enable them to purchase such shares. The purchase price for the shares sold by SWS to these executives was premised upon an understanding reached in October 2001 that SWS would sell the shares of Westwood common stock based on their value at September 30, 2001, and was based on a valuation as of September 30, 2001, covering the shares sold, which valuation was delivered to the SWS Board in December 2001 and took into account the fact that the shares represented a minority interest in closely held, non-marketable securities. The foregoing loans were fully repaid by the executive officers in 2003.

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, and reflect our historical financial position, results of operations and cash flows both as an independent public company and, prior to the completion of the spin-off, as a part of SWS. The financial information included in this Report that relates to periods up to and including the period in which our spin-off from SWS was completed (2002) is not necessarily indicative of what our financial position, results of operations or cash flows would have been had we operated as an independent public company during such periods, nor is it necessarily indicative of our future performance. Up to and including the period in which our spin-off from SWS was completed, our expenses were allocated by SWS on the basis of our relative number of employees, relative revenues and other allocation bases. These allocated expenses represent services provided by SWS, including human resources, accounting, internal audit, income tax, legal, insurance and information technology. In the period since the completion of the spin-off, we have obtained from third parties many of the services previously provided by SWS, and have found, in some cases, that the cost of these third party services is higher than those provided by SWS. We also now incur the additional expenses associated with being a publicly-held company. As a result, our pre-spin-off expense levels are generally lower than our post-spin-off expense levels.

Results of Operations

The following table and discussion of our results of operations is based upon data derived from the 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	
	2003	2002	2001	2003 vs. 2002	2002 vs. 2001
Revenues					
Advisory fees	$14,008	$16,223	$14,918	(13.7)%	8.7%
Trust fees	4,794	4,508	3,755	6.3	20.1
Other revenues	1,276	893	914	42.9	(2.3)
Total revenues	20,078	21,624	19,587	(7.1)	10.4
Expenses					
Employee compensation and benefits	8,492	9,149	8,042	(7.2)	13.8
Equity based compensation charge	—	—	3,976		N/A
Sales and marketing	563	442	485	27.4	(8.9)
Information technology	779	850	818	(8.4)	3.9
Professional services	892	1,075	702	(17.0)	53.1
General and administrative	1,472	1,444	1,206	1.9	19.7
Total expenses	12,198	12,960	15,229	(5.9)	(14.9)
Income before income taxes	7,880	8,664	4,358	(9.0)	98.8
Provision for income tax expense	2,996	3,453	3,097	(13.2)	11.5
Net income	$ 4,884	$ 5,211	$ 1,261	(6.3)%	313.2%

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Total Revenue. Our total revenues decreased by 7.1% to $20.1 million in 2003 compared with $21.6 million in 2002. Advisory fees decreased by 13.7% to $14.0 million in 2003 compared with $16.2 million in 2002 primarily as a result of the withdrawal of assets by certain clients offset by the market appreciation of assets under management and inflows of assets from new clients. Trust fees increased by 6.3% to $4.8 million in 2003 compared with $4.5 million in

2002 primarily due to a higher average fee resulting from a change in the mix of Trust assets under management as well as increased average assets under management due to inflows from new and existing clients and market appreciation of assets. Other revenues, which generally consist of interest and investment income and consulting fees, increased by 42.9% to $1.3 million in 2003 compared with $893,000 in 2002. Other revenues increased primarily as a result of increased interest income due to accretion of discount on notes receivable from stockholders created by the repayment of those notes by some stockholders.

Employee Compensation and Benefits. Employee compensation and benefits costs generally consist of salaries, benefits and incentive compensation. Employee compensation and benefits decreased by 7.2% to $8.5 million in 2003 compared with $9.1 million in 2002. This decrease resulted primarily from lower incentive compensation expense due to lower income before income taxes as well as an increased emphasis on equity-based compensation. The decrease in incentive compensation was offset to some extent by restricted stock expense that was recognized in 2003 but not in 2002, as well as a full year of stock option expense in 2003 compared to 2002 in which stock option expense began being recognized in the third quarter. At December 31, 2003 we had 43 full-time employees compared with 44 full-time employees at December 31, 2002.

Sales and Marketing. Sales and marketing costs generally consist of costs associated with our marketing efforts, including travel and advertising costs. Sales and marketing costs increased by 27.4% to $563,000 in 2003 compared with $442,000 in 2002. The increase is primarily the result of increased expenditures for marketing to institutional investment consultants as well as increased travel and entertainment costs.

Information Technology. Information technology expenses generally consist of costs associated with computing hardware and software licenses, maintenance and support, telecommunications, proprietary investment research tools and other related costs. Information technology costs decreased by 8.4% to $779,000 in 2003 compared with $850,000 in 2002. The decrease is primarily due to costs related to redeveloping our website, which were incurred in 2002 but not in 2003.

Professional Services. Professional services expenses generally consist of costs associated with legal, audit and other professional services. Professional services expenses decreased by 17.0% to $892,000 in 2003 compared with $1.1 million in 2002. The decrease in these expenses is primarily the result of the absence in 2003 of spin-off related legal and accounting expenses, as well as legal expenses related to litigation that were incurred in 2002 but not in 2003. This decline was partially offset by increased legal and accounting costs associated with being an independent public company.

General and Administrative. General and administrative expenses generally consist of costs associated with the lease of our office space, investor relations, licenses and fees, depreciation, insurance, office supplies and other miscellaneous expenses. General and administrative expenses increased by 1.9% to $1.5 million in 2003 compared with $1.4 million in 2002. The increase is primarily due to increased corporate insurance costs offset to some extent by lower listing fees paid to the New York Stock Exchange (we incurred ongoing listing fees in 2003 compared to the higher initial listing fee in 2002).

Provision for Income Tax Expense. Provision for income tax expense decreased by 13.2% to $3.0 million in 2003 compared with $3.5 million in 2002 due to lower income before income taxes as well as an effective tax rate of 38.0% in 2003 compared to 39.9% in 2002. The decrease in the effective tax rate was primarily due to a reduction in the Company's effective franchise tax rate and the effect of a franchise tax refund related to prior years.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Total Revenue. Our total revenues increased by 10.4% to $21.6 million in 2002 compared with $19.6 million in 2001. Advisory fees increased by 8.7% to $16.2 million in 2002 compared with $14.9 million in 2001 primarily as a result of increased average assets under management derived from new clients. Trust fees increased by 20.1% to $4.5 million in 2002 compared with $3.8 million in 2001 primarily due to increased average trust assets under management. Other revenues decreased by 2.3% to $893,000 in 2002 compared with $914,000 in 2001. Other revenues decreased primarily as a result of lower interest income due to lower market interest rates, which was partially offset by increased consulting income from Gabelli Advisers, Inc.

Employee Compensation and Benefits. Employee compensation and benefits increased by 13.8% to $9.1 million in 2002 compared with $8.0 million in 2001. This increase resulted primarily from increased incentive compensation, which increase was largely based on growth in income before income taxes and also an increase in the number of investment professionals and other personnel. At December 31, 2002 we had 44 full-time employees compared with 41 full-time employees at December 31, 2001. Additionally, we began expensing the cost associated with stock option grants to our employees as well as non-employee directors during 2002. Stock option expense for 2002 was approximately $164,000.

Equity Based Compensation Charge. The $4.0 million equity based compensation charge in 2001 relates to the sale of a minority interest in Westwood to our executive officers by SWS and reflects (i) the difference in value of $3.4 million between the amount paid by our executive officers to SWS for shares of our common stock purchased by them and the value for financial reporting purposes of the shares on December 14, 2001 and (ii) the below market interest rate associated with the loans made by Westwood to the executive officers to enable them to purchase such shares. These loans were fully repaid by the executive officers in 2003.

Sales and Marketing. Sales and marketing costs decreased by 8.9% to $442,000 in 2002 compared with $485,000 in 2001. The decrease in these expenses is primarily due to lower travel expenses as a result of the realignment of marketing and client service coverage responsibilities along geographic lines.

Information Technology. Information technology costs increased by 3.9% to $850,000 in 2002 compared with $818,000 in 2001. The increase in these expenses is primarily due to the cost of redeveloping our website and increased software maintenance costs.

Professional Services. Professional services expenses increased by 53.1% to $1.1 million in 2002 compared with $702,000 in 2001. The increase in these expenses is primarily the result of legal and accounting costs associated with the spin-off from SWS, the 2002 expense for the initial audit of our composite investment performance figures verifying conformity with the Association for Investment Management and Research – Performance Presentation Standards, as well as increased legal and accounting costs associated with being public. Legal expenses associated with litigation were approximately the same in 2002 as compared to 2001.

General and Administrative. General and administrative expenses increased by 19.7% to $1.4 million in 2002 compared with $1.2 million in 2001. The increase in these expenses is primarily the result of the initial listing fee paid to the New York Stock Exchange related to the listing of our common stock, as well as increased corporate insurance and investor relations costs. Effective January 1, 2002, we adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Upon adoption of SFAS 142 we discontinued our amortization of goodwill. Goodwill amortization during 2001 was approximately $73,000. The adoption of SFAS 142 does not have a significant impact on the comparability of our earnings per share or net income.

Provision for Income Tax Expense. Provision for income tax expense increased by 11.5% to $3.5 million in 2002 compared with $3.1 million in 2001, reflecting an effective tax rate of 39.9% and 71.1% for 2002 and 2001, respectively. The decrease in the effective tax rate resulted from the non-deductibility of most of the equity based compensation charge incurred in 2001.

Liquidity and Capital Resources

Historically, we have funded our operations and cash requirements with cash generated from operating activities. As of December 31, 2003, 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 2003, cash flow provided by operating activities, principally our investment advisory business, was $3.9 million. We generated cash flow from operating activities of $4.8 million and $6.7 million during 2002 and 2001,

respectively. At December 31, 2003 and 2002, we had working capital of $18.6 million and $15.8 million, respectively.

Cash flow used in investing activities during 2003 was $2.3 million, and was primarily related to the investment of excess cash balances. Cash used in investing activities during 2002 and 2001 was $521,000 and $6.7 million, respectively, and was primarily related to the investment of excess cash balances.

Cash used in financing activities during 2003 was $2.3 million and was primarily related to the payment of cash dividends on our common stock, offset to some extent by the repayment in full of loans made to some of our executive officers. Cash used in financing activities during 2002 was $114,000 and was related to the payment of cash dividends on our common stock. Cash used in financing activities during 2001 was $4.1 million and was related to the funding of loans used to enable our executive officers to purchase shares of our common stock from SWS.

We had cash and investments of $21.1 million at December 31, 2003, compared to $18.6 million at December 31, 2002. As required by the Texas Finance Code, Westwood Trust maintains 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, 2003 or December 31, 2002, 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. 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. Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary. The failure to raise needed capital on attractive terms, if at all, could have a material adverse effect on our business, financial condition and results of operations.

Contractual Obligations

The following table summarizes the Company's known contractual obligations as of December 31, 2003 (in thousands).

		Payments due in:			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
Non-cancelable operating leases	$4,385	$ 467	$1,102	$1,235	$ 1,581
Deferred compensation liability [1]	463	—	—	—	—
Total	$4,848	$ 467	$1,102	$1,235	$ 1,581

[1] Our obligation under the deferred compensation plan was $463,000 at December 31, 2003. This liability will grow while deferred compensation plan participants remain employed with Westwood and will decrease when participants' employment is terminated and the related liability is paid. The timing of the payments cannot be estimated. Our obligation under this plan will be satisfied with specific cash and investments that are segregated from the assets that we use in the course of running our business.

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN 46 addresses reporting and disclosure requirements for Variable Interest Entities ("VIEs") and defines a VIE as an entity that either does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires consolidation of a VIE by the enterprise that absorbs a majority of the VIE's expected losses. If no enterprise absorbs a majority of the expected losses, FIN 46 requires consolidation by the enterprise that receives a majority of the expected residual returns. The calculation of expected residual returns includes the expected variability in the entity's net income or loss as well as all fees earned by the entity's decision maker, thereby creating a bias in favor of the decision

maker in the determination of who receives a majority of the expected residual returns. The consolidation and disclosure provisions of FIN 46 are effective immediately for VIEs created after January 31, 2003, and were originally effective for interim or annual reporting periods beginning after June 15, 2003 for VIEs created before February 1, 2003. Such transition provisions were subsequently amended so that the Company will not be required to apply FIN 46 until the first quarter of fiscal 2004, which ends on March 31, 2004. The Company does not believe that the adoption of FIN 46 will have a material impact on its operations or its consolidated financial statements.

Critical Accounting Policies and Estimates

Revenue Recognition

Investment advisory and trust fees are recognized in the period the 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.

Accounting for Investments

We record our investments in accordance with the provisions of SFAS No. 115. We have designated our investments other than money market holdings as "trading" securities, which are recorded at market value with the related unrealized gains and losses reflected in "Other revenues" in the consolidated statements of income. Our "trading" securities, primarily U.S. Government and Government agency obligations as well as mutual fund shares, are valued based upon quoted market prices and, with respect to mutual funds, the net asset value of the shares held as reported by the fund. We have designated our investments in money market accounts as "available for sale." The market values of our money market holdings generally do not fluctuate. Dividends and interest on all of our investments are accrued as earned.

Goodwill

Effective January 1, 2002, we adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." Upon adoption of SFAS 142 the Company discontinued its amortization of goodwill. Goodwill amortization during 2001 was approximately $73,000. The adoption of SFAS 142 did not have a significant impact on the comparability of the Company's earnings per share or net income. During the second quarter of 2002, the Company completed an impairment analysis of goodwill as of January 1, 2002, the date of adoption of SFAS 142. During the third quarters of 2003 and 2002, the Company completed its annual impairment assessment as required by SFAS 142. No impairment loss or transition adjustments were required. The Company performs its annual impairment assessment as of July 1.

Stock Options

Effective January 1, 2002, we elected to begin expensing the cost associated with stock options granted subsequent to January 1, 2002 to employees as well as non-employee directors under SFAS 123, "Accounting for Stock Based Compensation" fair value model. We value stock options issued based upon the Black-Scholes option-pricing model and recognize this value as an expense over the periods in which the options vest. Implementation of the Black-Scholes option-pricing model requires us to make certain assumptions, including expected volatility, 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.

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

Westwood utilizes various financial instruments, 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 have market risks.

Interest Rates and Securities Markets

Our cash equivalents and other investment instruments are exposed to financial market risk due to fluctuation in interest rates, which may affect our interest income. These instruments are not entered into for trading purposes. We do not expect our interest income to be significantly affected by a sudden change in market interest rates.

The value of our 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 auditors' 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.

Not applicable.

Item 9A. Controls and Procedures.

As of December 31, 2003, Westwood carried out an evaluation, under the supervision and with the participation of Westwood management, including Westwood's Chief Executive Officer and Chief Operating Officer (performing functions similar to a Chief Financial Officer), of the effectiveness of the design and operation of Westwood's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15(b). Based on that evaluation, the Chief Executive Officer and the Chief Operating Officer have concluded that these disclosure controls and procedures were effective as of December 31, 2003 to provide reasonable assurance that information required to be disclosed by Westwood in reports filed or submitted by it under the Securities and Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and to provide reasonable assurance that information required to be disclosed by Westwood is accumulated and communicated to Westwood management, including Westwood's Chief Executive Officer and Chief Operating Officer, as appropriate to allow timely decisions regarding disclosure.

There were no changes in Westwood's internal controls over financial reporting that occurred during the quarter ended December 31, 2003 that have materially affected, or are reasonably likely to materially affect, Westwood's internal controls over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Company.

Information regarding Executive Officers and Directors is hereby incorporated by reference from the sections entitled "Election of Directors" and "Executive Officers" in our definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Stockholders to be held on April 22, 2004 (the "Proxy Statement").

Item 11. Executive Compensation.

Information regarding Executive Compensation and Other Matters is hereby incorporated by reference from the section entitled "Executive Compensation" in the Proxy Statement.

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

Information regarding Security Ownership of Certain Beneficial Owners and Management is hereby incorporated by reference from the section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

Information regarding Equity Compensation Plan Information is hereby incorporated by reference from the section entitled "Equity Compensation Plan Information" in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

Information regarding Certain Relationships and Related Transactions is hereby incorporated by reference from the section entitled "Certain Relationships and Related Transactions" in the Proxy Statement.

Item 14. Principal Accountant Fees and Services.

Information regarding Principal Accountant Fees and Services is hereby incorporated by reference from the section entitled "Proposal 2: Ratification of Deloitte & Touche LLP as Independent Auditors" in the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports On Form 8-K.

(a) 1. The following financial statements are filed as part of this Report:

Report of Deloitte & Touche LLP, Independent Auditors
Report of Arthur Andersen LLP, Independent Public Accountants
Consolidated Balance Sheets as of December 31, 2003 and 2002
Consolidated Statements of Income for the years ended December 31, 2003, 2002 and 2001
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2003, 2002 and 2001
Consolidated Statements of Cash Flows for the year ended December 31, 2003, 2002 and 2001
Notes to Consolidated Financial Statements

2. Consolidated Financial Statement Schedules

Financial Statement Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission have been excluded, as they are not required under the related instructions or the information required has been included in the Company's Consolidated Financial Statements.

3. The following documents are filed or incorporated by reference as exhibits to this report:

Exhibit Number	Description of Exhibits
2.1	Distribution Agreement between SWS Group, Inc. and Westwood Holdings Group, Inc. **
3.1	Amended and Restated Certificate of Incorporation of Westwood Holdings Group, Inc. ***
3.2	Amended and Restated Bylaws of Westwood Holdings Group, Inc. ***
4.1	Form of Common Stock Certificate of Westwood Holdings Group, Inc. ***
10.1	Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan ****+
10.2	Westwood Holdings Group, Inc. Deferred Compensation Plan *****+
10.3	Tax Separation Agreement between SWS Group, Inc. and Westwood Holdings Group, Inc. **
10.4	Transition Services Agreement between SWS Group, Inc., Westwood Management Corp. and Westwood Trust **
10.5	Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, L.P., dated as of April 4, 1990, and amendment thereto*****
10.6	Ninth Modification of Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, dated as of November 25, 2003 *
10.7	Tenth Modification of Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, dated as of February 23, 2004 *
10.8	Software License Agreement between Infovisa and Westwood Trust, dated as of December 1, 2001 *****
10.9	Software License and Support Agreement between Advent Software, Inc. and Westwood Management Corp., dated as of December 30, 1996 *****
10.10	Calkin Severance Agreement ****+
10.11	Form of Indemnification Agreement for Westwood Holdings Group, Inc. *+
10.12	Form of Indemnification Agreement for Westwood Management Corp. *+
10.13	Form of Indemnification Agreement for Westwood Trust *+
21.1	Subsidiaries *****
24.1	Power of Attorney (included on first signature page) *
31.1	Certification of the Chief Executive Officer of Westwood required by Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of the President and Chief Operating Officer of Westwood required by Section 302 of the Sarbanes-Oxley Act of 2002 *
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*#
32.2	Certification of Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*#

* Filed herewith.

** 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.

*** 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.

**** Incorporated by reference from Form 10-K filed with the Securities and Exchange Commission on March 7, 2003.

***** Incorporated by reference from the Registration Statement on Form 10 filed with the Securities and Exchange Commission on February 8, 2002.

\+ 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.

(b) Reports on Form 8-K filed during the last quarter of the period covered by this Report.

(i) Current Report on Form 8-K filed on October 21, 2003 reporting the Company's results from operations and a dividend declaration.

(c) The Index to Exhibits filed or incorporated by reference pursuant to Item 601 of Regulation S-K and the Exhibits being filed with this Report are included following the signature pages to this Report.

(d) Not applicable.

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 Susan M. Byrne and Brian O. Casey, 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 Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTWOOD HOLDINGS GROUP, INC.

By: /s/ SUSAN M. BYRNE

Susan M. Byrne
Chairman of the Board and
Chief Executive Officer

Dated: February 27, 2004

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 Company in the capacities indicated on February 27, 2004.

Signatures	Title
/s/ SUSAN M. BYRNE **Susan M. Byrne**	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)
/s/ BRIAN O. CASEY **Brian O. Casey**	Director, President and Chief Operating Officer (Principal Financial and Accounting Officer)
/s/ FREDERICK R. MEYER **Frederick R. Meyer**	Director
/s/ JON L. MOSLE, JR. **Jon L. Mosle, Jr.**	Director
/s/ RAYMOND E. WOOLDRIDGE **Raymond E. Wooldridge**	Director

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Westwood Holdings Group, Inc. and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Company for the year ended December 31, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated February 1, 2002.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years ended December 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed above, the financial statements of the Company for the year ended December 31, 2001 were audited by other auditors who have ceased operations. As described in Note 2, these financial statements have been retroactively adjusted to reflect the 1,003.8-for-1 stock split in the form of a dividend effective as of June 21, 2002. Our audit procedures with respect to the revisions identified in Note 2 with respect to 2001 include (i) agreeing the previously reported per share and capital accounts to the previously issued financial statements and (ii) testing the mathematical accuracy of the revised per share and capital accounts giving effect to the stock split as required by accounting principles generally accepted in the United States of America. In our opinion, the revisions to per share and capital accounts for the stock split are appropriate. As described in Note 2, these financial statements have also been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123." Our audit procedures with respect to the 2001 disclosures in Note 2 included (i) agreeing the previously reported net income to the previously issued financial statements, (ii) agreeing the pro forma adjustments to reported net income representing deductions for total stock-based compensation expense determined under the fair value based method for awards to the Company's underlying records obtained from management, and (iii) testing the mathematical accuracy of the reconciliation of reported net income to pro forma net income. In our opinion, the disclosures for 2001 in Note 7 are appropriate. However, we were not engaged to audit, review or apply any procedures to the 2001 financial statements of the Company other than with respect to the revisions for the stock split and transition and disclosure requirements for stock based compensation described above and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for stock options in 2002.

/s/ Deloitte & Touche LLP
February 24, 2004
Dallas, Texas

WE ARE INCLUDING IN THIS REPORT, PURSUANT TO RULE 2-02(E) OF REGULATION S-X, A COPY OF THE LATEST SIGNED AND DATED REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS FROM OUR PRIOR INDEPENDENT PUBLIC ACCOUNTANTS, ARTHUR ANDERSEN LLP. THIS REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS WAS PREVIOUSLY ISSUED BY ARTHUR ANDERSEN, FOR FILING WITH THE REGISTRATION STATEMENT ON FORM 10 FILED BY WESTWOOD WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 6, 2002, AND HAS NOT BEEN REISSUED BY ANDERSEN. NOTE THAT THIS PREVIOUSLY ISSUED ANDERSEN REPORT INCLUDES REFERENCES TO CERTAIN FISCAL YEARS AND PERIODS, WHICH ARE NOT REQUIRED TO BE PRESENTED IN THE ACCOMPANYING FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEARS ENDED DECEMBER 31, 2003.

