As filed with the Securities and Exchange Commission on February 8, 2002

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

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES
Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

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
(214) 756-6900
(Address, including zip code, and telephone number, including area code, of principal executive offices)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class to be so registered	Name of exchange on which each class is to be registered
Common Stock, $0.01 par value	New York Stock Exchange

Securities to be registered pursuant to Section 12(g) of the Act: None

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Copies of Communications Sent To:

David G. McLane	John B. McKnight
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EXPLANATORY NOTE: THIS REGISTRATION STATEMENT HAS BEEN PREPARED ON A PROSPECTIVE BASIS ON THE ASSUMPTION THAT, AMONG OTHER THINGS, THE SPIN-OFF (AS DESCRIBED IN THE INFORMATION STATEMENT WHICH IS A PART OF THIS REGISTRATION STATEMENT) AND THE RELATED TRANSACTIONS CONTEMPLATED TO OCCUR PRIOR TO OR CONTEMPORANEOUSLY WITH THE SPIN-OFF WILL BE CONSUMMATED AS CONTEMPLATED BY THE INFORMATION STATEMENT. THERE CAN BE NO ASSURANCE, HOWEVER, THAT ANY OR ALL OF SUCH TRANSACTIONS WILL OCCUR OR WILL OCCUR AS SO CONTEMPLATED. ANY SIGNIFICANT MODIFICATIONS OR VARIATIONS IN THE TRANSACTIONS CONTEMPLATED WILL BE REFLECTED IN AN AMENDMENT OR SUPPLEMENT TO THIS REGISTRATION STATEMENT.

WESTWOOD HOLDINGS GROUP, INC.

I. INFORMATION INCLUDED IN INFORMATION STATEMENT AND INCORPORATED IN FORM 10 BY REFERENCE

CROSS-REFERENCE SHEET BETWEEN
INFORMATION STATEMENT AND ITEMS OF FORM 10

Item No.	Item Caption	Location in Information Statement
Item 1.	Business	"Summary," "Risk Factors," "Relationship Between SWS and Westwood After the Spin-off," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business"
Item 2.	Financial Information	"Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations"
Item 3.	Properties	"Business - Properties"
Item 4.	Security Ownership of Certain Beneficial Owners and Management	"Principal Stockholders"
Item 5.	Directors and Executive Officers	"Management"
Item 6.	Executive Compensation	"Management"
Item 7.	Certain Relationships and Related Transactions	"Relationship Between SWS and Westwood After the Spin-off," "Certain Relationships and Related Transactions"
Item 8.	Legal Proceedings	"Business - Legal Proceedings"
Item 9.	Market Price and Dividends on the Registrant's Common Equity and Related Stockholder Matters	"Summary," "Risk Factors," "The Spin-off," "Dividend Policy," "Description of Capital Stock"
Item 11.	Description of Registrant's Securities to be Registered	"Description of Capital Stock"
Item 12.	Indemnification of Directors and Officers	"Description of Capital Stock - Liability and Indemnification of Directors and Officers"
Item 13.	Financial Statements and Supplementary Data	"Selected Consolidated Financial Data," "Consolidated Financial Statements"
Item 15.	Financial Statements and Exhibits	"Index to Consolidated Financial Statements"

II. INFORMATION NOT INCLUDED IN INFORMATION STATEMENT

Item 10. Recent Sales of Unregistered Securities

On December 14, 2001, in connection with the incorporation of Westwood Holdings Group, Inc. ("Westwood"), Westwood issued 5,374 shares of its common stock to SWS Group, Inc. in return for the contribution of all of the issued and outstanding capital stock of Westwood Management Corporation and Westwood Trust to Westwood. The exemption from registration was pursuant to Section 4(2) of the Securities Act of 1933, as amended, and the rules and regulations promulgated under the Securities Act on the basis that the transaction did not involve a public offering.

Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 15. Financial Statements and Exhibits

(b) Exhibits:

Exhibit Number	Description
2.1	Form of Distribution Agreement between SWS Group, Inc. and Westwood Holdings Group, Inc.
3.1	Form of Amended and Restated Certificate of Incorporation of Westwood Holdings Group, Inc.*
3.2	Form of Amended and Restated Bylaws of Westwood Holdings Group, Inc.*
4.1	Form of Common Stock Certificate of Westwood Holdings Group, Inc.*

10.1 Westwood Holdings Group, Inc. Stock Incentive Plan

10.2 Westwood Holdings Group, Inc. Deferred Compensation Plan

10.3 Form of Tax Separation Agreement between SWS Group, Inc. and Westwood Holdings Group, Inc.

10.4 Form of Transition Services Agreement between SWS Group, Inc., Westwood Management Corporation and Westwood Trust

10.5 Promissory Note and Pledge Agreement between Susan Byrne and Westwood Holdings Group, Inc.

10.6 Promissory Note and Pledge Agreement between Brian Casey and Westwood Holdings Group, Inc.

10.7 Promissory Note and Pledge Agreement between Patricia Fraze and Westwood Holdings Group, Inc.

10.8 Promissory Note and Pledge Agreement between Lynda Calkin and Westwood Holdings Group, Inc.

10.9 Promissory Note and Pledge Agreement between Joyce Schaer and Westwood Holdings Group, Inc.

10.10 Office Lease between Westwood Management Corporation and Crescent Real Estate Funding I, L.P., dated as of April 4, 1990, and amendment thereto

10.11 Software License Agreement between Infovisa and Westwood Trust, dated as of December 1, 2001

10.12 Software License and Support Agreement between Advent Software, Inc. and Westwood Management Corporation, dated as of December 30, 1996

21.1 Subsidiaries

99.1 Information Statement of SWS Group, Inc.

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* To be filed by amendment.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTWOOD HOLDINGS GROUP, INC.