Report of Independent Public Accountants

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

We have audited the accompanying consolidated balance sheets of Westwood Holdings Group, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP
Dallas, Texas,
February 1, 2002

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of December 31, 2003 and 2002
(in thousands, except par values and share amounts)

	2003	2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,643	$ 4,359
Accounts receivable	1,931	2,186
Investments, at market value	17,413	14,230
Total current assets	22,987	20,775
Goodwill, net of accumulated amortization of $640	2,302	2,302
Other assets, net	948	1,043
Total assets	$26,237	$24,120
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 935	$ 701
Dividends payable	167	108
Compensation and benefits payable	2,776	3,523
Income taxes payable	472	604
Total current liabilities	4,350	4,936
Other liabilities	34	61
Total liabilities	4,384	4,997
Stockholders' Equity:		
Common stock, $0.01 par value, authorized 10,000,000 shares, issued 5,550,472 and outstanding 5,550,119 shares at December 31, 2003; issued 5,394,522 and outstanding 5,394,145 shares at December 31, 2002	56	54
Additional paid-in capital	12,952	9,579
Treasury stock, at cost – 353 shares at December 31, 2003 and 377 shares at December 31, 2002	(6)	(6)
Unamortized stock compensation	(2,609)	—
Notes receivable from stockholders	—	(3,598)
Retained earnings	11,460	13,094
Total stockholders' equity	21,853	19,123
Total liabilities and stockholders' equity	$26,237	$24,120

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2003, 2002 and 2001
(in thousands, except per share data)

	2003	2002	2001
REVENUES:			
Advisory fees	$14,008	$16,223	$14,918
Trust fees	4,794	4,508	3,755
Other revenues	1,276	893	914
Total revenues	20,078	21,624	19,587
EXPENSES:			
Employee compensation and benefits	8,492	9,149	8,042
Equity based compensation charge	—	—	3,976
Sales and marketing	563	442	485
Information technology	779	850	818
Professional services	892	1,075	702
General and administrative	1,472	1,444	1,206
Total expenses	12,198	12,960	15,229
Income before income taxes	7,880	8,664	4,358
Provision for income tax expense	2,996	3,453	3,097
Net income	$ 4,884	$ 5,211	$ 1,261
Earnings per share:			
Basic	$ 0.91	$ 0.97	$ 0.23
Diluted	$ 0.90	$ 0.97	$ 0.23

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2003, 2002 and 2001
(in thousands, except per share data)

	Westwood Holdings Group, Inc. Common Stock, Par	Westwood Management Corp. Common Stock, Par	Westwood Trust Common Stock, Par	Addi-tional Paid-In Capital	Treasury Stock	Unamort-ized Stock Compen-sation	Notes Receivable from Stock-holders	Retained Earnings	Total
BALANCE, January 1, 2001	$ 54	$ 1	$ 165	$ 5,744	$ —	$ —	$ —	$ 6,838	$12,802
Formation of Westwood Holdings Group, Inc.		(1)	(165)	166					—
Net income								1,261	1,261
Notes issued to stockholders							(3,536)		(3,536)
Noncash contribution				3,505					3,505
BALANCE, December 31, 2001	54	—	—	9,415	—	—	(3,536)	8,099	14,032
Net income								5,211	5,211
Purchase of Treasury Stock					(6)				(6)
Dividends declared ($0.04 per share)								(216)	(216)
Stock options vested				164					164
Accretion of discount on Notes							(62)		(62)
BALANCE, December 31, 2002	54	—	—	9,579	(6)	—	(3,598)	13,094	19,123
Net income								4,884	4,884
Sale of treasury stock – 24 shares					—				—
Issuance of restricted stock	2			3,000		(3,002)			—
Amortization of stock compensation						393			393
Tax benefit related to restricted stock				52					52
Dividends declared ($1.18 per share)								(6,518)	(6,518)
Stock options vested				264					264
Stock options exercised	—			57					57
Accretion of discount on Notes							(495)		(495)
Repayment of notes receivable from stockholders							4,093		4,093
BALANCE, December 31, 2003	$ 56	$ —	$ —	$12,952	$ (6)	$(2,609)	$ —	$11,460	$21,853

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2003, 2002 and 2001
(in thousands)

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 4,884	$ 5,211	$ 1,261
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	108	88	157
Equity based compensation charge	—	—	3,976
Stock option expense	264	164	—
Restricted stock amortization	393	—	—
Accretion of discount on notes receivable from stockholders	(495)	(62)	—
SWS expense allocations not reimbursed by the Company	—	—	85
Purchases of investments	(8,812)	(2,187)	(1,493)
Sales of investments	7,779	3,960	817
Change in operating assets and liabilities:			
Decrease (increase) in accounts receivable	255	211	(37)
Decrease (increase) in other assets	105	(408)	181
Increase (decrease) in accounts payable and accrued liabilities	234	(175)	344
(Decrease) increase in compensation and benefits payable	(747)	(463)	824
(Decrease) increase in income taxes payable	(80)	(1,424)	549
(Decrease) increase in other liabilities	(27)	(70)	6
Net cash provided by operating activities	3,861	4,845	6,670
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of money market funds	(5,817)	(9,190)	(19,159)
Sales of money market funds	3,667	8,757	12,500
Purchase of fixed assets	(118)	(88)	(52)
Net cash used in investing activities	(2,268)	(521)	(6,711)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase of treasury stock	—	(6)	—
Proceeds from stock options exercised	57	—	—
Cash dividends	(6,459)	(108)	—
Notes receivable from stockholders	4,093	—	(4,093)
Net cash used in financing activities	(2,309)	(114)	(4,093)
NET (DECREASE) INCREASE IN CASH	(716)	4,210	(4,134)
Cash, beginning of year	4,359	149	4,283
Cash, end of year	$ 3,643	$ 4,359	$ 149
Supplemental cash flow information:			
Cash paid during the year for income taxes	$ 3,063	$ 5,652	$ 2,270
Issuance of restricted stock	3,002	—	—
Tax benefit allocated directly to equity	52	—	—

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2003, 2002 and 2001

1. DESCRIPTION OF THE BUSINESS:

Westwood Holdings Group, Inc. ("Westwood", the "Company", "we" or "our") was incorporated under the laws of the State of Delaware on December 12, 2001, as a subsidiary of SWS Group, Inc. ("SWS"). On June 28, 2002, SWS completed the spin-off of Westwood by effecting a dividend distribution of all of the Westwood common stock held by SWS to all of its stockholders on a pro rata basis. Westwood is now an independent public company, with SWS having no continuing ownership interest in the Company. As part of the spin-off, we entered into various agreements with SWS that address the allocation of certain rights and obligations and that define our relationship with SWS after the spin-off, including a distribution agreement, a tax separation agreement and a transition services agreement. For a more detailed discussion of the spin-off and the various agreements entered into by Westwood and SWS, see the Registration Statement on Form 10 filed by Westwood with the Securities and Exchange Commission on June 6, 2002.

Westwood manages investment assets and provides services for its clients through two subsidiaries, Westwood Management Corp. ("Management") and Westwood Trust ("Trust"). Management provides investment advisory services to corporate pension funds, public retirement plans, endowments and foundations, mutual funds and also clients of Trust. Trust provides to institutions and high net worth individuals trust and custodial services and participation in common trust funds that it sponsors. 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 revenue and results of operations.

Management is a registered investment advisor under the Investment Advisers Act of 1940. Trust is chartered and regulated by the Texas Department of Banking.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying consolidated financial statements are presented using the accrual basis of accounting. The accompanying financial statements of the Company include the financial statements of Management and Trust on a combined basis for periods prior to their contribution to the Company by SWS on December 14, 2001 and on a consolidated basis for the period after their contribution to the Company by SWS. All significant intercompany balances and transactions have been eliminated.

Since the Company was operated as a part of SWS until June 28, 2002, the date of the spin-off, the accompanying financial information may not necessarily reflect what the results of operations, financial position, or cash flows of the Company would have been if the Company had been a separate, independent company during this time. Within these consolidated financial statements and accompanying notes, historical transactions and events involving Management and Trust are discussed as if the Company were the entity involved in the transaction or event unless the context indicates otherwise.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Revenue Recognition

Investment advisory and trust fees are recognized as services are provided. These fees are determined in accordance with contracts between the Company's subsidiaries and their clients and are generally based on a percentage of AUM. Advisory and trust fees are generally payable in advance on a calendar quarterly basis. Advance payments are deferred and recognized over the periods services are performed. Other revenues generally consist of interest and investment income and consulting fees. These revenues are recognized as earned or as the services are performed.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with maturities of three months or less.

Investments

Money market securities are classified as available for sale securities and have no significant fluctuating values. All other marketable securities are classified as trading securities. All securities are carried at quoted market value on the accompanying balance sheet. Net unrealized holding gains or losses on investments classified as trading securities are reflected as a component of other revenues. The Company realized $67,000 and $32,000 of gross investment gains and $17,000 and $8,000 of gross investment losses for the years 2003 and 2002, respectively. The Company measures realized gains and losses on investments using the specific identification method.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation, and have been included in other assets in the accompanying consolidated balance sheets. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets (from 3 to 7 years), and depreciation on leasehold improvements is provided over the lease term, using the straight-line method.

Goodwill

Effective January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." Upon adoption of SFAS 142 the Company discontinued its amortization of goodwill. Goodwill amortization during 2001 was approximately $73,000. The adoption of SFAS 142 did not have a significant impact on the comparability of the Company's earnings per share or net income. During the second quarter of 2002, the Company completed an impairment analysis of goodwill as of January 1, 2002, the date of adoption of SFAS 142. During the third quarters of 2003 and 2002, the Company completed its annual impairment assessment as required by SFAS 142. No impairment loss or transition adjustments were required. The Company performs its annual impairment assessment as of July 1.

Stock Split

On June 14, 2002 our Board of Directors approved a 1,003.8-for-1 stock split in the form of a stock dividend effective as of June 21, 2002. The following per share and capital accounts shown in the accompanying consolidated financial statements and notes have been retroactively adjusted to reflect the stock split:

1. Common stock at par and the related additional paid-in-capital accounts reflected in the accompanying consolidated balance sheets and statements of stockholders' equity.

2. Earnings per share amounts in this note reflecting the impact of SWS options granted to employees.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

3. Weighted average shares and per share amounts presented in the earnings per share disclosures in Note 8.

Reclassifications

Certain reclassifications of prior period amounts have been made to conform to the current period presentation.

Federal Income Taxes

The Company files a Federal income tax return as a consolidated group for the Company and its subsidiaries. For periods prior to the spin-off, the Company joined with SWS and its other subsidiaries in filing a consolidated Federal income tax return. SWS's consolidated Federal income tax expense was allocated to the Company as if the Company filed a separate consolidated Federal income tax return, assuming the utilization of tax-planning strategies consistent with those utilized by SWS.

Deferred income tax assets and liabilities are determined based on the differences between the financial statement and income tax bases of assets and liabilities as measured at enacted income tax rates that will be in effect when these differences reverse, and are included in other assets in the accompanying consolidated balance sheets. Deferred income tax expense is generally the result of changes in the deferred tax assets and liabilities.

Stock Options

Effective January 1, 2002, the Company elected to begin expensing the cost associated with stock options granted subsequent to January 1, 2002 to employees as well as non-employee directors under the SFAS No. 123, "Accounting for Stock Based Compensation" fair value model. The Company values stock options issued based upon an option pricing model and recognizes this value as an expense over the periods in which the options vest. Prior to January 1, 2002, the Company accounted for its option plan under the APB 25 intrinsic value model, which resulted in no compensation cost being recognized. If the Company had continued to account for option grants under APB 25 during 2003 and 2002, reported net income would have been $5,056,000 and $5,318,000 for the twelve months ended December 31, 2003 and 2002, respectively. SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB Statement No. 123" requires certain transition disclosures, which are provided in the table below. Had compensation cost been determined valuing the options using the Black-Scholes option pricing model as provided in SFAS No. 123 prior to January 1, 2002, the Company's net income and earnings per share would have been the pro forma amounts indicated below for the years ended December 31, 2003, 2002 and 2001 (the 2002 pro forma adjustment reflects the remaining fair value of previously unvested outstanding SWS options granted to our employees that became fully vested as of June 28, 2002):

	2003	2002	2001
Net income (in thousands)			
As reported	$4,884	$ 5,211	$ 1,261
Add: stock-based employee compensation expense included in reported net income, net of tax	427	107	2,584
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(427)	(1,152)	(2,993)
Pro forma	$4,884	$ 4,166	$ 852
Earnings per share			
As reported – basic	$ 0.91	$ 0.97	$ 0.23
As reported – diluted	0.90	0.97	0.23
Pro forma – basic	0.91	0.77	0.16
Pro forma – diluted	0.90	0.77	0.16

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The fair value of each option was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions for 2001:

	2001
Expected volatility	56%
Risk-free interest rate	4.85%
Expected dividend yield	1.77%
Expected life	5 to 10 years

New Accounting Standards

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." FIN 46 addresses reporting and disclosure requirements for Variable Interest Entities ("VIEs") and defines a VIE as an entity that either does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires consolidation of a VIE by the enterprise that absorbs a majority of the VIE's expected losses. If no enterprise absorbs a majority of the expected losses, FIN 46 requires consolidation by the enterprise that receives a majority of the expected residual returns. The calculation of expected residual returns includes the expected variability in the entity's net income or loss as well as all fees earned by the entity's decision maker, thereby creating a bias in favor of the decision maker in the determination of who receives a majority of the expected residual returns. The consolidation and disclosure provisions of FIN 46 are effective immediately for VIEs created after January 31, 2003, and were originally effective for interim or annual reporting periods beginning after June 15, 2003 for VIEs created before February 1, 2003. Such transition provisions were subsequently amended so that the Company will not be required to apply FIN 46 until the first quarter of fiscal 2004, which ends on March 31, 2004. The Company does not believe that the adoption of FIN 46 will have a material impact on its operations or its consolidated financial statements.

Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments have been determined by the Company using available information. The fair value amounts discussed in Note 4 are not necessarily indicative of either the amounts the Company would realize upon disposition of these instruments or the Company's intent or ability to dispose of these assets. The estimated fair value of cash and cash equivalents, as well as accounts receivable and payable, approximates their carrying value due to their short-term maturities. The carrying amount of investments designated as "trading" securities, primarily U.S. Government and Government agency obligations as well as mutual fund shares, equals their fair value, which is equal to prices quoted in active markets and, with respect to mutual funds, the net asset value of the shares held as reported by the fund. The carrying amount of investments designated as "available for sale" securities, primarily money market accounts, equals their fair value which is equal to the net asset value of the shares held as reported by the fund. The net assets of our money market holdings generally do not fluctuate.

3. ACCOUNTS RECEIVABLE:

The Company's trade accounts receivable balances do not include any allowance for doubtful accounts nor has any bad debt expense attributable to trade receivables been recorded for the years ended December 31, 2001 through 2003. The majority of the balances are advisory and trust fees receivable from customers and are believed to be fully collectable by us.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

4. INVESTMENTS:

Investments held as trading securities and investments held as available for sale securities are as follows (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Gross Market Value
December 31, 2003:				
U.S. Government and Government agency obligations	$ 1,602	$ —	$ —	$ 1,602
Funds:				
Money Market	15,137	—	—	15,137
Equity	485	105	—	590
Bond	81	3	—	84
Marketable securities	$17,305	$ 108	$ —	$17,413
December 31, 2002:				
U.S. Government and Government agency obligations	$ 1,508	$ 6	$ —	$ 1,514
Funds:				
Money Market	12,467	—	—	12,467
Equity	218	2	(15)	205
Bond	44	—	—	44
Marketable securities	$14,237	$ 8	$ (15)	$14,230

All of these investments are carried at market value. The money market funds are available for sale securities. The other investments are trading securities.

5. INCOME TAXES:

Income tax expense for the years ended December 31, 2003, 2002 and 2001 (effective rate of 38.0% in 2003, 39.9% in 2002 and 71.1% in 2001) differs from the amount that would otherwise have been calculated by applying the Federal corporate tax rate (34%) to income before income taxes. The difference between the Federal corporate tax rate of 34% and the effective tax rate is comprised of the following (in thousands):

	2003	2002	2001
Income tax expense at the statutory rate	$2,679	$2,946	$1,482
State franchise and income taxes	302	423	336
Nondeductible equity-based compensation	—	—	1,197
Other, net	15	84	82
Total income tax expense	$2,996	$3,453	$3,097

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

	2003	2002	2001
State – current	$ 427	$ 663	$ 490
State – deferred	38	(13)	27
Federal – current	2,559	2,906	2,369
Federal – deferred	(28)	(103)	211
Total income tax expense	$2,996	$3,453	$3,097

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities as of December 31, 2003 and 2002 are presented below (in thousands):

	2003	2002
Difference between tax basis and recorded value of notes receivable from stockholders	$—	$191
Depreciation at rates different for tax than for financial reporting	26	49
Restricted stock amortization	137	—
Stock option expense	140	63
Deferred compensation liability	84	49
Accrued expenses	—	28
Other	(23)	(6)
Total deferred tax assets – included in other assets on the consolidated balance sheets	$364	$374

As a result of the Company's history of taxable income and the nature of the items from which deferred tax assets are derived, management believes that it is more likely than not that the Company will realize the benefit of the deferred tax assets.

6. REGULATORY CAPITAL REQUIREMENTS:

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, 2003, Trust had total stockholders' equity of approximately $3.5 million, which is $2.5 million in excess of its minimum capital requirement.

Trust is limited under applicable Texas law in the payment of dividends to undivided profits: that part of equity capital equal to the balance of net profits, income, gains and losses since its formation date minus subsequent distributions to stockholders and transfers to surplus or capital under share dividends or appropriate Board resolutions. At December 31, 2003, Trust had undivided profits of approximately $218,000.

7. EMPLOYEE BENEFITS:

The Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan (the "Plan") reserves shares of Westwood common stock for issuance to eligible employees and directors 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 may not exceed 948,100 shares. At December 31, 2003, approximately 603,000 shares remain available for issuance under the Plan.

Restricted Stock Plan

For the year ended December 31, 2003, restricted stock of 147,000 shares and 4,500 shares were granted to employees and non-employee directors, respectively, net of forfeitures. The employees' shares vest over four years and the directors' shares vest over one year. Until the shares have vested they are restricted from sale, transfer or assignment in accordance with the terms of the agreements under which they were issued. The Company records compensation cost for restricted stock grants based on the fair market value of its common stock at the date of grant and amortizes this cost over the applicable vesting period. The weighted-average grant-date fair value of all restricted shares issued, net of forfeitures, was $19.81 per share. For the year ended December 31, 2003, the Company recorded compensation expense related to restricted stock of approximately $393,000. Unamortized stock compensation is shown as a separate component of stockholders' equity.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Stock Option Plan – Westwood options

Options granted under the Stock Incentive Plan have a maximum ten-year term and vest over a period of four years.

A summary of the status of Westwood's outstanding stock options issued to employees of the Company as of December 31, 2003 and 2002 is presented below:

	December 31, 2003		December 31, 2002	
	Underlying Shares	Weighted Average Exercise Price	Underlying Shares	Weighted Average Exercise Price
Outstanding, beginning of period	218,500	$ 12.92	—	—
Granted	7,500	14.29	226,000	$ 12.92
Exercised	(4,450)	12.90	—	—
Forfeited	(32,375)	13.22	(7,500)	12.90
Outstanding, end of period	189,175	12.92	218,500	12.92
Exercisable, end of period	50,800	12.92	—	
Weighted-average fair value of options granted during period	$ 5.41		$ 5.48	

The fair value of each option was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2003	2002
Expected volatility	35%	35%
Risk-free interest rate	3.47%	4.46%
Expected dividend yield	1.12%	0.62%
Expected life	7 years	7 years

The following table summarizes information for Westwood stock options outstanding at December 31, 2003:

	Westwood Options Outstanding			Westwood Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$12.90 – 14.80	189,175	8.5 years	$12.92	50,800	$12.92

Stock Option Plan – SWS options

Prior to June 28, 2002 and at December 31, 2001, the Company's employees participated in the SWS Stock Option Plan (the "1996 Plan"). The 1996 Plan reserves shares of SWS common stock for issuance to eligible employees of SWS or its subsidiaries. Shares reserved under this option plan reflect all stock dividends issued by SWS. Options granted under the 1996 Plan have a maximum ten-year term, and the vesting period is determined on an individual basis by the Stock Option Committee of SWS's Board of Directors.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Options granted under the 1996 Plan to Westwood employees became fully vested as of June 28, 2002, the date of the spin-off, and Westwood was substituted for SWS as the employer of these employees. There were no grants of SWS options to Westwood employees during the year 2002.

A summary of the status of SWS's outstanding stock options (reflecting adjustments as a result of the spin-off) issued to employees of the Company as of June 28, 2002 (the date of the spin-off) and December 31, 2001 is presented below:

	June 28, 2002		December 31, 2001	
	Underlying Shares	Weighted Average Exercise Price	Underlying Shares	Weighted Average Exercise Price
Outstanding, beginning of period	117,590	$ 22.92	83,033	$ 24.41
Granted	—	—	31,000	18.99
Exercised	(1,497)	12.41	(1,103)	15.26
Forfeited	(1,366)	24.98	(3,472)	29.40
Adjustment for stock dividends/spin-off	26,277	—	8,132	—
Outstanding, end of period	141,004	18.65	117,590	$ 22.92
Exercisable, end of period	141,004		49,283	
Weighted-average fair value of options granted during period	—		$ 10.52	

The following table summarizes information for SWS stock options outstanding at June 28, 2002 issued to employees of the Company:

	SWS Options Outstanding			SWS Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$12.41-$15.45	80,113	7.4 years	$14.18	80,113	$14.18
$23.39-$26.05	60,891	7.7 years	24.53	60,891	24.53

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 of the Company's employees. Westwood provided profit sharing plan benefits become fully vested after six years of service by the participant. There were no profit sharing contributions accrued or paid during the year 2002. For the 401(k) portion of the plan, Westwood provides a match of up to 4% of eligible compensation. Westwood's matching contributions vest immediately and the expense totaled approximately $150,000 and $66,000 in 2003 and 2002, respectively.

Prior to the spin-off, Westwood employees participated in SWS' defined contribution profit sharing/401(k) plan. SWS provided profit sharing plan benefits became fully vested for Westwood employees at the time of the spin-off. Profit sharing contributions were accrued and funded at SWS's discretion. Profit sharing expense related to the Company's employees for 2002 and 2001 was approximately $0 and $38,000, respectively. The 401(k) portion of the plan began in January 2000, and SWS provided a match of up to 4% of eligible compensation. SWS's matching contributions vest immediately and the expense totaled approximately $85,000 and $127,000 in 2002 and 2001, respectively.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

8. EARNINGS PER SHARE:

Basic earnings per common share is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding for the periods ended December 31, 2003, 2002 and 2001, respectively. Diluted earnings per share for these periods is computed based on the weighted average number of shares outstanding plus the effect of the dilutive impact of stock options and shares held in the Westwood Holdings Group, Inc. Deferred Compensation Plan. Diluted earnings per common share is computed using the treasury stock method.

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

	2003	2002	2001
Net income	$ 4,884	$ 5,211	$ 1,261
Weighted average shares outstanding – basic	5,395,868	5,394,145	5,394,522
Dilutive potential shares from stock options	9,529	—	—
Dilutive potential shares from deferred compensation plan	353	377	—
Weighted average shares outstanding – diluted	5,405,750	5,394,522	5,394,522
Earnings per share – basic	$ 0.91	$ 0.97	$ 0.23
Earnings per share – diluted	$ 0.90	$ 0.97	$ 0.23

Earnings per share have been retroactively adjusted to give effect to the stock split effected in the form of a stock dividend on June 21, 2002.

9. COMMITMENTS AND CONTINGENCIES:

The Company leases its offices under a non-cancelable operating lease agreement. The Company has entered into a lease modification that extends the lease term until 2011. Rental expense for facilities and equipment leases for fiscal years 2003, 2002 and 2001 aggregated approximately $621,000, $594,000 and $591,000, respectively, and is included in general and administrative and information technology expenses in the accompanying consolidated statements of income.

At December 31, 2003, the future rental payments for non-cancelable operating leases for each of the following five years and thereafter follow (in thousands):

Year ending:	
2004	$ 467
2005	497
2006	605
2007	611
2008	624
Thereafter	1,581
Total payments due	$4,385

10. AFFILIATE TRANSACTIONS:

SWS, through its principal subsidiary, SWS Securities, Inc., provided accounting, technology and administrative services for the Company in 2002 up until June 28, 2002, the date of the spin-off, and in the year 2001. Management serves as investment advisor for the SWS cash reserve funds, and Trust serves as custodian for the SWS cash reserve funds and as trustee for the assets of the SWS Deferred Compensation Plan.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The accompanying financial statements include the following revenues (in thousands) from transactions with SWS and its subsidiaries other than Management and Trust:

	2002 (through June 28)	2001
Advisory fees	$ 241	$441
Trust fees	136	234

The accompanying financial statements include the following expenses (in thousands) for charges from SWS and its subsidiaries other than Management and Trust.

	2002 (through June 28)	2001
Employee benefits	$ 58	$190
Information technology	113	269
Professional services	—	34
General and administrative	36	62
Total	$ 207	$555

These expenses were allocated from SWS on the basis of the Company's relative number of employees, relative revenues, or other allocation bases. These allocated expenses represent services provided by SWS prior to the spin-off including human resources, accounting, internal audit, income tax, legal, insurance, and information technology. Including the allocation of SWS expenses, the expenses in these consolidated financial statements include all of the costs attributable to the Company's operations. However, because the Company operated as a subsidiary of SWS and because the expenses included in these consolidated financial statements include allocations of SWS's expenses, the expenses included in these consolidated statements do not purport to be the expenses that the Company would have incurred had it been an independent company.

If one or more persons acquire a 50% or greater interest in SWS or the Company as part of a plan or series of related transactions that included the spin-off, SWS would be taxed on the spin-off as if the spin-off had been a sale. Any acquisition that occurs during the four-year period beginning two years before the spin-off will be presumed to be a part of a plan or a series of transactions that included the spin-off. The IRS' presumption related to Section 355(e) of the Code expires on June 28, 2004. SWS or the Company, whichever is responsible for triggering a change-in-control, will bear any related taxes that arise.

11. SEGMENT REPORTING:

The Company operates two segments: the Management segment and the Trust segment. Such segments are managed separately based on types of products and services offered and their related client bases. The Company evaluates the performance of its segments based primarily on income before income taxes.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Management

The Management segment provides investment advisory services to corporate pension funds, public retirement plans, endowments and foundations, and investment subadvisory services to mutual funds and clients of Trust.

Trust

The Trust segment provides to institutions and high net worth individuals trust and custodial services and participation in common trust funds that Trust sponsors.

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.

	Management	Trust	Other	Eliminations	Consolidated
2003					
Net revenues from external sources	$ 14,581	$4,826	$ 671	$ —	$ 20,078
Net intersegment revenues	1,811	—	—	(1,811)	—
Net interest and dividend revenue	126	42	587	—	755
Depreciation and amortization	96	12	—	—	108
Income before income taxes	7,248	713	(81)	—	7,880
Segment assets	21,513	3,714	1,010	—	26,237
Expenditures for long-lived assets	95	23	—	—	118
2002					
Net revenues from external sources	$ 16,784	$4,638	$ 202	$ —	$ 21,624
Net intersegment revenues	1,584	—	—	(1,584)	—
Net interest revenue	141	128	225	—	494
Depreciation and amortization	81	7	—	—	88
Income before income taxes	7,884	718	62	—	8,664
Segment assets	19,142	4,330	648	—	24,120
Expenditures for long-lived assets	74	14	—	—	88
2001					
Net revenues from external sources	$ 15,663	$3,917	$ 7	$ —	$ 19,587
Net intersegment revenues	1,187	—	4,994	(6,181)	—
Net interest revenue	432	184	7	—	623
Depreciation and amortization	127	30	—	—	157
Income (loss) before income taxes	7,776	550	1,026	(4,994)	4,358
Segment assets	17,306	4,208	13,797	(14,258)	21,053
Expenditures for long-lived assets	48	4	—	—	52

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

12. EQUITY-BASED COMPENSATION IN 2001:

On December 14, 2001, SWS sold shares of the Company's common stock, constituting 19.82% of the Company's outstanding common stock, to five of the Company's executive officers for cash consideration of $4,093,000, a price premised upon an understanding reached in October 2001 that SWS would sell the shares of the Company's common stock based on their value at September 30, 2001, after applying appropriate valuation discounts. The Company loaned the executive officers $4,093,000 on a full-recourse basis, evidenced by notes secured by the stock, payable in nine years and bearing interest at 3.93%.

Because the notes are receivable in connection with the sale of the Company's common stock, they were recorded at their fair value of $3,536,000 as an offset to stockholders' equity. The difference between the face amount of the notes and their fair value is due to the difference between the stated interest rate and an estimated market interest rate of 6.0%.

The difference between the fair value for financial reporting purposes of the stock on December 14, 2001, $7,512,000, and the fair value of the note, $3,536,000, was recorded as an equity-based compensation charge of $3,976,000. The difference between the value of the stock, $7,512,000, and the cash consideration paid to SWS of $4,093,000, is an expense incurred by SWS for the Company and is reflected as an equity-based compensation expense with the offset as a contribution to the Company's additional paid-in capital. The remainder of the equity-based compensation expense is the difference between the face and fair value of the notes, $557,000.

The difference between the $4,093,000 paid for the stock and the fair value of the stock for financial reporting purposes on December 14, 2001, is attributable to an increase in assets under management and the common stock prices of comparable public companies between September 30, 2001 and December 14, 2001. The amount of assets under management, which is a factor in determining the Company's revenues, and the common stock prices of comparable public companies are significant considerations in estimating the value of the Company. In addition, the $4,093,000 valuation included a 35% discount for lack of marketability. For financial accounting purposes, no discount for lack of marketability was recorded, which accounts for $2,204,000 of the difference between $7,512,000 and $4,093,000.

On February 1, April 7 and August 26, 2003 the executive officers made principal payments of approximately $965,000, $39,000 and $3,089,000, respectively, on these notes. A proportionate share of the discount on the notes receivable from stockholders was accreted through the income statement. As of December 31, 2003, notes receivable from stockholders had been fully repaid.

13. CONCENTRATION:

During the years ended December 31, 2003, 2002 and 2001, no customer accounted for 10% or more of the Company's revenues. For the twelve months ended December 31, 2003, our largest three clients accounted for 17.1% of total revenues.

14. SUBSEQUENT EVENT:

On February 3, 2004, the Company declared a quarterly cash dividend of $0.04 per share on common stock for stockholders of record on March 15, 2004.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

15. QUARTERLY FINANCIAL DATA (Unaudited):

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2003 and 2002 (in thousands, except per share amounts):

	Quarter			
2003	**First**	**Second**	**Third**	**Fourth**
Revenues	$5,012	$5,070	$5,290	$4,706
Income before income taxes	1,967	1,960	2,144	1,809
Net income	1,250	1,199	1,319	1,116
Basic earnings per common share	0.23	0.22	0.24	0.21
Diluted earnings per common share	0.23	0.22	0.24	0.21

	Quarter			
2002	**First**	**Second**	**Third**	**Fourth**
Revenues	$5,532	$5,538	$5,541	$5,013
Income before income taxes	2,279	2,098	2,097	2,191
Net income	1,386	1,259	1,204	1,363
Basic earnings per common share	0.26	0.23	0.22	0.25
Diluted earnings per common share	0.26	0.23	0.22	0.25

Note: Quarterly numbers may not add to total year numbers due to rounding.

Exhibit 10.6

NINTH MODIFICATION OF OFFICE LEASE

THIS NINTH MODIFICATION OF OFFICE LEASE (this "Ninth Modification") is entered into as of the 25th day of November, 2003, by and between CRESCENT REAL ESTATE FUNDING I, 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"); and (ix) that certain Eighth Modification of Office Lease dated September 21, 1998 (the "Eighth Modification"), pursuant to which an additional 665 rentable square feet located on the thirteenth floor of 200 Crescent Court, Dallas, Texas (the "Sixth 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 and the Eighth Modification, is hereinafter referred to as the "Lease". 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, the Sixth Expansion Space and reduced by the Released Space, are hereinafter referred to as the "Expanded Premises", collectively consisting of a total of approximately 13,575 rentable square feet. 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. Lease Term. The Lease currently provides that the Lease Term expires on July 31, 2004. Paragraph 3 of the Lease is hereby modified and amended to provide that the Lease Term is hereby extended for a period commencing on the Substitution Space Commencement Date (hereinafter defined) and extending for 84 full calendar months (the "Substitution Term"), unless sooner terminated pursuant to the Lease, as modified by this Ninth Modification.

2. Premises. Effective as of the Substitution Space Commencement Date, the Lease is hereby modified and amended to substitute for the Expanded Premises, approximately 22,002 rentable square feet, designated as Suite 1200 and located on the twelfth floor of 200 Crescent Court, Dallas, Texas, as shown on Exhibit A attached hereto (the "Substitution Space"). As used herein, the term "Substitution Space Commencement Date" shall mean the earlier of (a) the date on which the Landlord Work (defined below) is Substantially Complete, as determined pursuant to the Work Letter (defined below), or (b) the date Tenant takes possession of any part of the Substitution Space for purposes of conducting business. If Landlord is delayed in delivering possession of the Substitution Space due to any reason, including without limitation the holdover or unlawful possession of such space by any third party, such delay shall not be a default by Landlord, render the Lease void or voidable, or otherwise render Landlord liable for damages. Notwithstanding the foregoing, if the construction contract to be executed by Landlord pursuant to the Work Letter is executed prior to March 24, 2004 and Landlord has not delivered the Substitution Space on or before October 1, 2004, subject to Tenant Delay (defined in the Work Letter) and Force Majeure (as defined in Paragraph 19(b) of the Lease), then Tenant shall have the right, as its sole remedy, to terminate the Lease upon written notice to Landlord given at any time after October 1, 2004 and prior to delivery of the Substitution Space. In the event the Landlord Work is not Substantially Complete by July 31, 2004, Landlord agrees that Tenant may remain in the Expanded Premises but shall not be charged holdover rent for the Expanded

Premises from August 1, 2004 through the date of Substantial Completion of the Landlord Work. Landlord also agrees to use good faith efforts to provide Tenant up to 4,000 square feet of temporary space in the Office Building for Tenant's use during the period between July 31, 2004 and the date of Substantial Completion of the Landlord Work. Such temporary space, if available, will be delivered to Tenant within 15 days after notice from Tenant requesting such space. All terms and conditions of the Lease, as modified by this Ninth Modification, shall apply to Tenant's occupancy of the temporary space, except that Tenant shall not be required to pay Basic Rental or Additional Rental for such temporary space. However, Tenant shall be required to pay for the electrical service provided to such temporary space pursuant to Paragraph 7(b) of the Lease. From and after the Substitution Space Commencement Date, the term "Premises" wherever used in the Lease shall mean the Substitution Space. Tenant hereby acknowledges that the Substitution Space is leased by Tenant subject to all terms and conditions of the Lease, as amended by this Ninth Modification.

3. Surrender of Expanded Premises. On or before 11:59 p.m. on the day immediately preceding the Substitution Space Commencement Date, Tenant shall vacate and peaceably surrender to Landlord the Expanded Premises, including the alterations, improvements and changes thereto other than Tenant's fixtures remaining the property of Tenant, broom-clean and in the condition the same were in on the Commencement Date, subject only to ordinary and customary wear and tear and damage by fire or casualty or other hazard. Notwithstanding anything to the contrary contained in the Lease, as modified by this Ninth Modification, Tenant shall have the right to remove from the Expanded Premises for re-installation in the Substitution Space, the following items presently situated in the Expanded Premises: (a) high density filing system; (b) metal racks in the server room; and (c) supplemental HVAC units (whether or not such units are portable); provided that such removal and re-installation right is subject to Tenant's obligation to restore any damage to the Expanded Premises caused by the removal of such items. If any furnishings, equipment, furniture, trade fixtures or other removable equipment of Tenant are not removed from the Expanded Premises on or before 11:59 p.m. on the date which is 15 days after the Substitution Space Commencement Date, then Tenant hereby grants to Landlord the option, exercisable at any time thereafter without the requirement of any notice to Tenant, (a) to treat such property, or any portion thereof, as being abandoned by Tenant to Landlord, whereupon Landlord shall be deemed to have full rights of ownership thereof; (b) to elect to remove and store such property, or any portion thereof, on Tenant's behalf (but without assuming any liability to any person) and at Tenant's sole cost and expense, with reimbursement therefor to be made to Landlord upon demand; and/or (c) to sell, give away, donate or dispose of as trash or refuse any or all of such property without any responsibility to deliver to Tenant any proceeds therefrom.

4. Basic Rental. Effective as of the Substitution Space Commencement Date and provided Tenant has surrendered the Expanded Premises to Landlord in accordance with the provisions of Paragraph 3 above, Tenant shall no longer be required to pay Rent for the Expanded Premises and neither Landlord nor Tenant shall have any further rights or obligations with respect to the Expanded Premises (except those which have accrued prior to the Substitution Space Commencement Date). Accordingly, commencing on the Substitution Space Commencement Date, and continuing through the Substitution Term, the Basic Rental due and payable for the Substitution Space shall be in the following amounts:

Lease Months	Annual Basic Rental Rate Per Rentable Square Foot	Monthly Basic Rental Installment
1-2	$ 0.00	$ 0.00
3-12	$ 25.00	$ 45,837.50
13-14	$ 0.00	$ 0.00
15-24	$ 26.00	$ 47,671.00
25-36	$ 27.00	$ 49,504.50
37-48	$ 28.00	$ 51,338.00
49-60	$ 29.00	$ 53,171.50
61-72	$ 30.00	$ 55,005.00
73-84	$ 31.00	$ 56,838.50

Basic Rental, Additional Rental and any and all other sums payable by Tenant under the Lease, as amended by this Ninth Modification, are sometimes collectively referred to as "Rent". Tenant shall continue to pay Rent for the Expanded Premises through and including the day immediately preceding the Substitution Space Commencement Date. In the event Tenant has not surrendered the Expanded Premises in accordance with Paragraph 3 above, then effective as of the Substitution Space Commencement Date, and for so long as Tenant remains in occupancy of the Expanded Premises, Tenant shall pay Rent for the Expanded Premises, in addition to Rent for the Substitution Space. All Rent shall be payable in accordance with the terms and provisions of the Lease, as modified by this Ninth Modification.

5. Operating Expense Stop. Effective as of the Substitution Space Commencement Date, Paragraph 1(h) of the Lease is modified and amended to provide that the term "Operating Expense Stop" shall mean the following:

"The amount of the Actual Operating Expenses for the Project for the calendar year 2004 (grossed up to full occupancy)."

6. Controllable Operating Expense Cap. Effective as of the Substitution Space Commencement Date, Paragraph 1(h) of the Lease is modified and amended to provide that the Actual Operating Expenses which are Controllable (defined below and hereinafter called "Controllable Expenses") shall not increase by more than 6% over Controllable Expenses in the previous calendar year, on a cumulative, compounded basis. However, any increases in Controllable Expenses not recovered by Landlord due to the foregoing limitation shall be carried forward into all succeeding calendar years during the Lease Term (subject to the foregoing limitation) until fully recouped by Landlord. For example, if Controllable Expenses were $100.00 in 2004, then the total Controllable Expenses that could be included in Actual Operating Expenses in 2005 would be $106.00, for 2006 the amount would be $112.36, for 2007 the amount would be $119.10, and so on. In the preceding example, if Controllable Expenses in both 2006 and 2007 were $115.50, then Landlord could include only $112.36 in Operating Expenses in 2006, but $118.64 (the Controllable Expenses plus the carry-forward from 2006) in 2007. The term "Controllable Expenses" means all Actual Operating Expenses excluding expenses relating to the cost of utilities, security expenses, insurance, real estate taxes and assessments, and other expenses that are deemed by industry standards to be uncontrollable.

7. Leasehold Improvements. Provided no event of default has occurred (following the expiration of any applicable notice and cure period provided in the Lease), Landlord agrees to construct leasehold improvements in and upon the Substitution Space in accordance with the Work Letter attached hereto as Exhibit B.

8. Condition of Substitution Space. EXCEPT FOR THE OBLIGATIONS OF LANDLORD SPECIFIED IN THE LEASE (AS AMENDED HEREBY), TENANT ACCEPTS THE SUBSTITUTION SPACE IN ITS "AS IS" CONDITION, AND LANDLORD MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER WITH RESPECT THERETO.

9. Termination Option. Tenant shall have the option to terminate this Lease with respect to the Substitution Space only effective on the last day of the 60th full calendar lease month following the Substitution Space Commencement Date (the "Termination Date"), provided (a) Tenant gives written notice thereof to Landlord not less than 12 months prior to the Termination Date, and (b) no uncured event of default exists under the Lease at the time of the giving of such notice nor on the Termination Date (following the expiration of any applicable notice and cure period provided in the Lease). Additionally, Tenant's right to terminate hereunder is conditioned upon the continued payment by Tenant of all Basic Rental, Additional Rental, parking charges, charges for electrical service and any other charges due by Tenant under the Lease (collectively referred to herein as "Rent") through and including the Termination Date in accordance with the terms of the Lease, and payment in full by Tenant, such payment to be delivered to Landlord with the written notice of termination, of a cash sum equal to (i) $220,020 (4 months of Basic Rental at the rate of $30.00 per rentable square foot) plus (ii) $391,480.00 (the unamortized cost (using an amortization rate of 10%) of all tenant improvement allowances, leasing commissions and other cash allowances incurred by Landlord in connection with the Lease) (the "Termination Payment"). After Landlord's receipt of the Termination Payment and all Rent through and including the Termination Date, and so long as Tenant has surrendered the Premises in the condition required under the Lease as modified by this Ninth. Modification, neither party shall have any rights, liabilities or obligations under the Lease for the period accruing after the Termination Date, except those which, by the provisions of the Lease, expressly survive the termination of the Lease.

10. After Hours Heat and Air Conditioning. Effective as of the Substitution Space Commencement Date, Paragraph 7(a) of the Lease is modified and amended to delete the second parenthetical in subparagraph (ii) and replace it with the following language: "Tenant, upon such notice as is reasonably required by Landlord, and subject to the capacity of the Building systems, may request heat and air conditioning service ("HVAC Service") during hours other than the hours listed in the preceding sentence (hereinafter called "Normal Business Hours"). Tenant shall pay Landlord for such additional service at a rate equal to $40.00 per operating hour per floor (the "Hourly HVAC Charge"). Landlord shall have the right, upon 30 days prior written notice to Tenant, to adjust the Hourly HVAC Charge from time to time, but not more than once per calendar year, based proportionately upon increases in HVAC Service costs, which costs include utilities, taxes, surcharges, labor, equipment, maintenance and repair. Notwithstanding

the foregoing, Landlord agrees to waive the Hourly HVAC Charge for up to 248 hours of additional HVAC Service requested by Tenant after Normal Business Hours in each lease year during the Substitution Term. Such waiver shall not be cumulative (in other words, if Tenant does not use 248 hours of additional HVAC Service in any given lease year, Landlord's agreement to waive the Hourly HVAC Charge will not be increased in the following lease year by the number of such unused hours)."

11. Option to Extend. Tenant shall have options to extend the Substitution Term in accordance with Rider No. 1 attached hereto.

12. Right of First Refusal. Tenant shall have a right of first refusal to lease additional space in the Office Building in accordance with Rider No. 2 attached hereto.

13. Parking. Effective as of the Substitution Space Commencement Date, the Lease is modified and amended to include the Parking Agreement attached hereto as Rider No. 3. In the event of any conflict between the Lease and the attached Parking Agreement, the latter shall control.

14. Business Days. As used in this Ninth Modification and all exhibits and riders attached hereto, the term "Business Day" shall mean Monday through Friday of each week, exclusive of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, the day after Thanksgiving and Christmas Day ("Holidays"). Landlord may designate additional Holidays, provided that the additional Holidays are commonly recognized by other comparable first-class office buildings in the area where the Office Building is located, taking into account age, size, location and other relevant operating factors ("Comparable Buildings").