By: /s/ SUSAN M. BYRNE

Susan M. Byrne, Chief Executive Officer

Dated February 8, 2002

EXHIBIT 2.1

DISTRIBUTION AGREEMENT

This DISTRIBUTION AGREEMENT is dated as of _____ __, 2002 (this "Agreement") between SWS Group, Inc., a Delaware corporation ("SWS"), and Westwood Holdings Group, Inc., a Delaware corporation ("Westwood").

W I T N E S S E T H

WHEREAS, SWS currently conducts a number of businesses, including asset management services;

WHEREAS, SWS contributed to Westwood all of the capital stock of Westwood Management Corporation and Westwood Trust, and in exchange therefore Westwood has issued to SWS 5,374 shares of Westwood common stock, $0.01 par value per share ("Westwood Common Stock");

WHEREAS, the SWS Board of Directors has authorized the distribution of all of the issued and outstanding shares of Westwood Common Stock that continue to be owned by SWS to the holders of its issued and outstanding shares of common stock, par value $0.10 per share (the "SWS Common Stock"), as of the record date, on the basis of one share of Westwood Common Stock for every _____ shares of SWS Common Stock (the "Distribution");

WHEREAS, the parties intend that the Distribution qualify as a tax-free transaction under Section 355(a) of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the parties hereto have determined to set forth the principal corporate and other transactions required to effect the Distribution and to set forth other agreements that will govern certain other matters prior to and following the Distribution.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, the parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

The following terms, as used herein, have the following meanings:

"Action" means any demand, claim, suit, action, arbitration, inquiry, investigation or other proceeding by or before or any Governmental Authority or any arbitration or mediation tribunal.

"Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person; provided, however,

that for purposes of this Agreement, any Person who was a member of both Groups prior to the Distribution shall be deemed to be an Affiliate only of the Group of which such Person is a member following the Distribution. For the purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. Any contrary provision of this Agreement notwithstanding, neither SWS nor any of its Subsidiaries shall be deemed to be an Affiliate of Westwood.

"Agreement" has the meaning set forth in the preamble hereto, as such agreement may be amended and supplemented from time to time in accordance with its terms.

"Ancillary Agreement" means each of the Tax Separation Agreement; the Transition Services Agreement; that certain Investment Agreement, dated June 2, 1999, relating to the Southwest Special Reserve Account for the Benefit of PAIB, between Westwood Management Corporation and SWS; that certain Investment Agreement, dated October 3, 1993, relating to the Special Reserve Account for

Exclusive Benefit of Customers between Westwood Management Corporation and SWS; that certain Agency Account without Investment Advice Letter of Instruction, dated March 31, 1998, relating to the Southwest Special Reserve Account between Westwood Trust and SWS; and that certain Agency Account without Investment Advice Letter of Instruction, dated as of March 31, 1998, relating to the Special Reserve Account for the Exclusive Benefit of PAIB between Westwood Trust and SWS; as any of such agreements may be amended or superseded from time to time.

"Commission" means the Securities and Exchange Commission.

"Distribution" has the meaning set forth in the recitals to this Agreement.

"Distribution Agent" means Computershare Trust Company, Inc.

"Distribution Date" means the day as of which the Distribution shall be effected.

"Distribution Documents" means all of the agreements and other documents entered into in connection with the Distribution as contemplated hereby, including, without limitation, this Agreement and the Ancillary Agreements.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Finally Determined" means, with respect to any Action or other matter, that the outcome or resolution of such Action or matter has been judicially determined by judgment or order not subject to further appeal or discretionary review.

"Form 10" means the registration statement on Form 10 initially filed by Westwood with the Commission on February __, 2002 to effect the registration of Westwood Common Stock

pursuant to the Exchange Act in connection with the Distribution, as such registration statement may be amended or supplemented from time to time.

"Group" means, as the context requires, the Westwood Group or the SWS Group.

"Indemnified Party" has the meaning set forth in Section 3.4.

"Indemnifying Party" has the meaning set forth in Section 3.4.

"Information Statement" means the final Information Statement to be sent to each holder of SWS Common Stock in connection with the Distribution.

"Insurance Proceeds" means those monies (i) received by an insured from an insurance carrier or (ii) paid by an insurance carrier on behalf of the insured, in either case net of any applicable premium adjustment, retrospectively rated premium, deductible, retention, cost or reserve paid or held by or for the benefit of such insured.

"Insured Claims" means those Liabilities that, individually or in the aggregate, are covered within the terms and conditions of any of the SWS Policies, whether or not subject to deductibles, co-insurance, uncollectability or retrospectively rated premium adjustments, but only to the extent that such Liabilities are within applicable policy limits, including aggregates.

"Liabilities" means any and all claims, debts, liabilities and obligations, absolute or contingent, matured or not matured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, including all costs and expenses relating thereto, and including, without limitation, those debts, liabilities and obligations arising under this Agreement, any law, rule, regulation, any action, order, injunction or consent decree of any governmental agency or entity, or any award of any arbitrator of any kind, and those arising under any agreement, commitment or undertaking.

"Losses" means, with respect to any Person, any and all damage, loss, liability and expense incurred or suffered by such Person (including, without limitation, reasonable expenses of investigation and reasonable attorneys' fees

and expenses in connection with any and all Actions or threatened Actions).