15. Broker. Tenant represents and warrants that no broker or agent has represented Tenant in connection with this Ninth Modification, other than Paul Whitman with The Staubach Company ("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 (hereinafter defined) for real estate commissions or fees in connection with this Ninth Modification made by any other party claiming through the indemnifying party. "Claims" shall mean all damages, losses, injuries, penalties, disbursements, costs, charges, assessments, expenses (including attorneys' fees, experts' fees and expenses incurred in investigating, defending or prosecuting any allegation, litigation or proceeding), demands, litigation, causes of action (whether in tort or contract, in law, at equity or otherwise) or judgments. 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).

16. Time of the Essence. Time is of the essence with respect to Tenant's execution and delivery of this Ninth Modification to Landlord. If Tenant fails to execute and deliver a signed copy of this Ninth Modification to Landlord by 5:00 p.m. (Dallas, Texas time), on November 30, 2003, 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.

17. Method of Calculation. Tenant is knowledgeable and experienced in commercial transactions and does hereby acknowledge and agree that the provisions of the Lease for determining charges and amounts payable by Tenant are commercially reasonable and valid and constitute satisfactory methods for determining such charges and amounts as required by Section 93.004 (assessment of charges) of the Texas Property Code, as enacted by House Bill 2186, 77th Legislature. **Tenant further voluntarily and knowingly waives (to the fullest extent permitted by applicable Law) all rights and benefits of Tenant under such section, as it now exists or as it may be hereafter amended or succeeded.**

18. Miscellaneous. This Ninth Modification shall become effective only upon full execution and delivery of this Ninth Modification by Landlord and Tenant. This Ninth Modification contains the parties' entire agreement regarding the subject matter covered by this Ninth 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 Ninth Modification. Except as modified by this Ninth Modification, the terms and provisions of the Lease shall remain in full force and effect, and the Lease, as modified by this Ninth 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 Ninth Modification, the terms of this Ninth Modification shall control.

19. 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.

20. SNDA. Landlord shall obtain, within 30 days after the date of this Ninth Modification, a nondisturbance agreement from Landlord's mortgagee for the benefit of Tenant in the form attached hereto as Exhibit C.

21. Notices. The Lease is hereby amended to provide that, from and after the Substitution Space Commencement Date, Tenant's address for notice purposes shall be 200 Crescent Court, Suite 1200, Dallas, Texas 75201.

22. Operating Expenses Exclusions. The Lease is hereby amended to delete the second sentence of Paragraph 6(c) and provide that the following items shall be excluded from the definition of Actual Operating Expenses:

(1) Leasing commissions, attorneys' fees and other expenses related to leasing tenant space and constructing improvements for the sole benefit of an individual tenant.

(2) Goods and services furnished to an individual tenant of the Building which are above building standard and which are separately reimbursable directly to Landlord in addition to Actual Operating Expenses.

(3) Repairs, replacements and general maintenance paid by insurance proceeds or condemnation proceeds or by another tenant or responsible third party, or which are attributable solely to specific tenants or occupants of the Office Building;

(4) Depreciation, amortization, interest payments on any encumbrances on the Project;

(5) Costs of capital expenditures other than those incurred: (a) to conform with Laws (hereinafter defined); and (b) primarily to reduce current or future Operating Expenses, upgrade Building security or otherwise improve the operating efficiency of the Property. Such expenditures shall be amortized uniformly over the following periods of time (together with interest on the unamortized balance at the Prime Rate (hereinafter defined) in effect as of the date incurred plus 2%): for building improvements, the shorter of 10 years or the estimated useful life of the improvement; and for all other items, 3 years for expenditures under $50,000 and 5 years for expenditures in excess of $50,000. Notwithstanding the foregoing, Landlord may elect to amortize capital expenditures under this subparagraph over a longer period of time based upon (i) the purpose and nature of the expenditure, (ii) the relative capital burden on the Property, (iii) for cost savings projects, the anticipated payback period, and (iv) otherwise in accordance with sound real estate accounting principles consistently applied. "Prime Rate" shall be the per annum interest rate publicly announced by a federally insured bank selected by Landlord in the state in which the Building is located as such bank's prime or base rate.

(6) Costs of installing any specialty service, such as an observatory, broadcasting facility, luncheon club, or athletic or recreational club.

(7) Expenses for repairs or maintenance related to the Project which have been reimbursed to Landlord pursuant to warranties or service contracts.

(8) Costs (other than maintenance costs) of any art work (such as sculptures or paintings) used to decorate the Building.

(9) Principal or interest payments (and other payments including without limitation, points and fees) on indebtedness secured by liens against the Project and all refinancings of such indebtedness.

(10) Electrical service costs paid separately pursuant to Paragraph 7(b) or paid by other tenants of the Office Building;

(11) Any inheritance, estate, gift, franchise, corporation, income, net profits, or similar tax which may be, or is, assessed against or imposed upon Landlord and/or the Office Building (except to the extent such excluded taxes are assessed in lieu of real estate taxes);

(12) Expenses incurred in leasing or procuring new tenants, including advertising and marketing expenses and expenses for preparation of leases or renovating space for new tenants, rent allowances, lease takeover costs, payment of moving costs, signage costs and similar costs and expenses;

(13) Payments made under any ground leases of the Project;

(14) Legal, auditing, consulting and other professional fees (including, without limitation, real estate commissions) paid or incurred in connection with negotiations for financings, refinancings or sales of the Project;

(15) Costs relating to disputes between Landlord and a specific tenant or occupant of the Office Building;

(16) Expenses in connection with services or other benefits which are not provided to Tenant, but which are provided solely to other tenants or occupants of the Office Building;

(17) Costs incurred by Landlord due to the violation by Landlord, or any other tenants of the Office Building, of the terms and conditions of any lease of space in the Office Building

(18) Landlord's general overhead and general administrative expenses other than a reasonable allocation of administrative costs and management fees relating to the operation of the Project, including accounting, information and professional services; management office(s); and wages, salaries, benefits, reimbursable expenses and taxes (or allocations thereof) for full and part time personnel involved in operation, maintenance and management at or below the level of regional property manager and regional asset manager;

(19) Costs, penalties and fines incurred due to the violation by Landlord or any other tenant of the Office Building of any applicable Law, except such as may be incurred by Landlord in contesting in good faith the alleged violation;

(20) Interest and penalties due to late payment of any amounts owed by Landlord, except such as may be incurred as a result of Tenant's failure to timely pay its portion of such amounts or as a result of Landlord's contesting such amounts in good faith;

(21) Salaries of officers and executives of Landlord, except as included in the administrative fees included in Actual Operating Expenses pursuant to (18) above;

(22) Goods and services purchased from Landlord's subsidiaries and Affiliates to the extent the cost of same exceeds rates charged by unaffiliated third parties for similar goods and services; and

(23) Costs of correcting latent defects in the Premises which are disclosed to Landlord within one year after the Substitution Space Commencement Date.

23. Right to Audit. Within 60 days after Landlord furnishes its estimate of Additional Rental for any calendar year (the "Audit Election Period"), Tenant may, at its expense, elect to audit Actual Operating Expenses for such calendar year only, subject to the following conditions: (1) there is no uncured event of default under the Lease (following the expiration of any applicable notice and cure period provided in the Lease); (2) the audit shall be prepared by an independent certified public accounting firm of recognized regional standing; (3) in no event shall any audit be performed by a firm retained on a "contingency fee" basis; (4) the audit shall commence within 30 days after Landlord makes Landlord's books and records available to Tenant's auditor and shall conclude within 60 days after commencement; (5) the audit shall be conducted during Landlord's normal business hours at the location where Landlord maintains its books and records and shall riot unreasonably interfere with the conduct of Landlord's business; (6) Tenant and its accounting firm shall treat any audit in a confidential manner (except for such disclosures as may be required by applicable Law or court order) and shall each execute Landlord's confidentiality agreement for Landlord's benefit prior to commencing the audit; and (7) the accounting firm's audit report shall, at no charge to Landlord, be submitted in draft form for Landlord's review and comment before the final approved audit report is delivered to Landlord, and any reasonable comments by Landlord shall be incorporated into the final audit report. Notwithstanding the foregoing, Tenant shall have no right to conduct an audit if Landlord furnishes to Tenant an audit report for the calendar year in question prepared by an independent certified public accounting firm of recognized national standing (whether originally prepared for Landlord or another party). This paragraph shall not be construed to limit, suspend, or abate Tenant's obligation to pay Basic Rental or Additional Rental when due. Landlord shall credit any overpayment determined by the final approved audit report against the next amounts due and owing by Tenant or, if no further amounts are due, refund such overpayment directly to Tenant within 30 days of determination. Likewise, Tenant shall pay Landlord any underpayment determined by the final approved audit report within 30 days of determination. The foregoing obligations shall survive the expiration or termination of the Lease. If Tenant does not give written notice of its election to audit Actual Operating Expenses during the Audit Election Period, Actual Operating Expenses for the applicable calendar year shall be deemed approved for all purposes, and Tenant shall have no further right to review or contest the same. The right to audit granted hereunder is personal to Westwood Management Corp. and to any assignee under a Permitted Transfer and shall not be available to any subtenant under a sublease of the Premises. If the audit proves that Landlord's calculation of Actual Operating Expenses for the calendar year under inspection was overstated by more than five percent (5%), then, after verification, Landlord shall pay Tenant's actual reasonable out-of-pocket audit and inspection fees applicable to the review of said calendar year statement within thirty (30) days after receipt of Tenant's invoice therefor.

24. Building Services. Paragraph 7 of the Lease is hereby further amended: (a) to provide that Landlord shall provide the services set forth in Paragraph 7 at a level and quality consistent with that of other Comparable Buildings; (b) to provide that the janitorial services to be provided pursuant to Paragraph 7(a)(iii) shall be provided in accordance with the janitorial contract specifications set forth on Exhibit D attached hereto; (c) to provide that Landlord shall

provide exterior window washing at such intervals as determined by Landlord, but in no event less frequently than twice annually; and (d) by deleting Paragraph 7(c) and substituting the following new paragraph in lieu thereof:

"(c) Interruption of Services. Landlord's failure to furnish, or any interruption or termination of, services due to the application of Laws, the failure of any equipment, the performance of repairs, improvements or alterations, or the occurrence of any other event or cause whether or not within the reasonable control of Landlord (a "Service Failure"), shall not render Landlord liable to Tenant, constitute a constructive eviction of Tenant, give rise to an abatement of rent, or relieve Tenant from the obligation to fulfill any covenant or agreement. In no event shall Landlord be liable to Tenant for any loss or damage, including the theft of Tenant's personal property, arising out of or in connection with the failure of any security services, personnel or equipment. Any provision herein to the contrary notwithstanding, if a Service Failure results in the Premises or any material portion thereof not being reasonably usable by Tenant for its business purpose ("Untenantable") (unless the Service Failure is caused by the negligence or intentional misconduct of Tenant, its agents, contractors or employees, in which event Tenant shall not be entitled to the rights expressed in this paragraph, or unless the Service Failure is caused by a fire or other casualty, in which event Paragraph 11 of the Lease, as amended hereby, controls) and same remains uncured for a total of 5 Business Days during any 10 consecutive Business Day period (the "Cure Period") after Landlord's receipt of Tenant's written notice of the Service Failure, Tenant shall be entitled to the following: for each day or portion thereof that such Service Failure continues beyond the fifth business day in the Cure Period, Tenant shall be entitled to an equitable abatement of Rent commensurate to that portion of the Premises rendered Untenantable by the Service Failure calculated on a per square foot basis beginning on the sixth Business Day in the Cure Period and ending at the time the Premises are again suitable for use by Tenant for its intended purposes."

Paragraph 7 is further amended to provide that the building standard HVAC system is designed to maintain, and Landlord shall cause to be provided, temperatures within the Premises during all seasons of not less than 72° Fahrenheit dry bulb and not more than 76° Fahrenheit dry bulb, when, for cooling purposes, outside temperatures are not more than 100° Fahrenheit dry bulb, and when, for heating purposes, outside temperatures are not less than 20° Fahrenheit dry bulb, based on a tenant electrical design load of 4 watts per square foot high and/or low voltage electrical use, building envelope loads, building equipment loads and a building density of 1 person per 250 square feet of rentable square feet in the Substitution Space.

25. Repairs/Maintenance.

(a) The last sentence of Paragraph 7(a) of the Lease is amended: (i) to include within Landlord's repair and maintenance obligations (in addition to Landlord's other obligations thereunder) the Office Building's common areas, the underground parking facility, and standard mechanical, electrical, plumbing and fire/life safety systems serving the Office Building generally; and (ii) to provide that the repair and maintenance required to be done by Landlord shall be done in a manner consistent with other Comparable Buildings.

(b) With respect to Tenant's repair and maintenance obligations under

Paragraph 8(d) of the Lease, it is agreed that there shall be excluded from Tenant's obligations any item required to be repaired or maintained by Landlord pursuant to the Lease (as amended hereby).

26. Alterations. Paragraph 8(a) of the Lease is hereby amended to provide that: (a) Landlord's consent shall not be required with respect to any alteration, change or improvement that satisfies all of the following criteria: (i) is of a cosmetic nature such as painting, wallpapering, hanging pictures and installing carpeting; (ii) is not visible from outside the Premises or Office Building; (iii) will not affect the systems or structure of the Office Building; and (iv) does not require work to be performed inside the walls or above the ceiling of the Premises; and (b) with respect to alterations, changes or improvements requiring Landlord's consent, such consent shall not be unreasonably withheld or delayed.

27. Assignment/Subletting. Paragraph 9 of the Lease is hereby amended as follows:

(a) Tenant may assign its entire interest under the Lease to its Affiliate (defined below) or to a successor to Tenant by purchase, merger, consolidation or reorganization without the consent of Landlord or sublease a portion of the Premises to an Affiliate without the consent of Landlord, provided that all of the following conditions are satisfied in Landlord's reasonable discretion (a "Permitted Transfer"): (1) no uncured event of default exists under the Lease (following the expiration of any applicable notice and cure period provided in the Lease); (2) Tenant's successor (in the case of a purchase, merger, consolidation or reorganization) shall own all or substantially all of the assets of Tenant; (3) such successor (in the case of a purchase, merger, consolidation or reorganization) shall have a net worth which is at least equal to the greater of Tenant's net worth at the date of this Ninth Modification or Tenant's net worth as of the day prior to the proposed purchase, merger, consolidation or reorganization; provided however, such net worth requirement shall not be required of any Affiliate subleasing a portion of the Premises; (4) no portion of the Office Building or Premises would likely become subject to additional or different Laws as a consequence of the proposed Transfer; (5) such Affiliate's or successor's use of the Premises shall not conflict with the Permitted Use or any exclusive usage rights granted to any other tenant in the Office Building; (6) neither the Transfer nor any consideration payable to Landlord in connection therewith adversely affects the real estate investment trust qualification tests applicable to Landlord or its Affiliates; and (7) Tenant shall give Landlord written notice at least 10 days prior to the effective date of the proposed Transfer, along with all applicable documentation and other information necessary for Landlord to determine that the requirements of this Paragraph 9 have been satisfied, including if applicable, the qualification of such proposed transferee as an Affiliate of Tenant. The term "Affiliate" means any person or entity controlling, controlled by or under common control with Tenant or Landlord, as applicable. If requested by Landlord, the Affiliate or successor shall sign a commercially reasonable form of assumption agreement. The transferee in any Permitted Transfer is referred to herein as a "Permitted Transferee".

(b) With respect to sublettings or assignments or other transfers (a "Transfer") for which Landlord's consent is required, Landlord's consent shall not be unreasonably withheld. Without limitation, Tenant agrees that Landlord's consent shall not be considered unreasonably withheld if: (1) the proposed transferee's financial condition does not meet the criteria Landlord

uses to select Office Building tenants having similar leasehold obligations; (2) the proposed transferee is a governmental organization or present occupant of the Project, or Landlord is otherwise engaged in lease negotiations with the proposed transferee for other premises in the Project; (3) any uncured event of default exists under the Lease (following the expiration of any applicable notice and cure period provided in the Lease); (4) any portion of the Building or Premises would likely become subject to additional or different Laws as a consequence of the proposed Transfer; (5) the proposed transferee's use of the Premises conflicts with the Permitted Use or any exclusive usage rights granted to any other tenant in the Office Building; (6) the use, nature, business, activities or reputation in the business community of the proposed transferee (or its principals, employees or invitees) does not meet Landlord's standards for Office Building tenants; (7) either the Transfer or any consideration payable to Landlord in connection therewith adversely affects the real estate investment trust qualification tests applicable to Landlord or its Affiliates; or (8) the proposed transferee is or has been involved in litigation with Landlord or any of its Affiliates. Tenant shall not be entitled to receive monetary damages based upon a claim that Landlord unreasonably withheld its consent to a proposed Transfer and Tenant's sole remedy shall be an action to enforce any such provision through specific performance or declaratory judgment. Any attempted Transfer in violation of this Article is voidable at Landlord's option.

(c) Landlord's termination right contained in the penultimate sentence of Paragraph 9(a) of the Lease shall not apply to any Permitted Transfer.

(d) Paragraph 9(c) of the Lease is hereby amended to provide that only 50% of the excess rents under any sublease or additional consideration under an assignment (to the extent such excess rents or additional consideration are attributable to rent for such transfer) shall be paid to Landlord.

28. Indemnity and Insurance.

(a) Paragraph 10(a) of the Lease is hereby amended: (a) to provide that Tenant shall indemnify all Landlord Parties; and (b) to include the following sentence at the end of Paragraph 10(a): "Provided Landlord Parties are properly named as additional insureds in the policies required to be carried under this Lease, and except as otherwise expressly provided in this Lease, the indemnity set forth in this subparagraph shall be limited to the greater of (A) $5,000,000, and (B) the aggregate amount of general/umbrella liability insurance actually carried by Tenant."

(b) Paragraph 10(b) of the Lease is hereby amended to provide that the liability insurance required to be carried by Tenant shall be commercial general liability insurance applicable to the Premises and its appurtenances providing, on an occurrence basis, a per occurrence limit of no less than $5,000,000 (coverage in excess of $1,000,000 may be provided by way of an umbrella/excess liability policy).

(c) Landlord shall maintain causes of loss-special form (formerly "all risk") property insurance on the Office Building in the amount of the full replacement cost thereof, as reasonably estimated by Landlord. The foregoing insurance and any other insurance carried by

Landlord may be effected by a policy or policies of blanket insurance and shall be for the sole benefit of Landlord and under Landlord's sole control. Consequently, Tenant shall have no right or claim to any proceeds thereof or any other rights thereunder. Such insurance policies shall be underwritten by an insurance company having an A.M. Best's rating of A/VII or better.

29. Fire or Casualty. Paragraph 11 of the Lease is hereby amended by (a) adding the following language after the first sentence: "Landlord shall, with reasonable promptness, cause an architect or general contractor selected by Landlord to provide Landlord and Tenant with a written estimate of the amount of time required to substantially complete the repair and restoration of the Premises, using standard working methods ("Completion Estimate"). If the Premises cannot be made tenantable within 270 days from the date of damage, then regardless of anything in this Paragraph 11 to the contrary, either party shall have the right to terminate this Lease by giving written notice to the other of such election within 10 days after receipt of the Completion Estimate. Tenant, however, shall not have the right to terminate this Lease if the fire or casualty was caused by the negligence or intentional misconduct of any of the Tenant Parties.", and (b) inserting the words "or Tenant" after the word "Landlord" in the next sentence.

30. Default.

(a) The Lease is hereby amended by deleting Paragraph 13(a)(i) thereof in its entirety and inserting the following in lieu thereof:

(i) Tenant shall fail to pay Basic Rental, Additional Rental or any other rental or sums payable by Tenant hereunder on the date the same is due; provided that the first two (2) such failures during any consecutive 12 month period shall not be an event of default if Tenant pays the amount due within 5 days after written notice from Landlord;

(b) The Lease is hereby amended by deleting Paragraph 13(a)(ii) thereof in its entirety and inserting the following in lieu thereof:

(ii) Tenant shall fail to comply with or observe any other provision of this Lease and such failure shall continue for thirty (30) days after written notice from Landlord to Tenant (provided, however, if such failure cannot, with the exercise of reasonable diligence, be cured within thirty (30) days, an event of default shall not be deemed to have occurred under this Paragraph 13(a)(ii) if Tenant commences its curative efforts within such 30-day period and thereafter diligently prosecutes same to completion). In addition, if Landlord provides Tenant with notice of Tenant's failure to comply with the same specific term, provision or covenant of this Lease on more than two (2) occasions during any 12 month period, Tenant's subsequent violation of the same term, provision or covenant during the same 12 month period shall, at Landlord's option (provided that within 10 days following the prior violation Landlord delivered written notice to Tenant containing a statement that a subsequent violation might result in an incurable default), be deemed an incurable event of default by Tenant.

(c) The Lease is hereby amended to provide that Landlord shall be in default under the Lease in the event Landlord has not begun and pursued with reasonable diligence the cure of any failure of Landlord to meet its obligations under this Lease within thirty (30) days of the receipt by Landlord of written notice from Tenant of Landlord's alleged failure to perform. In no event shall Tenant have the right to terminate or rescind the Lease as a result of Landlord's default. Tenant waives such remedies of termination or recission (except as otherwise specifically provided for in the Lease) and agrees that Tenant's remedies for default under the Lease and for breach of any promise or inducement are limited to a suit for damages and/or injunction, and are specifically subject to Paragraphs 19(c) and (n). In addition, Tenant shall, prior to the exercise of any such remedies, provide each mortgagee (only as to those mortgagees of which Tenant has notice of their interest) with written notice and reasonable time to cure any default by Landlord.

31. Holding Over. Paragraph 15 of the Lease is hereby amended by deletion of the word "double" (appearing in the fourth line) and, in lieu thereof, substituting the phrase "150% of".

32. Mortgages. Paragraph 17 of the Lease is hereby amended to provide that the subordination of the Lease to any deed of trust hereafter encumbering the Office Building is expressly conditioned upon the mortgagee under such future deed of trust delivering to Tenant a subordination, non-disturbance and attornment agreement in such future mortgagee's then current form.

33. Rules and Regulations. Landlord agrees that the rules and regulations of the Office Building referenced in Paragraph 18(c) of the Lease shall be enforced in an equitable manner as determined by Landlord.

34. Relocation. The Lease is hereby amended by deleting Paragraph 18(f) thereof in its entirety.

35. Landlord's Lien. The Lease is hereby amended by deleting Paragraph 19(p) thereof in its entirety. In addition, for good and valuable consideration, Landlord hereby waives its statutory landlord's lien and agrees, at Tenant's request, to execute such additional instruments as may be reasonably requested by Tenant to further evidence such waiver.