"Person" means an individual, corporation, limited liability company, partnership, association, trust or other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Record Date" means the date determined by the SWS Board of Directors (or determined by a committee of such Board of Directors pursuant to authority delegated to such committee by the SWS Board of Directors) as the record date for determining the holders of SWS Common Stock entitled to receive the Distribution.

"Return" has the meaning set forth in the Tax Separation Agreement.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Subsidiary" means, with respect to any Person, any other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"SWS" has the meaning set forth in the preamble.

"SWS Common Stock" has the meaning set forth in the recitals to this Agreement.

"SWS Group" means SWS and its Subsidiaries (other than any Subsidiary or member of, or other entity in, the Westwood Group).

"SWS Liabilities" means all (i) Liabilities of the SWS Group resulting from breaches by the SWS Group under this Agreement, (ii) Liabilities accrued as of the Distribution Date, except as otherwise specifically provided herein, and other Liabilities, whether arising before, on or after the Distribution Date, of or relating to the SWS Group or arising from or in connection with the conduct of the business of the SWS Group (other than the Westwood Business) or the ownership or use of assets in connection therewith and (iii) any Liabilities or expenses of the Westwood Group in excess of $500,000 that arise out of or directly or indirectly relate to the Richard A. Boykin, Jr. Family Trust (such expenses to include unpaid trustee fees owing to Westwood at the time of the Distribution but not thereafter). Notwithstanding the foregoing, "SWS Liabilities" shall exclude (y) any Liabilities for Taxes (since such Liabilities shall be governed by the Tax Separation Agreement) and (z) any Liabilities specifically retained or assumed by Westwood pursuant to this Agreement.

"SWS Policies" means the following insurance policies, together with the rights, benefits and privileges thereunder, which are owned or maintained by or on behalf of SWS or any of its predecessors and which relate to both the business of SWS and the Westwood Business:

Coverage	Insurer	Policy Number
Property	Fidelity & Deposit Co.	FSA0004730-06
Commercial General Liability	Fidelity & Deposit Co.	FSA0004730-06
Business Auto	Fidelity & Deposit Co.	CAP0008823-07
Umbrella Liability	Fidelity & Deposit Co.	CCL0004936-07
Fiduciary Liability	Fidelity & Deposit Co.	FRP0002987-02
Directors & Officer	National Union Fire	858-18-49
D&O - Excess	Federal Insurance Co.	70426732
Kidnap & Ransom	Chubb Group	8113-81-83C
Financial Institution Bond	National Union Fire	280-68-84

"Tax" has the meaning set forth in the Tax Separation Agreement.

"Tax Separation Agreement" means the Tax Separation Agreement dated as of the date hereof between SWS and Westwood.

"Third-Party Claim" has the meaning set forth in Section 3.5.

"Transition Services Agreement" means the Transition Services Agreement dated as of the date hereof between SWS and Westwood.

"Westwood" has the meaning set forth in the preamble.

"Westwood Business" means the business of Westwood and its Subsidiaries as conducted as of the date hereof.

"Westwood Common Stock" has the meaning set forth in the recitals to this Agreement.

"Westwood Group" means Westwood Holdings Group, Inc. and its Subsidiaries as of and after the Distribution Date (including all predecessors to such Persons).

"Westwood Liabilities" means all (i) Liabilities of the Westwood Group resulting from breaches by the Westwood Group under this Agreement, (ii) Liabilities expressly assumed by Westwood pursuant to Section 4.5 herein and (iii) except as otherwise specifically provided herein, other Liabilities, whether arising before, on or after the Distribution Date, of or relating to the Westwood Group or arising from or in connection with the conduct of the Westwood Business or the ownership or use of assets in connection therewith. Notwithstanding the foregoing, "Westwood Liabilities" shall exclude: (x) any Liabilities for Taxes (since such Liabilities shall be governed by the Tax Separation Agreement), (y) any Liabilities or expenses of the Westwood Group in excess of $500,000 that arise out of or directly or indirectly relate to the Richard A. Boykin, Jr. Family Trust (such expenses to include unpaid trustee fees owing to Westwood at the time of the Distribution but not thereafter) and (z) any Liabilities specifically retained or assumed by SWS pursuant to this Agreement.

ARTICLE 2
THE DISTRIBUTION

Section 2.1 Cooperation Prior to the Distribution

(a) SWS and Westwood shall prepare, and Westwood shall file with the Commission, the Form 10, which shall include the Information Statement, and which shall set forth appropriate disclosure concerning Westwood and the Distribution. SWS and Westwood shall use reasonable efforts to cause the Form 10 to become effective under the Exchange Act as soon as practicable. After the Form 10 has become effective, SWS shall mail the Information Statement to the holders of SWS Common Stock as of the Record Date.

(b) SWS and Westwood shall cooperate in preparing, filing with the Commission and causing to become effective any registration statements or amendments thereto that are

appropriate to reflect the establishment of or amendments to any employee benefit and other plans contemplated by this Agreement and the Ancillary Agreements.

(c) SWS and Westwood shall take all such action as may be necessary or appropriate under the securities or blue sky laws of states or other political subdivisions of the United States in connection with the transactions contemplated by this Agreement and the Ancillary Agreements.

(d) Westwood shall prepare, file and pursue an application to permit listing of the Westwood Common Stock on the New York Stock Exchange.

Section 2.2 SWS Board Action; Conditions Precedent to the Distribution

SWS's Board of Directors shall, in its discretion, establish (or delegate authority to establish) the Record Date and the Distribution Date and any appropriate procedures in connection with the Distribution. In no event shall the Distribution occur unless the following conditions shall have been waived by SWS or shall have been satisfied:

(a) the Commission must have declared the Form 10 effective under the

Exchange Act;

(b) the New York Stock Exchange must have approved the listing of the Westwood Common Stock, subject to official notice of issuance;

(c) the SWS Board of Directors must be satisfied that the Distribution will be made out of surplus within the meaning of Section 170 of the General Corporation Law of the State of Delaware;

(d) the SWS Board of Directors must have approved the Distribution and must not have abandoned, deferred or modified the Distribution at any time before the completion of the Distribution;

(e) Westwood's Certificate of Incorporation and Bylaws, in substantially the forms filed as exhibits to the Form 10, must be in effect;

(f) Westwood must have received approval of the change of control of Westwood Trust from the Texas Banking Commissioner or confirmation that a change of control of Westwood Trust has not occurred as a result of the Distribution; and

(g) each of the Ancillary Agreements shall have been duly executed and delivered by the parties thereto.

Section 2.3 The Distribution

Subject to the terms and conditions set forth in this Agreement, (i) prior to the Distribution Date, SWS shall deliver to the Distribution Agent for the benefit of holders of

record of SWS Common Stock on the Record Date, a stock certificate or certificates, endorsed by SWS in blank, representing all of the outstanding shares of Westwood Common Stock held by SWS, (ii) the Distribution shall be effective on the Distribution Date and (iii) SWS shall instruct the Distribution Agent to distribute, on or as soon as practicable after the Distribution Date, to each holder of record of SWS Common Stock as of the Record Date one share of Westwood Common Stock for every _____ shares of SWS Common Stock so held. Westwood agrees to provide all certificates for shares of Westwood Common Stock that SWS shall require (after giving effect to Sections 2.4 and 2.5) in order to effect the Distribution.

Section 2.4 Split of Westwood Common Stock to Accomplish the Distribution

Following the filing of Westwood's Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, the Board of Directors of Westwood shall declare and effect a stock split in the form of a stock dividend, and as a result thereof each holder of Westwood Common Stock then issued and outstanding shall receive, without any action on the part of the holder, _____ fully paid and non-assessable shares for each share held.

Section 2.5 Fractional Shares

No certificates representing fractional shares of Westwood Common Stock will be distributed in the Distribution. The Distribution Agent will be directed to determine the number of whole shares and fractional shares of Westwood Common Stock allocable to each holder of SWS Common Stock as of the Record Date. Upon the determination by the Distribution Agent of the aggregate number of fractional shares, as soon as practicable after the Distribution Date, the Distribution Agent, acting on behalf of the holders thereof, shall sell such fractional shares for cash on the open market and shall disburse to each holder entitled thereto the appropriate portion of the resulting cash proceeds (calculated by multiplying the average gross selling price per share times the number of fractional shares allocable to such holder), less a pro rata portion of the aggregate brokerage commission payable in connection with the sale.

Section 2.6 Intercompany and Third Party Accounts

All accounts between the SWS Group and the Westwood Group, including receivables, payables and loans, or any other account that may arise (other than receivables, payables and loans otherwise specifically provided for hereunder or under any Ancillary Agreement), as well as all accounts between the SWS Group or

the Westwood Group on the one hand, and third parties on the other hand, including, without limitation, in respect of any cash balances, any cash balances representing deposited checks or drafts for which only a provisional credit has been allowed or any cash held in any centralized cash management system between the SWS Group and the Westwood Group which exist and have not been settled by the Distribution Date, shall be paid or settled in the ordinary course of business in a manner consistent with the payment or settlement of similar accounts arising from transactions with third parties no later than 30 days after the Distribution Date.

ARTICLE 3
INDEMNIFICATION

Section 3.1 Westwood Indemnification of the SWS Group

(a) Subject to Section 3.3, on and after the Distribution Date, Westwood shall indemnify, defend and hold harmless the SWS Group and the respective directors, officers, employees and Affiliates of each Person in the SWS Group (the "SWS Indemnitees") from and against any and all Losses incurred or suffered by any of the SWS Indemnitees arising out of, or due to the failure of any Person in the Westwood Group to pay, perform or otherwise discharge, any of the Westwood Liabilities.

(b) Subject to Section 3.3, Westwood shall indemnify, defend and hold harmless each of the SWS Indemnitees and each Person, if any, who controls any SWS Indemnitee within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all Losses caused by any untrue statement or alleged untrue statement of a material fact contained in the Form 10 or any amendment thereof or the Information Statement (as amended or supplemented if Westwood shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, if, and only to the extent that, such Losses are caused by any untrue statement or omission or alleged untrue statement or alleged omission arising out of information provided by Westwood for inclusion in the Form 10 or Information Statement.

Section 3.2 SWS Indemnification of Westwood Group

(a) Subject to Section 3.3, on and after the Distribution Date, SWS shall indemnify, defend and hold harmless the Westwood Group and the respective directors, officers, employees and Affiliates of each Person in the Westwood Group (the "Westwood Indemnitees") from and against any and all Losses incurred or suffered by any of the Westwood Indemnitees and arising out of, or due to the failure of any Person in the SWS Group to pay, perform or otherwise discharge, any of the SWS Liabilities.

(b) Subject to Section 3.3, SWS shall indemnify, defend and hold harmless each of the Westwood Indemnitees and each Person, if any, who controls any Westwood Indemnitee within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all Losses caused by any untrue statement or alleged untrue statement of a material fact contained in the Form 10 or any amendment thereof or the Information Statement (as amended or supplemented if SWS shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, if, and only to the extent that, such Losses are caused by any untrue statement or omission or alleged untrue statement or alleged omission arising out of information provided by SWS for inclusion in the Form 10 or Information Statement.