36. "Law(s)". As used herein, "Law(s)" shall mean applicable statutes, codes, ordinances, orders, rules and regulations of any municipal or governmental entity, now or hereafter adopted, including the Americans with Disabilities Act and any other law pertaining to disabilities and architectural barriers (collectively, "ADA"), and all laws pertaining to the environment, including the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. §9601 et seq. ("CERCLA"), and all restrictive covenants existing of record and all rules and requirements of any existing association or improvement district affecting the Project.

37. Permitted Use. Paragraph 1(i) of the Lease is hereby amended to provide that the Permitted Use of the Substitution Space shall be general office and securities trading operations consistent with the operations currently conducted by Tenant in the Expanded Premises.

EXECUTED as of the day and year first above written.

LANDLORD:

CRESCENT REAL ESTATE FUNDING I, L.P., a Delaware limited partnership

By: CRE Management I Corp., a Delaware corporation, its general partner

By: _____

Name: _____

Title: _____

TENANT:

WESTWOOD MANAGEMENT CORP., a New York corporation

By: _____

Name: _____

Title: _____

EXHIBIT A

OUTLINE AND LOCATION OF SUBSTITUTION SPACE

EXHIBIT A-1

OUTLINE AND LOCATION OF RIGHT OF FIRST REFUSAL SPACE

EXHIBIT B

WORK LETTER

This Work Letter is attached as an Exhibit to that certain Ninth Modification of Office Lease (the "Ninth Modification") dated November 25, 2003, by and between CRESCENT REAL ESTATE FUNDING I, L.P. ("Landlord") and WESTWOOD MANAGEMENT CORP. ("Tenant"). All defined terms used herein, unless otherwise defined herein, shall have the same meanings given to such terms in the Ninth Modification.

1. **Approved Construction Documents**.

(a) Preparation and Approval of Space Plans. Within 20 Business Days after execution of the Ninth Modification, Tenant shall submit to Landlord preliminary plans and specifications (the "Space Plans") providing a preliminary, conceptual layout and description of the leasehold improvements. Within five (5) Business Days after receipt of the Space Plans from Tenant, Landlord shall either (a) approve the Space Plans by written notice to Tenant, or (b) deliver to Tenant a written list of specific changes required by Landlord. If Landlord fails to request changes within such five (5) Business Day period, Tenant may submit a written notice (the "Space Plan Delay Notice") to Landlord stating that if Landlord does not approve the Space Plans or request changes to same within five (5) Business Days from the date of Landlord's receipt of the Space Plan Delay Notice, Landlord shall be deemed to have approved the Space Plans; and if Landlord does not approve the Space Plans or require changes to same within five (5) Business Days from the date of Landlord's receipt of the Space Plan Delay Notice, Landlord shall be deemed to have approved the Space Plans. If changes are so required, Tenant shall cause its architects and engineers to make the required changes within five (5) days after receipt of the notice described in clause (b) of this Paragraph 1(A). Upon approval of the Space Plans in accordance with this Paragraph 1(A), the Space Plans shall constitute the "Approved Space Plans".

(B) Preparation and Approval of Construction Documents. Within thirty (30) Business Days after approval of the Approved Space Plans, Tenant shall submit to Landlord complete, finished and detailed architectural, mechanical, electrical and plumbing drawings and specifications to include Tenant's partition and furniture layout, reflected ceiling, telephone and electrical outlets and equipment rooms, doors (including hardware and keying schedule), glass partitions, windows (if any), critical dimensions, structural loading requirements, millwork, finish schedules, air conditioning and heating systems, ductwork and electrical facilities, together with all supporting information and delivery schedules (the "Construction Documents"). The Construction Documents shall be prepared by M. Arthur Gensler, Jr. & Associates. The Construction Documents shall comply with all applicable Laws, ordinances and regulations and shall be presented in Landlord's format satisfactory for filing with the appropriate governmental authorities for required permits and licenses. The layout of the Substitution Space described in the Construction Documents shall conform generally to the layout of the Substitution Space described in the Approved Space Plans, subject to including any changes that Tenant considers necessary or desirable and which are approved by Landlord. Within ten (10) Business Days after

receipt of the Construction Documents from Tenant, Landlord shall either (a) approve the Construction Documents by written notice to Tenant, or (b) deliver to Tenant a written list of any specific changes required by Landlord. Landlord may reasonably require changes only to the extent the Construction Documents contain detail in addition to, or contain change from, the Approved Space Plans. If Landlord fails to request changes within such ten (10) Business Day period, Tenant may submit a written notice (the "CD Delay Notice") to Landlord stating that if Landlord does not approve the Construction Documents or request changes to same within five (5) Business Days from the date of Landlord's receipt of the CD Delay Notice, Landlord shall be deemed to have approved the Construction Documents; and if Landlord does not approve the Construction Documents or require changes to same within five (5) Business Days from the date of Landlord's receipt of the CD Delay Notice, Landlord shall be deemed to have approved the Construction Documents. If changes are so required, Tenant shall cause its architects and engineers to make the required changes within ten (10) days after receipt of the notice described in clause (b) of this Paragraph 1(B) and resubmit to Landlord for approval. If changes have been made in accordance with the notice described in clause (b) of this Section, Landlord shall approve the Construction Documents by written notice to the Tenant within five (5) days. Upon approval of the Construction Documents pursuant to this paragraph, the Construction Documents shall constitute the "Approved Construction Documents".

2. **Competitive Bids**. Landlord shall seek at least 3 and no more than 5 competitive bids from general contractors selected by Tenant and approved by Landlord, which approval shall not be unreasonably withheld. However, only subcontractors from Landlord's approved subcontractor list (which list shall include multiple names for each trade, excluding proprietary contractors) shall be allowed to work on the mechanical, electrical and plumbing components of the Office Building. Tenant shall be invited to the bid opening and allowed, but not required, to participate in the qualification of bids, opening of bids (if a sealed bid process is used), and the selection of the successful bidder; provided that Tenant shall make the final selection of the general contractor.

3. **Landlord's Contributions**. Landlord will provide a construction allowance not to exceed $35.00 multiplied by the Rentable Square Footage of the Substitution Space (the "Construction Allowance"), toward the cost of constructing the Landlord Work. Payments shall be made directly to Landlord's contractor performing the Landlord Work or providing the other services set forth below (or to Tenant or Tenant's vendors with respect to any goods or services set forth below which are contracted for by Tenant). The cost of (a) all space planning, design, consulting or review services and construction drawings not to exceed in the aggregate $2.50 multiplied by the Rentable Square Footage of the Substitution Space, (b) extension of electrical wiring from Landlord's designated location(s) to the Substitution Space pursuant to the Approved Construction Documents, (c) purchasing and installing all building equipment for the Substitution Space (including any submeters and other above building standard electrical equipment approved by Landlord) pursuant to the Approved Construction Documents, (d) required metering, re-circuiting or re-wiring for metering, equipment rental, engineering design services, consulting services, studies, construction services, cost of billing and collections, (e) materials and labor, and (f) relocating Tenant's furniture, equipment, telephones and computers to the Substitution Space and other costs directly associated with Tenant's relocation, including computer cabling not to exceed in the aggregate $7.50 per rentable square foot in the Substitution

Space, shall all be included in the cost of the Landlord Work and may be paid out of the Construction Allowance, to the extent sufficient funds are available for such purpose. Landlord shall deliver the Substitution Space to Tenant after the following work has been completed: (i) demolition of the existing improvements, (ii) removal of the ceiling, (iii) an asbestos survey, (iii) the existing parabolic lights stacked on the floor, (iv) the prior tenant's name and all visible impressions thereof removed from the granite wall in the elevator lobby, (v) the overall floor flatness within the areas demolished by Landlord shall comply with F_f=35, F_f=25, or 1/2 inch rise or fall, but not both in 10 feet in any direction as determined by a 10 foot straightedge placed anywhere on the slab in any direction, (vi) fresh air intake will be consistent with the ASHRAE standard 62-89 for delivery of 20CFM/person of outside air, (vii) indoor air quality shall be equal to ASHRAE 62-2001 ANSI/ASHRAE Standard 62-2001, defined as acceptable indoor air quality in which there are no known contaminants at harmful concentrations as determined by cognizant authorities and with which a substantial majority (80% or more) of the people exposed do not express dissatisfaction; and (viii) electrical service panels exist in the Substitution Space for the full use and benefit of Tenant equal to 400 amps and consisting of a minimum of 120 - 20 amp breakers, fully code compliant and in good working order. The costs of performing the work specified in the preceding sentence shall be paid by Landlord and will not be paid out of the Construction Allowance. In the event there are existing improvements in the Substitution Space that Tenant does not want Landlord to remove as a part of the demolition of the space, Tenant must identify such improvements in written notice to Landlord given prior to January 30, 2004. The Construction Allowance made available to Tenant under this Work Letter must be utilized for its intended purpose within 360 days of the Effective Date or be forfeited with no further obligation on the part of Landlord.

4. **Construction**.

(A) General Terms. Subject to the terms of this Work Letter, Landlord agrees to cause leasehold improvements to be constructed in the Substitution Space (the "Landlord Work") in a diligent, good and workmanlike manner in accordance with the Approved Construction Documents. Tenant acknowledges that Landlord is not an architect or engineer, and that the Landlord Work will be designed and performed by independent architects, engineers and contractors. Accordingly, Landlord does not guarantee or warrant that the Approved Construction Documents will comply with Laws or be free from errors or omissions, nor that the Landlord Work will be free from defects, and Landlord will have no liability therefor. However, Landlord shall warrant the construction and installation of the Landlord Work for a period of 12 months after the date such Landlord Work is Substantially Complete on the same basis under which Landlord requires its contractors and architects to warrant such work. In addition, Landlord's, approval of the Construction Documents or the Landlord Work shall not be interpreted to waive or otherwise modify the terms and provisions of the Lease. Except with respect to the economic terms set forth in Paragraph 3 of this Work Letter, the terms and provisions contained in this Work Letter shall survive the completion of the Landlord Work and shall govern in all applicable circumstances arising under the Lease throughout the term of the Lease, including the construction of future improvements in the Substitution Space. Tenant acknowledges that Approved Construction Documents must comply with (i) the definitions used by Landlord for the electrical terms used in this Work Letter, (ii) the electrical and HVAC design capacities of the Office Building, (iii) Landlord's policies concerning communications and fire

alarm services, and (iv) Landlord's policies concerning Tenant's electrical design parameters, including harmonic distortion. Upon Tenant's request, Landlord will provide Tenant a written statement outlining items (i) through (iv) above.

(B) ADA Compliance. Landlord shall, as an Operating Expense, be responsible for ADA (and any applicable state accessibility standard) compliance for the core areas of the Office Building (including elevators, Common Areas, and service areas), the Project's parking facilities and all points of access into the Project. Tenant shall, at its expense, be responsible for ADA (and any applicable state accessibility standard) compliance in the Substitution Space, including restrooms on any floor now or hereafter leased or occupied in its entirety by Tenant, its Affiliates or transferees. Notwithstanding the foregoing, Landlord shall deliver the Substitution Space to Tenant with restrooms that are in compliance with ADA (and any applicable state accessibility standard) as of the date of such delivery and the cost incurred in connection with such restroom compliance shall not be deducted from the Construction Allowance. Landlord shall not be responsible for determining whether Tenant is a public accommodation under ADA or whether the Approved Construction Documents comply with ADA requirements, including submission of the Approved Construction Documents for review by appropriate state agencies. Such determinations, if desired by Tenant, shall be the sole responsibility of Tenant.

(C) Substantial Completion. The Landlord Work shall be deemed to be "Substantially Complete" on the date that (i) all Landlord Work substantially and materially conforms with the Approved Construction Documents (other than any details of construction, mechanical adjustment or any other similar matter, the noncompletion of which does not materially interfere with Tenant's use or occupancy of the Substitution Space ("Punch List Items")) and (ii) all governmental entities having jurisdiction over the Substitution Space have provided written validations and approvals allowing occupancy by Tenant. Time is of the essence in connection with the obligations of Landlord and Tenant under this Work Letter. Except as otherwise provided herein, Landlord shall not be liable or responsible for any claims incurred (or alleged) by Tenant due to any delay in achieving Substantial Completion for any reason. Tenant's sole and exclusive remedy for any delay in achieving Substantial Completion for any reason other than Tenant Delay (defined below) shall be the resulting postponement (if any) of the commencement of rental payments under the Lease and such other rights as are expressly provided in this Ninth Modification. "Tenant Delay" means any act or omission of Tenant or its agents, employees, vendors or contractors that actually delays the Substantial Completion of the Landlord Work, including: (i) Tenant's failure to furnish information or approvals within any time period specified in this Lease, including the failure to prepare or approve preliminary or final plans by any applicable due date; (ii) Tenant's selection of non-building standard equipment or materials; (iii) changes requested or made by Tenant to previously approved plans and specifications; or (iv) activities or performance of work in the Substitution Space by Tenant or Tenant's contractor(s) during the performance of the Landlord Work, including without limitation, installation of items removed from the Expanded Premises. Landlord hereby agrees to notify Tenant of any anticipated Tenant Delay due to items (i) and (ii) above so that Tenant may decide whether to proceed with such selection or change. To the extent Landlord is delayed in achieving Substantial Completion of the Landlord Work due to the immediately preceding sentence, such delays shall also constitute Tenant Delay.

5. **Costs**.

(A) Change Orders and Cost Overruns. Written approval of Landlord and Tenant is required in advance of all changes to, and deviations from, the Approved Construction Documents (each, a "Change Order"), including any (i) omission, removal, alteration or other modification of any portion of the Landlord Work, (ii) additional architectural or engineering services, (iii) changes to materials, whether building standard materials, specially ordered materials, or specially fabricated materials, or (iv) cancellation or modification of supply or fabrication orders. Except as otherwise expressly provided in this Work Letter, all costs of the Landlord Work in excess of the Construction Allowance including Change Orders requested by Tenant and approved by Landlord which increase the cost of the Landlord Work (collectively, "Cost Overruns") shall be paid by Tenant to Landlord within 10 days of receipt of Landlord's invoice. In addition, at Landlord's election, Landlord may require Tenant to prepay any projected Cost Overruns within 10 days of receipt of Landlord's invoice for same. Landlord may stop or decline to commence all or any portion of the Landlord Work until such payment (or prepayment) of Cost Overruns is received. On or before the Substitution Space Commencement Date, and as a condition to Tenant's right to take possession of the Substitution Space, Tenant shall pay Landlord the entire amount of all Cost Overruns, less any prepaid amounts. Tenant's failure to pay, when due, any Cost Overruns or the cost of any Change Order shall constitute an event of default under the Lease (following the expiration of any applicable notice and cure period provided in the Lease, as amended hereby).

(B) Construction Management Fee. Within 10 days following the date of invoice, Tenant shall, for supervision and administration of the construction and installation of the Landlord Work, pay Landlord a construction management fee equal to 1.5% of the aggregate actual hard costs of the contract price for the Landlord Work (in the construction contract with the general contractor), which may be paid from the unused portion of the Construction Allowance (if any). Tenant's failure to pay such construction management fee when due shall constitute an event of default under the Lease (following the expiration of any applicable notice and cure period provided in the Lease, as amended hereby). Landlord agrees to make its books and records relating to the construction of the Landlord's Work available to Tenant for inspection through the date which is the first anniversary of the Substitution Space Commencement Date during Landlord's normal business hours at the location where Landlord maintains such books and records. Tenant's inspection of such books and records shall not unreasonably interfere with the conduct of Landlord's business. Construction management services to be performed or coordinated by Landlord may include budget estimating, scheduling, attending construction meetings, recommending cost and time saving adjustments, coordinating with building operations, punchlist management, and obtaining certificates of occupancy and lien waivers.

6. **Acceptance**. By taking possession of the Substitution Space, Tenant agrees and acknowledges that (i) the Substitution Space is usable by Tenant as intended; (ii) Landlord has no further obligation to perform any Landlord Work or other construction (except Punchlist Items, if any agreed upon by Landlord and Tenant in writing): and (iii) both the Office Building and the Substitution Space are satisfactory in all respects. Notwithstanding the foregoing, nothing in this paragraph shall relieve Landlord of its obligations set forth in the Lease, as amended hereby.

7. **Tenant's Early Access**. Tenant, its agents and contractors, shall have the right to enter the Substitution Space during the course of construction of the Landlord's Work for the purpose of installing Tenant's furniture, fixtures, equipment, furnishings and components of its information technologies system, as well as to inspect the progress of construction of the Landlord's Work. Tenant's entry into the Substitution Space pursuant to this paragraph shall not constitute Tenant's possession of any part of the Substitution Space for the purposes of conducting business. Tenant shall fully cooperate with Landlord and its contractors and shall not in anyway impede, inhibit or hinder any of the Landlord Work. Any such impediment or hindrance shall constitute Tenant Delay.

8. **Punchlist**. Promptly after the Substitution Space Commencement Date, Landlord and Tenant shall conduct a joint inspection of the Substitution Space and prepare a written list of all Punchlist Items. Landlord shall use commercially reasonable efforts to cause all Punchlist Items to be completed within 30 days of the date of Substantial Completion. If any Punchlist cannot be completed in such 30 day period, Landlord shall diligently pursue the completion of such item.

9. **Chilled Water**. Tenant shall have the right to tie into the Building's chilled water system for the purpose of running a supplemental air conditioning unit which shall not exceed a maximum demand of 5 tons cooling capacity; provided however, the design, installation and connection to the chilled water system shall all be subject to Landlord's approval and supervision.

EXHIBIT C

FORM OF SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

RECORDING REQUESTED BY AND
AFTER RECORDING, RETURN TO:

GMAC Commercial Mortgage Corporation
200 Witmer Road
Horsham, PA 19044-8015
Attn: Executive Vice President - Servicing Administration

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

This Subordination, Non-Disturbance and Attornment Agreement ("Agreement"), is made as of this _____ day of _____, 200__ among _____, not individually, but solely as Trustee for the Certificate Holders of_____, Series _____-_____ under certain {Pooling/Trust} and Servicing Agreement dated as of _____, _____, ("Lender"), by and through GMAC Commercial Mortgage Corporation, a California corporation, its [Master] Servicer under said {Pooling/Trust} and Servicing Agreement, _____, a _____ ("Landlord"), and _____, a _____ ("Tenant").

Background

A. Lender is the owner and holder of a deed of trust or mortgage or other similar security instrument (either, the "Security Instrument"), covering, among other things, the real property commonly known and described as _____, and further described on Exhibit "A" attached hereto and made a part hereof for all purposes, and the building and improvements thereon (collectively, the "Property").

B. Tenant is the lessee under that certain lease agreement between Landlord and Tenant dated _____ ("Lease"), demising a portion of the Property described more particularly in the Lease ("Leased Space").

C. Landlord, Tenant and Lender desire to enter into the following agreements with respect to the priority of the Lease and Security Instrument.

NOW, THEREFORE, in consideration of the mutual promises of this Agreement, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Subordination. Tenant agrees that the Lease, and all estates, options and rights created under the Lease, hereby are subordinated and made subject to the lien and effect of the Security Instrument, as if the Security Instrument had been executed and recorded prior to the Lease.

2. Nondisturbance. Lender agrees that no foreclosure (whether judicial or nonjudicial), deed-in-lieu of foreclosure, or other sale of the Property in connection with enforcement of the Security Instrument or otherwise in satisfaction of the underlying loan shall operate to terminate the Lease or Tenant's rights thereunder to possess and use the leased space provided, however, that (a) the term of the Lease has commenced, (b) Tenant is in possession of the premised demised pursuant to the Lease, and (c) the Lease is in full force and effect and no uncured default exists under the Lease.

3. Attornment. Tenant agrees to attorn to and recognize as its landlord under the Lease each party acquiring legal title to the Property by foreclosure (whether judicial or nonjudicial) of the Security Instrument, deed-in-lieu of foreclosure, or other sale in connection with enforcement of the Security Instrument or otherwise in satisfaction of the underlying loan ("Successor Owner"). Provided that the conditions set forth in Section 2 above are met at the time Successor Owner becomes owners of the Property, Successor Owner shall perform all obligations of the landlord under the Leases arising from and after the date title to the Property was transferred to Successor Owner. In no event, however, will any Successor Owner be: (a) liable for any default, act or omission of any prior landlord under the Lease, (except that Successor Owner shall not be relieved from the obligation to cure any defaults which are non-monetary and continuing in nature, and such that Successor Owner's failure to cure would constitute a continuing default under the Lease); (b) subject to any offset or defense which Tenant may have against any prior landlord under the Lease; (c) bound by any payment of rent or additional rent made by Tenant to Landlord more than 30 days in advance; (d) bound by any modification or supplement to the Lease, or waiver of Lease terms, made without Lender's written consent thereto; (e) liable for the return of any security deposit or other prepaid charge paid by Tenant under the Lease, except to the extent such amounts were actually received by Lender; (f) liable or bound by any right of first refusal or option to purchase all or any portion of the Property; or (g) liable for construction or completion of any improvements to the Property or as required under the Lease for Tenant's use and occupancy (whenever arising). Although the foregoing provisions of this Agreement are self-operative, Tenant agrees to execute and deliver to Lender or any Successor Owner such further instruments as Lender or a Successor Owner may from time to time request in order to confirm this Agreement. If any liability of Successor Owner does arise pursuant to this Agreement, such liability shall be limited to Successor Owner's interest in the Property.

4. Rent Payments; Notice to Tenant Regarding Rent Payments. Tenant agrees not to pay rent more than one (1) month in advance unless otherwise specified in the Lease. After notice is given to Tenant by Lender that Landlord is in default under the Security Instrument and

that the rentals under the Lease should be paid to Lender pursuant to the assignment of leases and rents granted by Landlord to Lender in connection therewith, Tenant shall thereafter pay to Lender all rent and all other amounts due or to become due to Landlord under the Lease, and Landlord hereby expressly authorizes Tenant to make such payments to Lender upon reliance on Lender's written notice (without any inquiry into the factual basis for such notice or any prior notice to or consent from Landlord) and hereby releases Tenant from all liability to Landlord in connection with Tenant's compliance with Lender's written instructions.