Section 3.3 Insurance; Third Party Obligations; Tax Benefits

Any indemnification pursuant to Sections 3.1 or 3.2 shall be paid net of the amount of any insurance or other amounts that would be payable by any third party to the Indemnified Party (as defined below) in the absence of this Agreement (irrespective of time of receipt of such insurance or other amounts)

and net of any tax benefit to the Indemnified Party attributable to the relevant payment or Liability. Such indemnification shall be increased to reflect any tax liability of the indemnified party so that the indemnified party receives 100% of the after-tax amount of any payment or liability. It is expressly agreed that no insurer or any other third party shall be (i) entitled to a benefit it would not be entitled to receive in the absence of the foregoing indemnification provisions, (ii) relieved of the responsibility to pay any claims to which it is obligated or (iii) entitled to any subrogation rights with respect to any obligation hereunder.

Section 3.4 Notice and Payment of Claims

If any SWS Indemnitee or Westwood Indemnitee (the "Indemnified Party") determines that it is or may be entitled to indemnification by any party (the "Indemnifying Party") under Article 3 (other than in connection with any Action subject to Section 3.5), the Indemnified Party shall deliver to the Indemnifying Party a written notice specifying, to the extent reasonably practicable, the basis for its claim for indemnification and the amount for which the Indemnified Party reasonably believes it is entitled to be indemnified. Within 30 days after receipt of such notice, the Indemnifying Party shall pay the Indemnified Party such amount in cash or other immediately available funds unless the Indemnifying Party objects to the claim for indemnification or the amount thereof. If the Indemnifying Party does not give the Indemnified Party written notice objecting to such indemnity claim and setting forth the grounds therefor within such 30-day period, the Indemnified Party shall give the Indemnifying Party an additional notice of its claims for indemnification and if the Indemnifying Party does not give the Indemnified Party written notice objecting to such claims within 10 days after receipt of such additional notice, the Indemnifying Party shall be deemed to have acknowledged its liability for such claim and the Indemnified Party may exercise any and all of its rights under applicable law to collect such amount. In the event of such a timely objection by the Indemnifying Party, the amount, if any, that is Finally Determined to be required to be paid by the Indemnifying Party in respect of such indemnity claim shall be paid by the Indemnifying Party to the Indemnified Party in cash within 15 days after such indemnity claim has been so Finally Determined. Notice and payment of all claims shall be in accordance with the provisions of this Agreement and with a copy of the notice to:

SWS Group, Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
Telecopy: (214) 859-6020
Attention: General Counsel

Section 3.5 Notice and Defense of Third-Party Claims

Promptly following the earlier of (i) receipt of notice of the commencement by a third party of any Action against or otherwise involving any Indemnified Party or (ii) receipt of information from a third party alleging the existence of a claim against an Indemnified Party, in either case, with respect to which indemnification may be sought pursuant to this Agreement (a "Third-Party Claim"), the Indemnified Party shall give the Indemnifying Party written notice thereof. The failure of the Indemnified Party to give notice as provided in this Section 3.5 shall not relieve the Indemnifying Party of its obligations under this Agreement, except to the extent that the Indemnifying Party is materially prejudiced by such failure to give notice. Within 15 days after receipt of such notice, the Indemnifying Party may (i) by giving written notice thereof to the Indemnified Party, acknowledge liability for such indemnification claim and at its option elect to assume the defense of such Third-Party Claim at its sole cost and expense or (ii) object to the claim for indemnification set forth in the notice delivered by the Indemnified Party pursuant to the first sentence of this Section 3.5; provided that if the Indemnifying Party does not within such 15-day period give the Indemnified Party written notice objecting to such indemnification claim and setting forth the grounds therefor, the Indemnified Party shall give the Indemnifying Party an additional notice of its claims for indemnification and if the Indemnifying Party does not give the Indemnified Party written notice objecting to such claims within 10 days after receipt of such additional notice, the Indemnifying Party shall be deemed to have acknowledged its liability for such indemnification claim. If the Indemnifying Party has elected to assume the defense of a Third-Party Claim, (x) the defense

shall be conducted by counsel retained by the Indemnifying Party and reasonably satisfactory to the Indemnified Party, provided that the Indemnified Party shall have the right to employ counsel to represent such Indemnified Party if, in such Indemnified Party's reasonable judgment, a conflict of interest between such Indemnified Party and such Indemnifying Party exists in respect of such claim that would make representation of both such parties by one counsel inappropriate, and in such event the fees and expenses of such separate counsel shall be paid by such Indemnifying Party (if the Indemnifying Party elects to assume such defense, the Indemnified Party shall have the right to participate in the defense thereof and to employ counsel, subject to the foregoing proviso, at its own expense, separate from the counsel employed by the Indemnifying Party, it being understood that the Indemnifying Party shall control such defense); and (y) the Indemnifying Party may settle or compromise the Third Party Claim without the prior written consent of the Indemnified Party so long as such settlement includes an unconditional release of the Indemnified Party from all claims that are the subject of such Third Party Claim, provided that the Indemnifying Party may not agree to any such settlement pursuant to which any remedy or relief, other than monetary damages for which the Indemnifying Party shall be responsible hereunder, shall be applied to or against the Indemnified Party, without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld. If the Indemnifying Party does not assume the defense of a Third-Party Claim for which it has acknowledged liability for indemnification hereunder, the Indemnified Party may require the Indemnifying Party to reimburse it on a current basis for its reasonable expenses of investigation, reasonable attorneys' fees and reasonable out-of-pocket expenses incurred in defending against such Third-Party Claim and the Indemnifying Party shall be bound by the result obtained with respect thereto by the Indemnified Party; provided that the Indemnifying Party shall not be liable for any settlement effected without its consent, which consent shall not be unreasonably withheld. The Indemnifying Party shall pay to

the Indemnified Party in cash the amount, if any, for which the Indemnified Party is entitled to be indemnified hereunder within 15 days after such Third Party Claim has been Finally Determined, in the case of an indemnity claim as to which the Indemnifying Party has acknowledged liability or, in the case of any indemnity claim as to which the Indemnifying Party has not acknowledged liability, within 15 days after such Indemnifying Party's objection to liability hereunder has been Finally Determined.