5. Lender Opportunity to Cure Landlord Defaults. Tenant agrees that, until the Security Instrument is released by Lender, it will not exercise any remedies under the Lease following a Landlord default without having first given to Lender (a) written notice of the alleged Landlord default and (b) the opportunity to cure such default within the time periods provided for cure by Landlord, measured from the time notice is given to Lender. Tenant acknowledges that Lender is not obligated to cure any Landlord default, but if Lender elects to do so, Tenant agrees to accept cure by Lender as that of Landlord under the Lease and will not exercise any right or remedy under the Lease for a Landlord default. Performance rendered by Lender on Landlord's behalf is without prejudice to Lender's rights against Landlord under the Security Instrument or any other documents executed by Landlord in favor of Lender in connection with the Loan.

6. Miscellaneous.

(a) Notices. All notices under this Agreement will be effective only if made in writing and addressed to the address for a party provided below such party's signature. A new notice address may be established from time to time by written notice given in accordance with this Section. All notices will be deemed received only upon actual receipt.

(b) Entire Agreement, Modification. This Agreement is the entire agreement between the parties relating to the subordination and nondisturbance of the Lease, and supersedes and replaces all prior discussions, representations and agreements (oral and written) with respect to the subordination and nondisturbance of the Lease. This Agreement controls any conflict between the terms of this Agreement and the Lease. This Agreement may not be modified, supplemented or terminated, nor any provision hereof waived, unless by written agreement of Lender and Tenant, and then only to the extent expressly set forth in such writing.

(c) Binding Effect. This Agreement binds and inures to the benefit of each party hereto and their respective heirs, executors, legal representatives, successors and assigns, whether by voluntary action of the parties or by operation of law. If the Security Instrument is a deed of trust, this Agreement is entered into by the trustee of the Security Instrument solely in its capacity as trustee and not individually.

(d) Unenforceability. Any provision of this Agreement which is determined by a government body or court of competent jurisdiction to be invalid, unenforceable or illegal shall be ineffective only to the extent of such holding and shall not affect the validity, enforceability or legality of any other provision, nor shall such determination apply in any circumstance or to any party not controlled by such determination.

(e) Construction of Certain Terms. Defined terms used in this Agreement may be used interchangeably in singular or plural form, and pronouns cover all genders. Unless otherwise provided herein, all days from performance shall be calendar days, and a "business day" is any day other than Saturday, Sunday and days on which Lender is closed for legal holidays, by government order or weather emergency.

(f) Governing Law. This Agreement shall be governed by the laws of the State in which the Property is located (without giving effect to its rules governing conflicts of laws).

(g) **WAIVER OF JURY TRIAL. TENANT, AS AN INDUCEMENT FOR LENDER TO PROVIDE THIS AGREEMENT AND THE ACCOMODATIONS TO TENANT OFFERED HEREBY, HEREBY WAIVES ITS RIGHT, TO THE FULL EXTENT PERMITTED BY LAW, AND AGREES NOT TO ELECT, A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS AGREEMENT.**

(h) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together constitute a fully executed agreement even though all signatures do not appear on the same document. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their respective obligations hereunder.

IN WITNESS WHEREOF, this Agreement is executed this _____ day of _____, 200_.

LENDER:

[insert Trustee's name here], Trustee

By: GMAC Commercial Mortgage Corporation,
its [Master] Servicer

By: _____

Name:
Title:

Lender Notice Address:

[insert Trustee's name here], Trustee
c/o GMAC Commercial Mortgage Corporation
200 Witmer Road
Horsham, PA 19044
Attn: Executive Vice President
Servicing Administration

TENANT:

[insert Tenant's name here]

By: _____

Name:
Title:

Tenant Notice Address:

[insert Tenant's name here]

_____

_____

_____

Attn:

LANDLORD:
[insert Landlord's name here]

By: _____

Name:
Title:

Landlord Notice Address:
[insert Landlord's name here]

_____

_____

_____

Attn:

Notary Acknowledgement for Lender:

Commonwealth of Pennsylvania :
:ss
County of Montgomery :

On this, the _____ day of _____, 200_, before me, the undersigned Notary Public, personally appeared _____ known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and who acknowledged to me that he/she is an officer of GMAC Commercial Mortgage Corporation in the capacity stated and that he/she executed the within instrument in such capacity for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

_____

Notary Public

{seal}

Notary Acknowledgement for Tenant:

State of _____ :
:ss
County of _____ :

On this, the _____ day of _____, 200_, before me, the undersigned Notary Public, personally appeared _____ known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and who acknowledged to me that he/she is an officer of the Tenant in the capacity stated and that he/she executed the within instrument in such capacity for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

_____

Notary Public

{seal}

Notary Acknowledgement for Landlord:

State of _____ :
:ss
County of _____ :

On this, the ____ day of _____, 200__, before me, the undersigned Notary Public, personally appeared _____ known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and who acknowledged to me that he/she is an officer of the Landlord in the capacity stated and that he/she executed the within instrument in such capacity for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

_____

Notary Public

{seal}

Exhibit "A"
(Legal Description of the Property)

EXHIBIT D

JANITORIAL CONTRACT SPECIFICATIONS

THE CRESCENT®

I. Daily Duties of the Contractor

A. Floors

1. Resilient Tile (an acceptable level of even sheen must be maintained)
   (a) Light traffic areas - sweep with treated dust mop and spot clean (as needed)
   (b) Heavy traffic areas (in tenant spaces, corridors, lobbies, etc.) - damp mop, spot wax, and buff
2. Carpeted Areas
   (a) Vacuum - remove all paper clips and staples in work areas
   (b) Spot Clean (as needed)
3. Ceramic Tile (Restrooms)
   (a) Sweep, mop with disinfecting soap, and rinse with clear water. Mop dry. Sealer applied and maintained to an even sheen at Owner's option.
   (b) Scrub (as needed)
4. Sealed Concrete
   (a) Sweep, damp mop and buff
5. Interior Concrete
   (a) Sweep
   (b) Damp mop (as needed)
6. Parquet or Wood Flooring
   (a) Sweep with treated dust mop (precautions must be taken as to proper cleaning substance)

B. Elevators

1. Exterior Doors and Frames - dust and clean

2. Interior Cabs and Doors - dust, clean and polish

3. Carpets - vacuum and spot clean (dry cleaning will be performed by Owner)

4. Door Tracks - clean and polish

C. Public and Private Restrooms

1. Ceramic tile floors - clean and mop

2. Mirrors - clean and polish

3. Enameled surfaces and shelving - clean

4. Wash basins, urinals, and commodes - scour and disinfect; remove stains and make certain to clean under sides of rims and commodes and urinals, wash both sides of commode seats with disinfecting soap.

5. Ceramic tile walls and urinals partitions - damp wipe and wash with disinfecting soap

6. Metal piping, toilet seat hinges, ashtrays, and other metal work - clean and polish

7. Sanitary Napkin Receptacles - empty, clean, disinfect, and polish

8. Disposal can - empty, clean, and disinfect

9. Stall partitions - damp clean and disinfect

10. Walls - spot clean and completely wash

11. Low ledges, sills, and tops of partitions - damp clean

12. All expendable Restroom supplies will be placed in proper dispensers from Owner's supply

13. Report to night supervisory staff any broken, damaged, or improper functioning of any mechanical or plumbing device, including burned-out lights.

14. Physically check all soap dispensers to assure proper operation.

D. Entrance Lobbies and Public Areas - Nightly

It is the intent of this Contract that Contractor will, and Contractor agrees to, keep the entrances, lobbies, public areas and the various floors properly maintained and clean and presentable at all times and in keeping with the standard of a first-class office building.

1. Sweep and wash floors and vacuum carpeting, if applicable.
2. Sweep, vacuum and spot clean all mats, shampooing as needed.
3. Pick up and put out foul weather mats, as necessary, making sure that they are kept clean at all times during storage.

E. Sidewalks and Patio Areas

1. Sweep and hose sidewalks, weather permitting, and keep in clean condition. Sweep daily no later than 8:00 am.
2. Remove snow and ice as required.
3. Sweep cigarette butts at all building entrances as necessary.

F. General Cleaning

1. Trash receptacles - empty bag and install liners as necessary. Remove trash to the receptacle area - compactors or dumpsters. Contractor to inform Property Manager immediately of any malfunctions of the compactor and/or when compactor or dumpster is full. Trash must be separated when removed and put in designated compactors for recycling.
2. Office furniture, paneling, and window sills - dust and clean horizontal surfaces (vertical surfaces as needed)
3. Brass and other bright work - clean and polish (as needed)
4. Ashtrays and receptacles - empty and damp clean
5. Cigarette urns - clean and service
6. Dust signage with dry cloth
7. Drinking fountains and coolers - clean, disinfect and polish
8. Private entrance door glass - clean and polish

9. Glass panels and doors - spot clean or wash interior and exterior surfaces (as needed)
10. Glass desks and table tops - clean with appropriate treated cloths
11. Molding, ledges, chair rails, baseboards and trim - hand dust or vacuum (as needed)
12. Closet shelving and coat racks - hand dust (as needed)
13. Louvers, grill, lattice or ornamental work - dust or vacuum (as needed)
14. Waste cans, disposal cans, and paper towel cans - damp dust and wash clean (as needed)
15. Vinyl, plastic, or leather-type synthetic covered chairs - wipe with appropriate treated cloth
16. Desk equipment (telephones, pictures, ashtrays, etc.) move and dust under; dust desk equipment and replace on desks
17. Telephone equipment - dust
18. Private coffee bars - clean countertops and sinks and spot clean walls, and cabinets (excludes cleaning of coffee pots, dishes, and utensils)
19. Main lobby directory boards - clean and polish
20. Entrance door mats - sweep, mop, and polish
21. Aggregate walls and columns - dust and spot clean to remove soil, smudges, pencil marks, etc.
22. Keep dock areas clean at all times
23. On completion of work, all mops, sinks, locker areas, and janitor's closets shall be thoroughly cleaned, and cleaning equipment shall be stored in the designated locations

II. Weekly Duties of the Contractor

A. Stairwells - sweep and dust thoroughly, remove all debris, damp mop as needed, dust light fixtures

B. Clean electrical switch/receptacle covers and surrounding areas

C. Dust all base boards and window sills

D. Interior aggregate walls and columns - dust and spot clean as needed

E. Transoms and surfaces above doors - dust and thoroughly clean

III. Semi-monthly Duties of Contractor

A. Resilient tile floors (light traffic areas) - wax and polish. Individual office floors shall be spot free, absolutely cleaned and polished

B. Closet floors - mop and buff

IV. Monthly Duties of Contractor

A. Carpeted areas - vacuum thoroughly with industrial type heavy suction vacuum cleaners all carpeted areas, including all corners and all surfaces under chairs, chair mats, tables, and other furniture

B. Floor lamps, desk lights, air vents, etc. - dust or vacuum (as needed)

C. Parquet or wood flooring - buff and upon request, apply wax

D. Clean light fixtures (including globes), diffusers, and other fixtures as required to maintain a first-class appearance, but not less than once per month

E. Keep all doors, door facings and “kick boards” clean

F. Reseal restroom floors as needed

V. Quarterly Duties of Contractor

A. Areas higher than six feet (6’) (including tops of door frames, doors, pictures and other hanging items, tops of bookcases and filing cabinets) - dust

B. Walls - dust with lamb’s wool dusters or vacuum and spot clean (as needed)

C. Resilient tile floors - strip, clean, wax and buff

D. Wood desk tops, table tops, drawer fronts, and desk fronts - clean and polish (as requested)

E. Resilient desk tops - wash with cleaner specifically for such purposes

F. Partition glass - clean

G. Furniture - thoroughly clean all surfaces and polish appropriately (as requested)

RIDER NO. 1

OPTION TO EXTEND

A. Renewal Period. Tenant may, at its option, extend the Term for two renewal periods of five years each (each a "Renewal Period") by written notice to Landlord (the "Renewal Notice") given no more than 18 months and no later than 12 months prior to the expiration of the Substitution Term (or the prior Renewal Period, as applicable), provided that at the time of such notice and at the commencement of such Renewal Period, (i) Tenant (or any Permitted Transferee) remains in occupancy of at least 75% of the Substitution Space, and (ii) no uncured event of default exists under the Lease (following the expiration of any applicable notice and cure period provided in the Lease). The Basic Rental payable during each Renewal Period shall be at the Market Rental Rate for the Substitution Space. Except as provided in this Rider No. 1, all terms and conditions of the Lease, as amended by the Ninth Modification, shall continue to apply during each Renewal Period.

B. Acceptance. Within 30 days of the Renewal Notice, Landlord shall notify Tenant of the Basic Rental for such Renewal Period (the "Rental Notice"). Tenant may either accept or object to the terms set forth in the Rental Notice by written notice (the applicable of the "Acceptance Notice" or the "Objection Notice") to Landlord given within 15 days after receipt of the Rental Notice. If Tenant timely delivers the Objection Notice to Landlord, Landlord and Tenant shall negotiate in good faith the Basic Rental rate and other economic terms for the applicable Renewal Period. If Tenant timely delivers its Acceptance Notice, Tenant shall, within 15 days after receipt, execute a lease amendment confirming the Basic Rental and other terms applicable during the Renewal Period. If Tenant fails timely (i) to deliver the applicable of its Acceptance Notice or Objection Notice, or (ii) if applicable, to execute and return the required lease amendment, then this Option to Extend shall automatically expire and be of no further force or effect. In addition, this Option to Extend shall terminate upon assignment of the Lease or subletting of more than 25% of the Substitution Space other than in connection with a Permitted Transfer.

C. Market Rental Rate. The "Market Rental Rate" is the rate (or rates) a willing tenant would pay and a willing landlord would accept for a comparable transaction (e.g., renewal, expansion, relocation, etc., as applicable, in comparable space and in a comparable building) as of the commencement date of the applicable term, neither being under any compulsion to lease and both having reasonable knowledge of the relevant facts, considering the highest and most profitable use if offered for lease in the open market with a reasonable period of time in which to consummate a transaction. In calculating the Market Rental Rate, all relevant factors will be taken into account, including the location and quality of the Office Building, lease term, amenities of the Project, condition of the space and any concessions and allowances commonly being offered by Landlord for comparable transactions in the Project. The parties agree that the best evidence of the Market Rental Rate will be the rate stated in documents evidencing comparable transactions in the Project executed within the 12 months immediately prior to the date of the Renewal Notice.

RIDER NO. 2

RIGHT OF FIRST REFUSAL

Provided the Lease (as defined in the Ninth Modification to which this Rider No. 2 is attached) is then in full force and effect with at least twelve months remaining in the Substitution Term and provided further that Tenant (or its Permitted Transferee) remains in occupancy of at least 75% of the Substitution Space and no event of default, as defined in Paragraph 13 of the Lease, shall remain uncured (following the expiration of any applicable notice and cure period provided in the Lease), Tenant shall have the continuing right of first refusal as hereinafter described to lease that portion of the space to be leased to a prospective tenant (the "Offered Space") which is all or part of the space (the "Right of First Refusal Space") located on the 13th floor of 200 Crescent Court, Dallas, Texas, containing approximately 19,993 rentable square feet (more specifically shown on Exhibit A-1 attached hereto) at such time as such space becomes Available (as defined below), exercisable at the following times and upon the conditions set forth below. The Right of First Refusal Space shall also include the space located on the 12th floor of 100 Crescent Court at such time as such space becomes Available, but only if Landlord has elected to lease such floor on a multi-tenant basis. The Right of First Refusal Space shall be deemed "Available" at such time as such space is no longer any of the following: (i) leased or occupied; (ii) assigned or subleased by the then-current tenant of the space; (iii) re-leased by the then-current tenant of the space by renewal, extension or renegotiation (whether agreed to prior to or after the date of this Ninth Modification); or (iv) subject to an' expansion option, right of first refusal, preferential right or similar obligation existing under any other tenant leases for the Project as of the date of this Ninth Modification.

1. If Landlord-enters into negotiations with a prospective tenant to lease the Offered Space, Landlord shall notify Tenant of such fact (the "ROFR Notice") and shall include in such ROFR Notice the rent, term, and other terms (including, but not limited to, finish out, moving allowances and design fees) at which Landlord is prepared to accept for such Offered Space from such prospective tenant. Tenant shall have a period of three (3) Business Days from the date of delivery of the ROFR Notice to notify Landlord whether Tenant elects to exercise the right granted hereby to lease the Offered Space. If Tenant fails to give any notice to Landlord within the required three (3) Business Day period, Tenant shall be deemed to have waived its right to lease the Offered Space.

2. If Tenant so waives its right to lease the Offered Space (either by giving written notice thereof or by failing to give any notice), Landlord shall have the right to lease the Offered Space to the prospective tenant upon economic terms which are not materially less favorable to Landlord and upon the execution of such lease between Landlord and the prospective tenant this Right of First Refusal as to the Offered Space shall thereafter be null, void and of no further force or effect.

3. If Landlord does not enter into a lease with such prospective tenant covering the Offered Space, Landlord shall not thereafter engage in other lease negotiations with respect to the Right of First Refusal Space without first complying with the provisions of this Rider No. 2.

4. Upon the exercise by Tenant of its right of first refusal as provided in this Rider No. 2, Landlord and Tenant shall, within fifteen (15) days after Tenant delivers to Landlord notice of its election, enter into an amendment to the Lease incorporating the Offered Space into the Premises for the rent, for the term, and containing such other terms and conditions as Landlord notified Tenant pursuant to paragraph 1 above.

5. Any assignment or the subletting by Tenant of more than 25% of the Substitution Space pursuant to Paragraph 9 of the Lease (other than to a Permitted Transferee) shall terminate the right of first refusal of Tenant contained herein. The right of first refusal granted herein is personal to Westwood Management Corp. and its Permitted Transferees and shall not be assignable to any other person or entity.

6. The right of first refusal of Tenant contained herein with respect to any of the Right of First Refusal Space located on the 12th floor of 100 Crescent Court shall be subject and subordinate to any rights of renewal, expansion or extension existing under any other tenant leases for the Office Building which are negotiated prior to Landlord's decision to market the 12th floor as a multi-tenant floor.

7. If prior to the first anniversary of the Substitution Space Commencement Date, any portion of the Right of First Refusal Space is Available and Landlord has not entered into negotiations with a prospective tenant for such space, Tenant may elect [provided no event of default, as defined in Paragraph 13 of the Lease, shall remain uncured (following the. expiration of any applicable notice and cure period provided in the Lease)] to lease such space by delivering written notice to Landlord specifying the space to be leased. Upon the exercise by Tenant of the right provided in this paragraph, Landlord and Tenant shall, within fifteen (15) days after Tenant delivers to Landlord notice of its election, enter into an amendment to the Lease incorporating such space into the Premises. Such amendment must commence prior to the first anniversary of the Substitution Space Commencement Date and the following terms shall apply: (a) the Basic Rental payable by Tenant for such space shall be at the then current rate specified in this Ninth Modification and will thereafter increase as the Basic Rental rates increase for the Substitution Space, (b) the Term with respect to the Offered Space will expire on the same date as the Lease as modified by this Ninth Modification, and (c) Tenant shall receive a tenant improvement allowance equal to $35.00 per rentable square foot in such space multiplied by a fraction having as its numerator the number of months in the term of the lease of such space and having as its denominator 84.

RIDER NO. 3

PARKING AGREEMENT

1. As of the Substitution Space Commencement Date, Tenant shall have the right to take and pay for up to 44 permits allowing access to unreserved spaces (6 of such permits shall be convertible, at Tenant's option, to allow access to reserved spaces) in parking facilities which Landlord provides for the use of tenants and occupants of the Office Building (the "Parking Facilities"). Tenant shall have the right from time to time (upon written notice to Landlord) to relinquish one or more of the parking spaces to which it is entitled hereunder (collectively, the "Relinquished Spaces") whereupon Tenant's rights to use such Relinquished Spaces and Tenant's obligation to pay charges therefor shall cease; provided, however, Tenant may thereafter elect to reacquire one or more of the Relinquished Spaces upon the terms and conditions set forth herein. During the Substitution Term, Tenant shall pay $70.00 per month (plus any taxes thereon) for each unreserved permit, and $150.00 per month (plus any taxes thereon) for each reserved permit. During any renewal or extension of the Substitution Term, Tenant shall pay Landlord's quoted monthly contract rate (as set from time to time) for each reserved and unreserved permit, plus any taxes thereon. In addition, Tenant shall have the right to purchase additional permits allowing access to unreserved spaces in the Parking Facilities (the "Additional Permits") at the rate of $70.00 per Additional Permit per month, plus any taxes thereon; provided, however, such Additional Permits shall be made' available to Tenant on a month to month basis only to the extent that available parking spaces exist in the Parking Facilities. Landlord agrees that, in the event Landlord is required to recapture month to month permits, Landlord will withdraw such rights from all other tenants in the Office Building before withdrawing such rights from Tenant.

2. Tenant shall at all times comply with all Laws respecting the use of the Parking Facilities. Landlord reserves the right to adopt, modify, and enforce reasonable rules and regulations governing the use of the Parking Facilities or the Project, from time to time, including any key-card, sticker, or other identification or entrance systems and hours of operations. Landlord may refuse to permit any person who violates such rules and regulations to park in the Parking Facilities, and any violation of the rules and regulations shall subject the automobile in question to removal from the Parking Facilities.

3. Tenant may validate visitor parking by such method or methods as Landlord may approve, at the validation rate (as set from time to time) generally applicable to visitor parking. Unless specified to the contrary above, the parking spaces for the parking permits provided hereunder shall be provided on an unreserved, "first-come, first-served" basis. Tenant acknowledges that Landlord has arranged or may arrange for the Parking Facilities to be operated by an independent contractor, un-affiliated with Landlord. In such event, Tenant acknowledges that Landlord shall have no liability for claims arising through acts or omissions of such independent contractor. Landlord shall have no liability whatsoever for any damage to vehicles or any other items located in or about the Parking Facilities, and in all events, Tenant agrees to seek recovery from its insurance carrier and to require Tenant's employees to seek recovery from their respective insurance carriers for payment of any property damage sustained

in connection with any use of the Parking Facilities. Landlord reserves the right to assign specific parking spaces, and to reserve parking spaces for visitors, small cars, handicapped persons and for other tenants, guests of tenants or other parties, with assigned and/or reserved spaces. Such reserved spaces may be relocated as determined by Landlord from time to time, and Tenant and persons designated by Tenant hereunder shall not park in any such assigned or reserved parking spaces. Landlord also reserves the right to close all or any portion of the Parking Facilities, at its reasonable discretion or if required by casualty, strike, condemnation, repair, alteration, act of God, Laws, or other reason beyond Landlord's reasonable control; provided, however, that except for matters beyond Landlord's reasonable control, any such closure shall be temporary in nature. If Tenant's use of any parking permit is precluded for any reason, Tenant's sole remedy for any period during which Tenant's use of any parking permit is precluded shall be abatement of parking charges for such precluded permits. Tenant shall not assign its rights under this Agreement (except in connection with a Permitted Transfer or an assignment of the Lease or subletting of the Premises approved by Landlord in accordance with the terms of the Lease, as amended by the Ninth Modification).

4. Tenant's failure to pay for any of the above-referenced parking permits or to otherwise comply with any provision of this Agreement shall constitute an event of default, under the Lease (following the expiration of any applicable notice and cure period provided in the Lease as amended hereby). In addition to any rights or remedies available to Landlord in the event of a default under the Lease, Landlord shall have the right to cancel this Agreement and/or remove any vehicles from the Parking Facilities.

Exhibit 10.7

TENTH MODIFICATION OF OFFICE LEASE

THIS TENTH MODIFICATION OF OFFICE LEASE (this "**Tenth Modification**") is entered into as of the _____ day of _____, 2004 (the "**Effective Date**"), by and between **CRESCENT REAL ESTATE FUNDING I, 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 entered into 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**"), located on the 11th floor of the 300 portion of the office building commonly known as The Crescent®, and located at 100, 200 and 300 Crescent Court, Dallas, Dallas County, 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 (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, Texas (the "**Sixth Expansion Space**"); and (x) that certain Ninth Modification of Office Lease dated November 25, 2003 (the "**Ninth Modification**"), pursuant to which the New Premises, together with the First Expansion Space, Second Expansion Space, the Third Expansion Space, the Fourth Expansion Space, the Fifth Expansion Space, the Sixth Expansion Space and reduced by the Released Space were substituted with approximately 22,002 rentable square feet on the twelfth floor of 200 Crescent Court, Dallas, Texas (the "**Substitution Space**").

C. The Original Lease, as modified by the First Modification, the Second Modification, the Third Modification, the Fourth Modification, the Fifth Modification, the Sixth Modification, the Seventh Modification, the Eighth Modification and the Ninth Modification is hereinafter collectively referred to as the "**Lease**". Unless otherwise expressly provided herein, capitalized terms used herein shall have the same meanings as designated in the Lease.

D. Landlord and Tenant acknowledge that the rentable square footage of the Substitution Space was incorrectly stated in the Ninth Modification. And as a result, Landlord and Tenant desire to amend and modify the Lease in certain respects as provided herein.

AGREEMENT:

In consideration of the sum of Ten and No/100 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 is hereby acknowledged, Landlord and Tenant hereby amend and modify the Lease as follows:

1. Premises. Effective as of the Substitution Space Commencement Date, the number "22,002" on the second line of Section 2 of the Ninth Modification is hereby deleted and the number "21,587" is substituted in lieu thereof; and Exhibit A to the Ninth Modification is hereby deleted and Exhibit A attached to this Tenth Modification is substituted in lieu thereof. From and after the Substitution Space Commencement Date, as pertaining to all matters in the Lease that vary based upon the rentable square footage of the Premises (including but not limited to Tenant's proportionate share and the Construction Allowance) shall be based upon 21,587 rentable square feet in the Premises.

2. Basic Rental. Effective as of the Substitution Space Commencement Date, the Basic Rental schedule in Section 4 of the Ninth Modification is hereby deleted and the following substituted in lieu thereof:

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

LEASE MONTHS	ANNUAL BASIC RENTAL RATE PER RENTABLE SQUARE FOOT	MONTHLY BASE RENT
1-2	$ 0.00	$ 0.00
3-12	$ 25.00	$ 44,972.92
13-14	$ 0.00	$ 0.00
15-24	$ 26.00	$ 46,771.83
25-36	$ 27.00	$ 48,570.75
37-48	$ 28.00	$ 50,369.67
49-60	$ 29.00	$ 52,168.58
61-72	$ 30.00	$ 53,967.50
73-84	$ 31.00	$ 55,766.42

3. Broker. Tenant represents and warrants that it has had no dealings with any real estate broker or agent in connection with this Tenth Modification, other than Paul Whitman with The Staubach Company (the "**Broker**") whose commission shall be paid, if any is due, by Landlord in accordance with a separate agreement between Landlord and Broker. Tenant shall indemnify, defend, and hold Landlord harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, costs and expenses (including without limitation, attorneys' fees and costs) with respect to any leasing commission or other compensation alleged to be owing on account of Tenant's dealing with any real estate broker or agent other than the Broker.

4. Time of the Essence. Time is of the essence with respect to Tenant's execution and delivery of this Tenth Modification. If Tenant fails to execute and deliver a signed copy of this Tenth Modification to Landlord by 5:00 p.m. (Dallas, Texas time), on February 27, 2004, 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.

5. Miscellaneous. This Tenth Modification shall become effective only upon full execution and delivery of this Tenth Modification by Landlord and Tenant. This Tenth Modification contains the parties' entire agreement regarding the subject matter covered by this Tenth 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 Tenth Modification. Except as modified by this Tenth Modification, the terms and provisions of the Lease shall remain in full force and effect, and the Lease, as

modified by this Tenth Modification, shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns.

EXECUTED as of the day and year first above written.

LANDLORD:

CRESCENT REAL ESTATE FUNDING I, L.P.,
a Delaware limited partnership

By CRE Management I Corp.,
a Delaware corporation,
its general partner

By: _____

Name:
Title:

TENANT:

WESTWOOD MANAGEMENT CORP.,
a New York corporation

By: _____

Name: _____

Title: _____

EXHIBIT A

SUBSTITUTION SPACE
Revised

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Exhibit 10.11

FORM OF INDEMNIFICATION AGREEMENT FOR

WESTWOOD HOLDINGS GROUP, INC.

This Indemnification Agreement (this "Agreement") dated as of _____, 2002, is between Westwood Holdings Group, Inc., a Delaware corporation (the "Company"), and _____ (the "Indemnitee"), with reference to the following facts:

A. The Indemnitee is currently serving as an officer and/or director of the Company and the Company desires that the Indemnitee continue in such capacity. It is essential to the Company that it retain and attract as officers and/or directors the most capable persons available. Both the Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted against officers and directors of companies in today's environment.

B. Section 145 of the General Corporation Law of the State of Delaware ("Section 145") empowers a corporation to indemnify a person serving as a director, officer, employee or agent of the corporation and a person who serves at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, and Section 145 and the bylaws of the Company specify that the indemnification set forth in Section 145 and in the bylaws, respectively, shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

In order to induce the Indemnitee to continue to serve as an officer and/or director of the Company and in consideration of his or her continued service, the Company hereby agrees to indemnify the Indemnitee as follows:

1. Indemnity. The Company shall indemnify the Indemnitee and his or her executors, administrators or assigns, for any Expenses (as defined below) that the Indemnitee is or becomes legally obligated to pay in connection with any Proceeding. As used in this Agreement the term "Proceeding" shall include any threatened, pending or completed claim, action, suit, investigation or proceeding, whether brought by or in the right of the Company or otherwise and whether of a civil, criminal, administrative or, investigative nature, in which the Indemnitee may be or may have been involved as a party, witness or otherwise, by reason of the fact that Indemnitee is or was an officer and/or director of the Company, by reason of any actual or alleged error or misstatement or misleading statement made or suffered by the Indemnitee, by reason of any action taken by him or her or of any inaction on his or her part while acting as such officer and/or director, or by reason of the fact that he or she was serving at the request of the Company as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise; provided, however, that in each such case, Indemnitee acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company, and, in the case of a criminal proceeding, in addition had no reasonable cause to believe that his or her conduct was unlawful. As used in this Agreement, the term "other enterprise" shall include (without limitation) employee benefit plans and administrative committees thereof, and the term "fines" shall include (without limitation) any

excise tax assessed with respect to any employee benefit plan. Any corporation, partnership, limited liability company or other entity on behalf of which Indemnitee may be deemed to be acting in connection with his or her service to the Company shall be entitled to the benefits of the indemnity provided for by this Agreement to the same extent and under the same conditions upon which Indemnitee is entitled to such indemnity.

2. Expenses. As used in this Agreement, the term "Expenses" shall include, without limitation, damages, judgments, fines, penalties, settlements and costs, attorneys' fees and disbursements and costs of attachment or similar bonds, investigations, and any expenses of establishing a right to indemnification under this Agreement.

3. Enforcement. If a claim or request under this Agreement is not paid by the Company, or on its behalf, within 30 calendar days after a written claim or request has been received by the Company, then the Indemnitee may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim or request and if successful in whole or in part, the Indemnitee shall be entitled to be paid also the Expenses of prosecuting such suit. The burden of proving that the Indemnitee is not entitled to indemnification for any reason shall be upon the Company.

4. Subrogation. Upon any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

5. Exclusions. The Company shall not be liable under this Agreement to pay any Expenses in connection with any claim made against the Indemnitee:

(a) to the extent that payment is actually made to the Indemnitee under a valid, enforceable and collectible insurance policy;

(b) to the extent that the Indemnitee is indemnified and actually paid otherwise than pursuant to this Agreement;

(c) in connection with a judicial action by or in the right of the Company, in respect of any claim, issue or matter as to which the Indemnitee shall have been adjudged to be liable to the Company unless and only to the extent that any court in which such action was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such expenses as such court shall deem proper;

(d) if it is proved by final judgment in a court of law or other final adjudication to have been based upon or attributable to the Indemnitee's in fact having gained any personal profit or advantage to which he or she was not legally entitled;

(e) for a disgorgement of profits made from the purchase and sale by the Indemnitee of securities pursuant to Section 16(b) of the Securities Exchange Act of

1934, as amended, and amendments thereto or similar provisions of any state statutory law or common law; or

(f) for any judgment, fine or penalty which the Company is prohibited by applicable law from paying.

6. Indemnification of Expenses of Successful Party. Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee has been successful on the merits or otherwise in defense of any Proceeding or in defense of any claim, issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against any and all Expenses incurred in connection therewith.

7. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion of such Expenses to which the Indemnitee is entitled.

8. Advance of Expenses. Expenses incurred by the Indemnitee in connection with any Proceeding, except the amount of any settlement, shall be paid by the Company in advance upon request of the Indemnitee that the Company pay such expenses. The Indemnitee hereby undertakes to repay to the Company the amount of any Expenses theretofore paid by the Company to the extent that it is, ultimately determined that such Expenses were not reasonable or that the Indemnitee is not entitled to indemnification.

9. Notice of Claim. The Indemnitee, as a condition precedent to his or her right to be indemnified under this Agreement, shall give to the Company notice in writing as soon as practicable of any claim made against him or her for which indemnity will or could be sought under this Agreement, but a failure to give such notice will affect the obligations of the Company hereunder only to the extent that the Company is actually and materially prejudiced thereby. Notice to the Company shall be given at its corporate headquarters and shall be directed to the corporate secretary (or such other addressee as the Company shall designate in writing to the Indemnitee); notice shall be deemed received it sent by prepaid mail properly addressed, the date of such notice being the date postmarked. In addition, the Indemnitee shall give the Company such information and cooperation as it may reasonably require in connection with such claim.

10. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one instrument.

11. Indemnification Hereunder Not Exclusive. Nothing herein shall be deemed to diminish or otherwise restrict the Indemnitee's right to indemnification under any provision of the Certificate of Incorporation or bylaws of the Company and amendments thereto or under law.

12. Governing Law. This Agreement shall be governed by and construed in accordance with Delaware law, without giving effect to the principles of conflict of laws thereof.

13. Saving Clause. Wherever there is conflict between any provision of this Agreement and any applicable present or future statute, law or regulation contrary to which the Company and the Indemnitee have no legal right to contract, the latter shall prevail, but in such

event the affected provisions of this Agreement shall be curtailed and restricted only to the extent necessary to bring them within applicable legal requirements.

14. Coverage. The provisions of this Agreement shall apply with respect to the Indemnitee's service as an officer and/or director of the Company prior to the date of this Agreement and with respect to all periods of such service after the date of this Agreement, even though the Indemnitee may have ceased to be an officer and/or director of the Company.

15. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legatees, legal representatives, successors and permitted assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and signed as of the day and year first above written.

WESTWOOD HOLDINGS GROUP, INC.

By: _____

Name: _____

Title: _____

INDEMNITEE

_____

The registrant has entered into this indemnification agreement with the following individuals:

- Susan M. Byrne
- Brian O. Casey
- Patricia R. Fraze
- Joyce A. Schaer
- William R. Hardcastle, Jr.
- Frederick R. Meyer
- Jon L. Mosle, Jr.
- Raymond E. Wooldridge

Exhibit 10.12

FORM OF INDEMNIFICATION AGREEMENT FOR

WESTWOOD MANAGEMENT CORP.

THIS INDEMNIFICATION AGREEMENT, dated as of January 1, 2004 (this "Agreement"), is made by and between Westwood Management Corp., a New York corporation (the "Company"), and _____ ("Indemnitee").

RECITALS

A. It is important to the Company to attract and retain as directors and officers the most capable persons reasonably available.

B. Indemnitee is a director and/or officer of the Company.

C. Both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of companies in today's environment.

D. The Company's Amended and Restated By-laws (together with the Company's Restated Certificate of Incorporation, the "Constituent Documents") provide that the Company shall indemnify its directors and officers, and Indemnitee's willingness to serve as a director and/or officer of the Company, or at the Company's request to serve another entity in any capacity, is based in part on Indemnitee's reliance on such provisions.

E. In recognition of Indemnitee's need for substantial protection against personal liability in order to encourage Indemnitee's continued service to the Company or, at the Company's request, another entity, in an effective manner, and Indemnitee's reliance on the aforesaid provisions of the Constituent Documents, and to provide Indemnitee with express contractual indemnification (regardless of, among other things, any amendment to or revocation of such provisions or any change in the composition of the Company's Board of Directors (the "Board") or any acquisition, disposition or other business combination transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of Indemnifiable Losses (as defined in Section 1(d)) and the advancement of Expenses (as defined in Section 1(c)) to Indemnitee as set forth in this Agreement and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies.

NOW, THEREFORE, the parties hereby agree as follows:

1. CERTAIN DEFINITIONS. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "AFFILIATE" has the meaning given to that term in Rule 405 under the Securities Act of 1933, provided, however, that for purposes of this Agreement the Company and its subsidiaries will not be deemed to constitute Affiliates of Indemnitee or the Indemnitee.

(b) "CLAIM" means any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative, arbitrative, investigative or other), whether instituted by the Company or any other party (including, without limitation, any governmental entity), or any inquiry or investigation, whether instituted by the Company or any other party (including, without limitation, any governmental entity) that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding.

(c) "EXPENSES" includes all attorneys' and experts' fees, expenses and charges and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, or participating (as a party, a witness, or otherwise) in (including on appeal), or preparing to defend or participate in, any Claim.

(d) "INDEMNIFIABLE LOSSES" means any and all Expenses, damages, losses, liabilities, judgments, fines, penalties and amounts paid or payable in settlement (including, without limitation, all interest, assessments and other charges paid or payable in connection with or in respect of any of the foregoing) relating to, resulting from or arising out of any act or failure to act by the Indemnitee, or his or her status as any person referred to in clause (i) of this sentence, (i) in his or her capacity as a director, officer, employee or agent of the Company, any of its Affiliates or any other entity as to which the Indemnitee is or was serving at the request of the Company as a director, officer, employee, member, manager, trustee, agent or any other capacity of another corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise, whether or not for profit and (ii) in respect of any business, transaction or other activity of any entity referred to in clause (i) of this sentence.

2. BASIC INDEMNIFICATION ARRANGEMENT. The Company will indemnify and hold harmless Indemnitee to the fullest extent permitted by the laws of the State of New York in effect on the date hereof or as such laws may from time to time hereafter be amended to increase the scope of such permitted indemnification (but in no case less than the extent permitted under the laws in effect as of the date hereof) against all Indemnifiable Losses relating to, resulting from or arising out of any Claim. The failure by Indemnitee to notify the Company of such Claim will not relieve the Company from any liability hereunder unless, and only to the extent that, the Company did not otherwise learn of the Claim and such failure results in forfeiture by the Company of substantial defenses, rights or insurance coverage. Except as provided in Sections 3 and 17, Indemnitee will not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee against the Company or any director or officer of the Company unless the Company has joined in or consented to the initiation of such Claim.

3. INDEMNIFICATION OR ADVANCEMENT OF EXPENSES.

(a) The Indemnitee hereby is granted the right to receive in advance of a final, non-appealable judgment or other final adjudication of a Proceeding (a "Final Determination") the amount of any and all expenses, including, without limitation, investigation expenses, expert

witness and attorneys' fees and other expenses expended or incurred by the Indemnitee in connection with any Proceeding or otherwise expended or incurred by the Indemnitee (such amounts so expended or incurred being referred to as "Advanced Amounts").

(b) In making any written request for Advanced Amounts, the Indemnitee shall submit to the Company a schedule setting forth in reasonable detail the dollar amount expended or incurred and expected to be expended. Each such listing shall be supported by the bill, agreement or other documentation relating thereto, each of which shall be appended to the schedule as an exhibit. In addition, before the Indemnitee may receive Advanced Amounts from the Company, the Indemnitee shall provide to the Company (i) a written affirmation of the Indemnitee's good faith belief that the applicable standard of conduct required for indemnification by the Company has been satisfied by the Indemnitee and (ii) a written undertaking by or on behalf of the Indemnitee to repay the Advanced Amount if it shall ultimately be determined that the Indemnitee has not satisfied any applicable standard of conduct. The written undertaking required from the Indemnitee shall be an unlimited general obligation of the Indemnitee but need not be secured. The Company shall pay to the Indemnitee all Advanced Amounts within ten (10) business days after receipt by the Company of all information and documentation required to be provided by the Indemnitee pursuant to this Section 3(b).

4. PARTIAL INDEMNITY, ETC. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Indemnifiable Loss but not for all of the total amount thereof, the Company will nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Loss or in defense of any issue or matter therein, including, without limitation, dismissal without prejudice, Indemnitee will be indemnified against all Expenses incurred in connection therewith.

5. PRESUMPTIONS, ETC. In connection with any determination as to whether Indemnitee is entitled to be indemnified hereunder, there will be a presumption that Indemnitee is so entitled, and the burden of proof shall, to the extent permitted by law, be on the Company to establish that Indemnitee is not so entitled. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, will not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

6. NON-EXCLUSIVITY, ETC. The rights of Indemnitee hereunder will be in addition to any other rights Indemnitee may have under the Constituent Documents, or the substantive laws of the Company's jurisdiction of incorporation, any other contract or otherwise (collectively, "Other Indemnity Provisions"); provided, however, that (i) to the extent that Indemnitee otherwise would have any greater right to indemnification under any Other Indemnity Provision, Indemnitee will be deemed to have such greater right hereunder and (ii) to the extent that any change is made to any Other Indemnity Provision which permits any greater right to indemnification than that provided under this Agreement as of the date hereof,

Indemnitee will be deemed to have such greater right hereunder. The Company will not adopt any amendment to any of the Constituent Documents the effect of which would be to deny, diminish or encumber Indemnitee's right to indemnification under this Agreement or any Other Indemnity Provision.

7. LIABILITY INSURANCE. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance (the "D&O Insurance"), Indemnitee will be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any director or officer of the Company. Notwithstanding the foregoing, the Company shall not be required to cover the Indemnitee under its D&O Insurance to the same extent as other directors or officers of the Company, or at all, if the Company determines in good faith that such insurance is not available, or the premium costs (or increases in premium costs of other directors or officers of the Company as a result of such coverage) for such insurance is materially disproportionate to the amount of coverage provided.

8. SUBROGATION. In the event of payment under this Agreement, the Company will be subrogated to the extent of such payment to all of the related rights of recovery of Indemnitee against other persons or entities (other than Indemnitee's successors). The Indemnitee will execute all papers reasonably required to evidence such rights (all of Indemnitee's reasonable Expenses, including attorneys' fees and charges, related thereto to be reimbursed by or, at the option of Indemnitee, advanced by the Company).

9. NO DUPLICATION OF PAYMENTS. The Company will not be liable under this Agreement to make any payment in connection with any Indemnifiable Loss made against Indemnitee to the extent Indemnitee has otherwise actually received payment (net of Expenses incurred in connection therewith) under any insurance policy, the Constituent Documents and Other Indemnity Provisions or otherwise of the amounts otherwise indemnifiable hereunder provided that, if Indemnitee for any reason is required to disgorge any payment actually received by him, the Company shall be obligated to pay such amount to Indemnitee in accordance with the other terms of this Agreement (i.e., disregarding the terms of this Section 9).

10. DEFENSE OF CLAIMS. The Company will be entitled to participate in the defense (including, without limitation, the negotiation and approval of any settlement) of any Claim in respect of which Indemnitee may seek indemnification from the Company hereunder, or to assume the defense thereof, with counsel reasonably satisfactory to the Indemnitee, provided that in the event that (i) the use of counsel chosen by the Company to represent Indemnitee would present such counsel with an actual or potential conflict, (ii) the named parties in any such Claim (including any impleaded parties) include both the Company and Indemnitee and Indemnitee shall conclude that there may be one or more legal defenses available to him or her that are different from or in addition to those available to the Company, or (iii) any such representation by the Company would be precluded under the applicable standards of professional conduct then prevailing, then Indemnitee will be entitled to retain separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any particular Claim) at the Company's expense. Notwithstanding the preceding sentence, in any event the Company shall be liable to Indemnitee under this Agreement for the reasonable costs of investigation and preparation for the defense of any Claim (including, without limitation, appearing as a witness and reasonable fees and expenses of counsel in connection therewith).

The Company will not, without the prior written consent of the Indemnitee, effect any settlement of any threatened or pending Claim that the Indemnitee is or could have been a party to unless such settlement solely involves the payment of money and includes an unconditional release of the Indemnitee from all liability on any claims that are the subject matter of such Claim.

11. SUCCESSORS AND BINDING AGREEMENT.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company (a "Successor"), by agreement in form and substance satisfactory to Indemnitee and his or her counsel, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and may be assigned to a Successor, but will not otherwise be assignable or delegatable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Indemnitee's personal or legal representatives, executors, administrators, successors, heirs, distributees, legatees and other successors.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 11(a) and 11(b). Without limiting the generality or effect of the foregoing, Indemnitee's right to receive payments hereunder will not be assignable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by the Indemnitee's will or by the laws of descent and distribution, and, in the event of any attempted assignment or transfer contrary to this Section 11(c), the Company will have no liability to pay any amount so attempted to be assigned or transferred.