Section 3.6 Contribution

If for any reason the indemnification provided for in Section 3.1 or 3.2 is unavailable to any Indemnified Party, or insufficient to hold it harmless, then the Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses in such proportion as is appropriate to reflect all relevant equitable considerations.

Section 3.7 Non-Exclusivity of Remedies

The remedies provided for in this Article 3 are not exclusive and shall not limit any rights or remedies that may otherwise be available to any Indemnified Party at law or in equity.

Section 3.8 Termination of Indemnification Obligations

The obligations of the parties under this Article 3 shall terminate two years after the Distribution Date; provided, however, such obligations shall not terminate with respect to any claim for indemnification or contribution or with respect to which notice is delivered to the Indemnifying Party in accordance with Section 3.4 prior to the date of termination.

ARTICLE 4
EMPLOYEES AND EMPLOYEE BENEFIT PLANS

Section 4.1 Employees Generally

As of the Distribution Date, SWS will retain responsibility for all of its current employees (other than employees of Westwood Group), and Westwood will retain responsibility for all employees of Westwood Group (including persons absent from active service by reason of disability or otherwise). As of the Distribution Date, employees of Westwood Group will no longer be deemed

employees of SWS Group.

Section 4.2 Employee Benefit Plans Generally

As of the Distribution Date, all SWS medical, dental, disability, life insurance and similar plans provided by SWS Group to its employees shall terminate as to employees of Westwood Group. Westwood will adopt employee benefit plans that will be substantially similar to plans provided by SWS to be effective as of the Distribution Date.

Section 4.3 SWS Stock Options Held by Westwood Group Employees

As of the Distribution Date, SWS shall provide for 100% vesting of options to purchase SWS Common Stock held by employees of the Westwood Group. Each option to purchase SWS Common Stock held by an employee of Westwood Group will be amended to substitute Westwood or one of its Subsidiaries for SWS as the employer of such employee. In addition, to the extent that SWS makes any adjustments to its outstanding options as a result of the Distribution, similar adjustments will be made to the SWS options held by Westwood employees.

Section 4.4 SWS 401(k) Profit Sharing Plan Accounts Held by Westwood Group Employees

As of the Distribution Date, SWS shall provide for 100% vesting for accounts in the SWS 401(k) Profit Sharing Plan for employees of the Westwood Group. As soon as practicable following the Distribution, the trustees of the SWS 401(k) Profit Sharing Plan will transfer such accounts to the trustees of the Westwood Group 401(k) Profit Sharing Plan.

Section 4.5 SWS Deferred Compensation Plan Accounts Held by Westwood Group Employees

As soon as practicable following the Distribution, the trustee of the SWS rabbi trust, which holds the assets of the SWS Deferred Compensation Plan, will transfer the accounts held for the benefit of Westwood Group employees to the trustee of the Westwood Group rabbi trust, which holds the assets of the Westwood Group Deferred Compensation Plan. Contemporaneous with the transfer of the assets to the Westwood Group rabbi trust, SWS will transfer to Westwood, and Westwood will assume, the related liability and unrealized holding gain accounts.

Section 4.6 Restriction on Solicitation or Employment of Employees

For a period of one year following the Distribution Date, each of the SWS Group and the Westwood Group agrees that (without the prior written consent of the other) it will not, directly or indirectly, (i) solicit or otherwise attempt to induce or influence any employee of the other Group to terminate employment with his or her then-current employer or (ii) employ any employee of the other Group; provided, that the foregoing shall not apply to the solicitation or hiring of any Person whose employment with a Group terminated at least 90 days prior to the date of such solicitation or hiring for a bona fide reason not intended to circumvent the provisions of this Section 4.6.

ARTICLE 5
ACCESS TO INFORMATION

Section 5.1 Provision of Corporate Records

Immediately prior to or as soon as practicable following the Distribution Date, each Group shall provide to the other Group all documents, contracts, books, records, Tax Returns (and any information related thereto) and data (including but not limited to minute books, stock registers, stock certificates and documents of title) in its possession relating to such other Group or such other Group's business and affairs; provided that if any such documents, contracts, books, records, Tax Returns (and any information related thereto) or data relate to both Groups or the business and operations of both Groups, each such Group shall provide to the other Group true and complete copies of such

documents, contracts, books, records, Tax Returns (and any information related thereto) or data. Data stored in electronic form shall be provided in the format in which it existed at the Distribution Date and, if requested, in hard copy (at the expense of the requesting party), except as otherwise specifically set forth in this Agreement or any Ancillary Agreement.

Section 5.2 Access to Information

From and after the Distribution Date, each Group shall, during the time specified in Section 5.5, afford promptly to the other Group and its accountants, counsel and other designated representatives reasonable access during normal business hours to all documents, contracts, books, records, computer data, Tax Returns (and any information related thereto) and other data in such Group's possession relating to such other Group or the business and affairs of such other Group (other than data and information subject to an attorney/client or other privilege), insofar as such access is reasonably required by such other Group, including, without limitation, for audit, accounting, litigation, disclosure reporting and regulatory compliance purposes.