12. NOTICES. For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid or one business day after having been sent for next-day delivery by a nationally recognized overnight courier service, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive offices and to the Indemnitee at the address shown on the signature page hereto, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

13. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of New York, without giving effect to the principles of conflict of laws of such State. Each party consents to non-exclusive jurisdiction of any New York state or federal court for purposes of any action, suit or proceeding hereunder, waives any objection to venue therein or any defense based on forum non conveniens or similar theories and agrees that service of process

may be effected in any such action, suit or proceeding by notice given in accordance with Section 12.

14. VALIDITY. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent, and only to the extent, necessary to make it enforceable, valid or legal.

15. MISCELLANEOUS. No provision of this Agreement may be waived, modified or discharged unless such waiver, modification or discharge is agreed to in writing signed by Indemnitee and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. References to Sections are to references to Sections of this Agreement.

16. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

17. LEGAL FEES AND EXPENSES. It is the intent of the Company that the Indemnitee not be required to incur legal fees and or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. Accordingly, without limiting the generality or effect of any other provision hereof, if it should appear to the Indemnitee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, the Company irrevocably authorizes the Indemnitee from time to time to retain counsel of Indemnitee's choice, at the expense of the Company as hereafter provided, to advise and represent the Indemnitee in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Indemnitee's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Indemnitee agree that a confidential relationship shall exist between the Indemnitee and such counsel. Without respect to whether the Indemnitee prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Indemnitee in connection with any of the foregoing. The Indemnitee shall be entitled to the

advancement of all attorneys' and related fees and expenses to the full extent contemplated by Section 3 hereof in connection with any such action or proceeding.

18. RIGHT OF INDEMNITEE TO INDEMNIFICATION UPON APPLICATION; PROCEDURE UPON APPLICATION.

(a) To obtain indemnification under this Agreement, the Indemnitee shall submit to the Company a written request for payment of the appropriate Indemnified Amounts, including with such request such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that the Indemnitee has requested indemnification.

(b) The Company shall pay the Indemnitee the appropriate Indemnified Amounts unless it is established that the Indemnitee has not met any applicable standard of conduct of the Express Permitted Indemnification Provisions.

(c) Any determination that the Indemnitee has not met the applicable standard of conduct required to qualify for indemnification shall be made (i) either by the Board by a majority vote of a quorum consisting of directors who were not parties of such action, suit or proceeding or (ii) by independent legal counsel (who may be the outside counsel regularly employed by the Company), provided that the manner in which (and, if applicable, the counsel by which) the right to indemnification is to be determined shall be approved in advance in writing by both the highest ranking executive officer of the Company who is not party to such action (sometimes hereinafter referred to as the "Senior Officer") and by the Indemnitee. In the event that such parties are unable to agree on the manner in which any such determination is to be made, such determination shall be made by independent legal counsel retained by the Company especially for such purpose, provided that such counsel be approved in advance in writing by both the Senior Officer and Indemnitee and provided further, that such counsel shall not be outside counsel regularly employed by the Company. The fees and expenses of counsel in connection with making said determination contemplated hereunder shall be paid by the Company, and if requested by such counsel, the Company shall give such counsel an appropriate written agreement with respect to the payment of their fees and expenses and such other matters as may be reasonably requested by counsel.

(d) The Company will use its best efforts to conclude as soon as practicable any required determination pursuant to subsection (c) above and promptly will advise the Indemnitee in writing with respect to any determination that the Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied. Payment of any applicable Indemnified Amounts will be made to the Indemnitee within ten (10) days after any determination of the Indemnitee's entitlement to indemnification.

(e) Notwithstanding the foregoing, the Indemnitee may, at any time after sixty (60) days after a claim for Indemnified Amounts has been filed with the Company (or upon receipt of written notice that a claim for Indemnified Amounts has been rejected, if earlier) and before three (3) years after a claim for Indemnified Amounts has been filed, petition a court of

competent jurisdiction to determine whether the Indemnitee is entitled to indemnification under the provisions of this Agreement, and such court shall thereupon have the exclusive authority to make such determination unless and until such court dismisses or otherwise terminates such action without having made such determination. The court shall, as petitioned, make an independent determination of whether the Indemnitee is entitled to indemnification as provided under this Agreement, irrespective of any prior determination made by the Board or independent counsel.

19. CERTAIN INTERPRETIVE MATTERS. No provision of this Agreement will be interpreted in favor of, or against, either of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof.

IN WITNESS WHEREOF, Indemnitee has executed and the Company has caused its duly authorized representative to execute this Agreement as of the date first above written.

WESTWOOD MANAGEMENT CORP.

By: _____

Brian O. Casey, President

INDEMNITEE:

_____

Print Name: _____

Address: _____

_____

_____

The registrant has entered into this indemnification agreement with the following individuals:

- Susan M. Byrne
- Brian O. Casey

Exhibit 10.13

FORM OF INDEMNIFICATION AGREEMENT FOR WESTWOOD TRUST

This INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into as of January 1, 2004 between Westwood Trust, a Texas trust company (the "Company"), and _____ (the "Indemnitee").

RECITALS

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, the Indemnitee is a director and /or officer of the Company;

WHEREAS, both the Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of companies in today's environment;

WHEREAS, the Company's Bylaws provide that the Company will indemnify its directors and officers to the maximum extent permitted by law, and the Indemnitee's willingness to serve as a director and/or officer of the Company is based in part on the Indemnitee's reliance on such provisions;

WHEREAS, the Texas Business Corporation Act (the "Texas Statute") expressly recognizes that the indemnification provisions of the Texas Statute are not exclusive of any other rights to which a person seeking indemnification may be entitled, and this Agreement is being entered into pursuant to and in furtherance of the Bylaws, as permitted by the Texas Statute and as authorized by the Board of Directors of the Company (the "Board"); and

WHEREAS, in recognition of the Indemnitee's need for substantial protection against personal liability in order to enhance the Indemnitee's continued service to the Company in an effective manner, and the Indemnitee's reliance on the aforesaid provisions of the Bylaws, and in part to provide the Indemnitee with specific contractual assurance that the protection promised by such provisions will be available to the Indemnitee (regardless of, among other things, any amendment to or revocation of such provisions or any change in the composition of the Board or any acquisition or business combination transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancement of expenses to the Indemnitee as set forth in this Agreement and, to the extent insurance is maintained, for the continued coverage of the Indemnitee under the Company's directors' and officers' liability insurance policies, if any.

NOW THEREFORE, in consideration of the foregoing premises, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Indemnification.

(a) In accordance with the provisions of Section 1(b), the Company shall hold harmless and indemnify the Indemnitee against any and all expenses, liabilities and losses (including, without limitation, investigation expenses and expert witnesses' and attorneys' fees and expenses, judgments, penalties, fines, ERISA excise taxes and amounts paid or to be paid in settlement) actually incurred by the Indemnitee (net of any related insurance proceeds or other amounts received by the Indemnitee or paid by or on behalf of the Company on the Indemnitee's behalf), in connection with any action, suit, arbitration or proceeding (or any inquiry or investigation, whether brought by or in the right of the Company or otherwise, that the Indemnitee in good faith believes might lead to the institution of any such action, suit, arbitration or proceeding), whether civil, criminal, administrative or investigative, or any appeal therefrom, in which the Indemnitee is a party, is threatened to be made a party, is a witness or is participating (a "Proceeding") based upon, arising from, relating to or by reason of the fact that Indemnitee is, was, shall be or shall have been a director and/or officer of the Company or is or was serving, shall serve, or shall have served at the request of the Board of the Company as a director, officer, partner, trustee, employee or agent ("Affiliate Indemnitee") of another foreign or domestic corporation or non-profit corporation, cooperative, partnership, joint venture, trust or other incorporated or unincorporated enterprise (each, a "Company Affiliate"), provided that the Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. For purposes of this Agreement, the Indemnitee who serves as a director or officer of a subsidiary of the Company is deemed to be serving at the request of the Company. Notwithstanding the foregoing, no indemnification shall be made under this Section 1(a) in respect of any claim, issue or matter as to which the Indemnitee shall have been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Company or for amounts paid in settlement to the Company, unless and only to the extent that the court in which such action or suit was brought (or any other court of competent jurisdiction) shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such expenses that such court shall deem proper.

(b) In providing the foregoing indemnification, the Company shall, with respect to a Proceeding, hold harmless and indemnify the Indemnitee to the fullest extent required by the Texas Statute and to the fullest extent permitted by the Express Permitted Indemnification Provisions (as hereinafter defined) of the Texas Statute. For purposes of this Agreement, the "Express Permitted Indemnification Provisions" of the Texas Statute shall mean indemnification as permitted by Section 2.02-1 of the Texas Statute or by any amendment thereof or other statuary provisions expressly permitting such indemnification which is adopted after the date hereof (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law required or permitted the Company to provide prior to such amendment).

(c) Without limiting the generality of the foregoing, the Indemnitee shall be entitled to the rights of indemnification provided in this Section 1 for any expenses actually and reasonably incurred in any Proceeding initiated by or in the right of the Company unless the

Indemnitee shall have been adjudged to be liable to the Company by a court of competent jurisdiction.

(d) If the Indemnitee is entitled under this Agreement to indemnification by the Company for some or a portion of the Indemnified Amounts (as hereinafter defined) but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion thereof to which Indemnitee is entitled.

(e) The Company will be entitled to participate in the defense (including, without limitation, the negotiation and approval of any settlement) of any Claim in respect of which Indemnitee may seek indemnification from the Company hereunder, or to assume the defense thereof, with counsel reasonably satisfactory to the Indemnitee, provided that in the event that (i) the use of counsel chosen by the Company to represent Indemnitee would present such counsel with an actual or potential conflict, (ii) the named parties in any such Claim (including any impleaded parties) include both the Company and Indemnitee and Indemnitee shall conclude that there may be one or more legal defenses available to him or her that are different from or in addition to those available to the Company, or (iii) any such representation by the Company would be precluded under the applicable standards of professional conduct then prevailing, then Indemnitee will be entitled to retain separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any particular Claim) at the Company's expense. Notwithstanding the preceding sentence, in any event the Company shall be liable to Indemnitee under this Agreement for the reasonable costs of investigation and preparation for the defense of any Claim (including, without limitation, appearing as a witness and reasonable fees and expenses of counsel in connection therewith). The Company will not, without the prior written consent of the Indemnitee, effect any settlement of any threatened or pending Claim that the Indemnitee is or could have been a party to unless such settlement solely involves the payment of money and includes an unconditional release of the Indemnitee from all liability on any claims that are the subject matter of such Claim.

2. Other Indemnification Arrangements. The Texas Statute permits the Company to purchase and maintain insurance or furnish similar protection or make other arrangements, including, without limitation, creating a trust fund, establishing a program of self-insurance, securing its obligation of indemnification by granting a security interest or other lien on any assets of the Company or establishing a letter of credit, guaranty or surety (collectively, the "Indemnity Arrangements") on behalf of the Indemnitee against any liability asserted against him or incurred by or on behalf of him in such capacity as a director or officer of the Company or as an Affiliate Indemnitee, or arising out of his status as such, whether or not the Company would have the power to indemnify him against such liability and expenses under the provisions of this Agreement or under the Texas Statute, as it may then be in effect. The purchase, establishment and maintenance of any such Indemnity Arrangement shall not in any way limit or affect the rights and obligations of the Company or of the Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnitee shall not in any way limit or affect the rights and obligations of the Company or the other party or parties thereto under any such Indemnity Arrangement. All amounts payable by the Company pursuant to this Section 2 and Section 1 hereof are herein referred to as "Indemnified Amounts."

3. Advance Payment of Indemnified Amounts.

(a) The Indemnitee hereby is granted the right to receive in advance of a final, non-appealable judgment or other final adjudication of a Proceeding (a "Final Determination") the amount of any and all expenses, including, without limitation, investigation expenses, expert witness and attorneys' fees and other expenses expended or incurred by the Indemnitee in connection with any Proceeding or otherwise expended or incurred by the Indemnitee (such amounts so expended or incurred being referred to as "Advanced Amounts").

(b) In making any written request for Advanced Amounts, the Indemnitee shall submit to the Company a schedule setting forth in reasonable detail the dollar amount expended or incurred and expected to be expended. Each such listing shall be supported by the bill, agreement or other documentation relating thereto, each of which shall be appended to the schedule as an exhibit. In addition, before the Indemnitee may receive Advanced Amounts from the Company, the Indemnitee shall provide to the Company (i) a written affirmation of the Indemnitee's good faith belief that the applicable standard of conduct required for indemnification by the Company has been satisfied by the Indemnitee and (ii) a written undertaking by or on behalf of the Indemnitee to repay the Advanced Amount if it shall ultimately be determined that the Indemnitee has not satisfied any applicable standard of conduct. The written undertaking required from the Indemnitee shall be an unlimited general obligation of the Indemnitee but need not be secured. The Company shall pay to the Indemnitee all Advanced Amounts within ten (10) business days after receipt by the Company of all information and documentation required to be provided by the Indemnitee pursuant to this Section 3(b).

4. Procedure for Payment of Indemnified Amounts.

(a) To obtain indemnification under this Agreement, the Indemnitee shall submit to the Company a written request for payment of the appropriate Indemnified Amounts, including with such request such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that the Indemnitee has requested indemnification.

(b) The Company shall pay the Indemnitee the appropriate Indemnified Amounts unless it is established that the Indemnitee has not met any applicable standard of conduct of the Express Permitted Indemnification Provisions. For purposes of determining whether the Indemnitee is entitled to Indemnified Amounts, in order to deny indemnification to the Indemnitee the Company has the burden of proof in establishing that the Indemnitee did not meet the applicable standard of conduct. In this regard, a termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent does not, of itself, create a presumption that the Indemnitee did not meet the requisite standard of conduct.

(c) Any determination that the Indemnitee has not met the applicable standard of conduct required to qualify for indemnification shall be made (i) either by the Board by a

majority vote of a quorum consisting of directors who were not parties of such action, suit or proceeding or (ii) by independent legal counsel (who may be the outside counsel regularly employed by the Company), provided that the manner in which (and, if applicable, the counsel by which) the right to indemnification is to be determined shall be approved in advance in writing by both the highest ranking executive officer of the Company who is not party to such action (sometimes hereinafter referred to as the "Senior Officer") and by the Indemnitee. In the event that such parties are unable to agree on the manner in which any such determination is to be made, such determination shall be made by independent legal counsel retained by the Company especially for such purpose, provided that such counsel be approved in advance in writing by both the Senior Officer and Indemnitee and provided further, that such counsel shall not be outside counsel regularly employed by the Company. The fees and expenses of counsel in connection with making said determination contemplated hereunder shall be paid by the Company, and if requested by such counsel, the Company shall give such counsel an appropriate written agreement with respect to the payment of their fees and expenses and such other matters as may be reasonably requested by counsel.

(d) The Company will use its best efforts to conclude as soon as practicable any required determination pursuant to subsection (c) above and promptly will advise the Indemnitee in writing with respect to any determination that the Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied. Payment of any applicable Indemnified Amounts will be made to the Indemnitee within ten (10) days after any determination of the Indemnitee's entitlement to indemnification.

(e) Notwithstanding the foregoing, the Indemnitee may, at any time after sixty (60) days after a claim for Indemnified Amounts has been filed with the Company (or upon receipt of written notice that a claim for Indemnified Amounts has been rejected, if earlier) and before three (3) years after a claim for Indemnified Amounts has been filed, petition a court of competent jurisdiction to determine whether the Indemnitee is entitled to indemnification under the provisions of this Agreement, and such court shall thereupon have the exclusive authority to make such determination unless and until such court dismisses or otherwise terminates such action without having made such determination. The court shall, as petitioned, make an independent determination of whether the Indemnitee is entitled to indemnification as provided under this Agreement, irrespective of any prior determination made by the Board or independent counsel.

5. Agreement Not Exclusive; Subrogation Rights, etc.

(a) This Agreement shall not be deemed exclusive of and shall not diminish any other rights the Indemnitee may have to be indemnified or insured or otherwise protected against any liability, loss or expense by the Company, any subsidiary of the Company or any other person or entity under any charter, bylaws, law, agreement, policy of insurance or similar protection, vote of stockholders or directors, disinterested or not, or otherwise, whether or not now in effect, both as to actions in the Indemnitee's official capacity, and as to actions in another capacity while holding such office. The Company's obligations to make payments of Indemnified Amounts hereunder shall be satisfied to the extent that payments with respect to the same Proceeding (or part thereof) have been made to or for the benefit of the Indemnitee by

reason of the indemnification of the Indemnitee pursuant to any other arrangement made by the Company for the benefit of the Indemnitee.

(b) In the event the Indemnitee shall receive payment from any insurance carrier or from the plaintiff in any Proceeding against the Indemnitee in respect of Indemnified Amounts after payments on account of all or part of such Indemnified Amounts have been made by the Company pursuant hereto, the Indemnitee shall promptly reimburse to the Company the amount, if any, by which the sum of such payment by such insurance carrier or such plaintiff and payments by the Company or pursuant to arrangements made by the Company to Indemnitee exceeds such Indemnified Amounts; provided, however, that such portions, if any, of such insurance proceeds that are required to be reimbursed to the insurance carrier under the terms of its insurance policy, such as deductible or co-insurance payments, shall not be deemed to be payments to the Indemnitee hereunder. In addition, upon payment of Indemnified Amounts hereunder, the Company shall be subrogated to the rights of the Indemnitee receiving such payments (to the extent thereof) against any insurance carrier (to the extent permitted under such insurance policies) or plaintiff in respect of such Indemnified Amounts and the Indemnitee shall execute and deliver any and all instruments and documents and perform any and all other acts or deeds which the Company deems necessary or advisable to secure such rights. Such right of subrogation shall be terminated upon receipt by the Company of the amount to be reimbursed by the Indemnitee pursuant to the first sentence of this Section 5(b).

6. Insurance Coverage. In the event that the Company maintains directors' and officers' liability insurance to protect itself and any director or officer of the Company against any expense, liability or loss, such insurance shall cover the Indemnitee to at least the same extent as any other director or officer of the Company.

7. Continuation of Indemnity. All agreements and obligations of the Company contained herein shall continue during the period the Indemnitee is a director or officer of the Company (or is serving at the request of the Company as an Affiliate Indemnitee) and shall continue thereafter so long as the Indemnitee shall be subject to any possible Proceeding by reason of the fact that the Indemnitee was a director or officer of the Company or was serving in any other capacity referred to herein.

8. Successors; Binding Agreement. This Agreement shall be binding on and shall inure to the benefit of and be enforceable by the Company's successors and assigns and by the Indemnitee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. The Company shall require any successor or assignee (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by written agreement form and substance reasonably satisfactory to the Company and to the Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession or assignment had taken place.

9. Enforcement. The Company has entered into this Agreement and assumed the obligations imposed on the Company hereby in order to induce the Indemnitee to act as a director or officer, as the case may be, of the Company, and acknowledge that the Indemnitee is relying upon this Agreement in continuing in such capacity. It is the intent of the Company that

the Indemnitee not be required to incur legal fees and or other expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. Accordingly, without limiting the generality or effect of any other provision hereof, if it should appear to the Indemnitee that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, the Company irrevocably authorizes the Indemnitee from time to time to retain counsel of Indemnitee's choice, at the expense of the Company as hereafter provided, to advise and represent the Indemnitee in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Indemnitee's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Indemnitee agree that a confidential relationship shall exist between the Indemnitee and such counsel. Without respect to whether the Indemnitee prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Indemnitee in connection with any of the foregoing. The Indemnitee shall be entitled to the advancement of Indemnified Amounts to the full extent contemplated by Section 3 hereof in connection with such action or proceeding.

10. Separability. Each of the provisions of this Agreement is a separate and distinct agreement independent of the others, so that if any provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof, which other provisions shall remain in full force and effect.

11. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is approved by the Board and agreed to in writing signed by the Indemnitee and the President of the Company or another officer of the Company specifically designated by the Board. No waiver by either party at any time of any breach by the other party of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or at any prior or subsequent times. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Texas, without giving effect to the principles of conflicts of laws thereof. The Indemnitee may bring an action seeking resolution of disputes or controversies arising under or in any way related to this Agreement in the state or federal court jurisdiction in which the Indemnitee resides or in which his place of business is located, and in any related appellate counts, and the Company consents to the jurisdiction of such courts and to such venue.

12. Notices. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, or sent via reputable overnight courier, as follows: (a) if to the Indemnitee, at the address set forth below the Indemnitee's name on the signature page hereof, and (b) if to the Company, at its principal executive officer, Attention: President, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

13. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

14. Effectiveness. This Agreement shall be effective as of the date set forth in the introductory paragraph of this Agreement.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the day and year first above written.

WESTWOOD TRUST

By: _____

Brian O. Casey, President

INDEMNITEE

_____

Print Name: _____

Address: _____

_____

_____

The registrant has entered into this indemnification agreement with the following individuals:

- Brian O. Casey
- Sylvia L. Fry
- Randall L. Root
- Raymond E. Wooldridge

Exhibit 31.1

CERTIFICATIONS

I, Susan M. Byrne, Chief Executive Officer, certify that:

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

2. Based on my knowledge, this annual 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 annual report;

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

4. Westwood's other certifying officer 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 Westwood 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 Westwood, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual 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 Westwood's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

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

5. Westwood's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Westwood's auditors and the audit committee of Westwood'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 Westwood'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 Westwood's internal control over financial reporting.

Date: February 27, 2004

By: /s/ SUSAN M. BYRNE

Susan M. Byrne,
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Brian O. Casey, President and Chief Operating Officer (principal financial officer), certify that:

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

2. Based on my knowledge, this annual 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 annual report;

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

4. Westwood's other certifying officer 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 Westwood 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 Westwood, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual 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 Westwood's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and

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

5. Westwood's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Westwood's auditors and the audit committee of Westwood'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 Westwood'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 Westwood's internal control over financial reporting.

Date: February 27, 2004

By: /s/ BRIAN O. CASEY

Brian O. Casey,
President and Chief Operating Officer

Exhibit 32.1

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

In connection with the Annual Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan M. Byrne, 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:

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

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

Date: February 27, 2004

By: /s/ SUSAN M. BYRNE

Susan M. Byrne,
Chief Executive Officer

Exhibit 32.2

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

In connection with the Annual Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian O. Casey, President and Chief Operating Officer (principal 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:

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

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

Date: February 27, 2004

By: /s/ BRIAN O. CASEY

Brian O. Casey,
President and Chief Operating Officer