Section 5.3 Litigation Cooperation

Each Group shall use reasonable efforts to make available to the other Group and its accountants, counsel, and other designated representatives, upon written request, its directors, officers, employees and representatives as witnesses, and shall otherwise cooperate with the other Group, to the extent reasonably required in connection with any Action arising out of either Group's business and operations prior to the Distribution Date in which the requesting party may from time to time be involved.

Section 5.4 Reimbursement

Each Group providing information or witnesses to the other Group, or otherwise incurring any expense in connection with cooperating, under Sections 5.1, 5.2 or 5.3 shall be entitled to receive from the recipient thereof, upon the presentation of invoices therefor, payment for all out-of-pocket costs and expenses as may be reasonably incurred in providing such information, witnesses or cooperation.

Section 5.5 Retention of Records

Except as otherwise required by law or agreed to in writing, each party shall, and shall cause the members of its respective Group to, retain all information relating to the other Group's business and operations in accordance with past practice of such party (provided that all Tax Returns and information related thereto will be retained for a period of six years). Notwithstanding the foregoing, any party may destroy or otherwise dispose of any such information at any time, provided that, prior to such destruction or disposal, (i) such party shall provide not less than 90 days' prior written notice to the other party, specifying the information proposed to be destroyed or disposed of and the scheduled date for such destruction or disposal and (ii) if the recipient of such notice shall request in writing prior to the scheduled date for such destruction or disposal that any of the information proposed to be destroyed or disposed of be delivered to such requesting party, the party proposing the destruction or disposal shall promptly arrange for the delivery of such of the information as was requested at the expense of the requesting party.

Section 5.6 Confidentiality

Each party shall hold and shall cause its directors, officers, employees, agents, consultants and advisors ("Representatives") to hold in strict confidence all information (other than any such information relating solely to the business or affairs of such party) concerning the other party unless (i) such party is compelled to disclose such information by judicial or administrative process or, in the opinion of its counsel, by other requirements of law or (ii) such information can be shown to have been (A) in the public domain through no fault of such party or (B) lawfully acquired after the Distribution Date on a non-confidential basis from other sources. Notwithstanding the foregoing, such party may disclose such information to its Representatives so long as such Persons are informed by such party of the confidential nature of such information and are directed by such party to treat such information confidentially. If such party or any of its Representatives

becomes legally compelled to disclose any documents or information subject to this Section, such party will promptly notify the other party so that the other party may seek a protective order or other remedy or waive such party's compliance with this Section. If no such protective order or other remedy is obtained or waiver granted, such party will furnish only that portion of the information which it is advised by counsel is legally required and will exercise its reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information. Such party agrees to be responsible for any breach of this Section by it and its Representatives.

Section 5.7 Privileged Matters

The parties hereto recognize that legal and other professional services that have been and will be provided prior to the Distribution Date have been and will be rendered for the benefit of each of the members of the SWS Group and each of the members of the Westwood Group, and that each of the members of the SWS Group and each of the members of the Westwood Group should be deemed to be the client for the purposes of asserting all privileges which may be asserted under applicable law. Except as otherwise specifically provided in the Tax Separation

Agreement with respect to tax matters, to allocate the interests of each party in the information as to which any party is entitled to assert a privilege, the parties agree as follows:

(a) SWS shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information that relates solely to the business of SWS (exclusive of the Westwood Business), whether or not the privileged information is in the possession of or under the control of SWS or Westwood. SWS shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information that relates solely to the subject matter of any claims constituting SWS Liabilities, now pending or which may be asserted in the future, in any Action initiated against or by SWS, whether or not the privileged information is in the possession of or under the control of SWS or Westwood.

(b) Westwood shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information that relates solely to the Westwood Business, whether or not the privileged information is in the possession of or under the control of SWS or Westwood. Westwood shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information which relates solely to the subject matter of any claims constituting Westwood Liabilities, now pending or which may be asserted in the future, in any Action initiated against or by Westwood, whether or not the privileged information is in the possession of Westwood or under the control of SWS or Westwood.

(c) The parties hereto agree that they shall have a shared privilege, with equal right to assert or waive, subject to the restrictions in this Section 5.7, with respect to all privileges not allocated pursuant to the terms of Sections 5.7(a) and (b). All privileges relating to any Action, disputes or other matters that involve SWS and Westwood in respect of which such parties retain any responsibility or liability under this Agreement shall be subject to a shared privilege among them.

(d) No party hereto may waive any privilege which could be asserted under any applicable law, and in which any other party hereto has a shared privilege, without the consent of the other party, which consent shall not be unreasonably withheld or delayed, except to the extent reasonably required in connection with any Third-Party Claim or as provided in subsection (e) below. Consent shall be in writing, or shall be deemed to be granted unless written objection is made within 20 days after notice upon the other party requesting such consent.

(e) In the event of any Action or dispute between any of the parties hereto, any party and a Subsidiary of another party hereto, or a Subsidiary of one party hereto and a Subsidiary of another party hereto, either such party, to the extent necessary in connection with such Action or dispute, may waive a privilege in which the other party has a shared privilege, without obtaining the consent of the other party, provided that such waiver of a shared privilege shall be effective only as to the use of information with respect to such Action

or dispute between the relevant parties and/or their Subsidiaries, and shall not operate as a waiver of the shared privilege with respect to third parties.

(f) If a dispute arises between or among the parties hereto or their respective Subsidiaries regarding whether a privilege should be waived to protect or advance the interest of any party, each party agrees that it shall negotiate in good faith, shall endeavor to minimize any prejudice to the rights of the other parties, and shall not unreasonably withhold consent to any request for waiver by another party. Each party hereto specifically agrees that it will not withhold consent to waiver for any purpose except to protect its own legitimate interests.

(g) Upon receipt by any party hereto or by any Subsidiary thereof of any subpoena, discovery or other request which arguably calls for the production or disclosure of information subject to a shared privilege or as to which another party has the sole right hereunder to assert a privilege, or if any party obtains knowledge that any of its or any of its Subsidiaries' current or former officers or directors has received any subpoena, discovery or other requests which arguably calls for the production or disclosure of such privileged information, such party shall promptly notify the other party of the existence of the request and shall provide the other party a reasonable opportunity to review the information (to the extent such information is available to such party) and to assert any rights it or they may have under this Section 5.7 or otherwise to prevent the production or disclosure of such privileged information.

(h) The transfer of all records and other information pursuant to this Agreement is made in reliance on the agreement of SWS and Westwood, as set forth in Sections 5.6 and 5.7, to maintain the confidentiality of privileged information and to assert and maintain all applicable privileges. The access to information being granted pursuant to Sections 5.1 and 5.2 hereof, the agreement to cooperate with respect to litigation pursuant to Section 5.3, the furnishing of notices and documents and other cooperative efforts contemplated by Section 3.5 hereof, and the transfer of privileged information between and among the parties and their respective Subsidiaries pursuant to this Agreement shall not be deemed a waiver of any privilege that has been or may be asserted under this Agreement or otherwise.

(i) Any waiver of privilege granted pursuant to this Section 5.7 shall only be valid if given in writing and signed by the Chief Executive Officer, General Counsel or Board of Directors of the party granting such waiver.

ARTICLE 6
FURTHER ASSURANCES AND CONSENTS

In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties hereto shall use its reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements or otherwise to consummate and make effective the transactions contemplated by this Agreement, including but not limited to using its reasonable efforts to obtain any consents and approvals and to make any filings and applications necessary or desirable in order to consummate the transactions contemplated by this Agreement; provided that no party hereto shall be obligated to pay any consideration therefor (except for filing fees and other similar charges) to any third party from whom such consents or approvals are

requested or to take any action or omit to take any action if the taking of or the omission to take such action would be unreasonably burdensome to the party, its Group or its Group's business.

ARTICLE 7
MISCELLANEOUS

Section 7.1 Notices

All notices and other communications to any party hereunder shall be in

writing (including telecopy or similar writing) and, except as noted, shall be deemed given when received addressed as follows:

If to SWS, to:

SWS Group, Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
Telecopy: (214) 859-6020
Attention: General Counsel

With a copy to:

Gardere Wynne Sewell LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761
Telecopy: (214) 999-4667
Attention: David G. McLane

If to Westwood, to:

Westwood Holdings Group, Inc.
300 Crescent Court, Suite 1300
Dallas, Texas 75201
Telecopy: (214) 756-6920
Attention: Brian O. Casey, President

With a copy to:

Locke Liddell & Sapp LLP
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201
Telecopy: (214) 740-8800
Attention: John B. McKnight

Any party may, by written notice so delivered to the other parties, change the address to which delivery of any notice shall thereafter be made.

Section 7.2 Amendments; No Waivers

(a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by SWS and Westwood, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 7.3 Expenses

Except as specifically provided otherwise in this Agreement or any Ancillary Agreement, all costs and expenses incurred by the SWS Group in connection with the Distribution and related transactions shall be paid by SWS, and all costs and expenses incurred by the Westwood Group in connection with the Distribution and related transactions shall be paid by Westwood.

Section 7.4 Insurance Matters

(a) Continuation of Westwood Rights under SWS Policies. SWS and Westwood agree that, following the Distribution Date, Westwood shall retain all rights of an insured party under each of the SWS Policies with respect to any injury, loss, liability, damage or expense incurred or claimed to have been incurred prior to the Distribution Date by any party in or in connection with the conduct of the Westwood Business or against Westwood or any Westwood Subsidiary, to the extent that such injury, loss, liability, damage or expense may arise out of insured or insurable occurrences or events under one or more of the SWS

Policies. If, subsequent to the Distribution Date, any Person shall assert such a claim whose occurrence is prior to the Distribution Date against Westwood or any Westwood Subsidiary, SWS shall at the time such claim is asserted be deemed to assign, without need of further documentation, to Westwood any and all rights of an insured party under the applicable SWS Policy with respect to such asserted claim, specifically including rights of indemnity, if any, and the right, if any, to be defended by or at the expense of the insurer; provided, however, that nothing in this paragraph shall be deemed to constitute (or to reflect) the assignment of the SWS Policies, or any of them, to Westwood.

(b) Administration. From and after the Distribution Date, SWS shall be responsible for accounting for premiums, indemnity payments, deductibles and retentions, as appropriate under the terms and conditions of each of the SWS Policies; distributing Insurance Proceeds as contemplated by this Agreement; reporting to insurers its own Insured Claims and those Insured Claims which Westwood has reported to it; and processing and managing Insured Claims made under the SWS Policies based on supporting information and documentation provided by the party submitting such Insured Claim; provided that SWS's retention of the administrative responsibilities for the SWS Policies listed in this paragraph (b) will not relieve the party

submitting any Insured Claim of the primary responsibility for reporting such Insured Claim accurately, completely and in a timely manner. Subject to Section 3 hereof, each of SWS and Westwood shall administer and pay any costs related to defending its respective Insured Claims under the SWS Policies to the extent such defense costs are not covered under such policies, and will be responsible for obtaining or reviewing the appropriateness of releases upon settlement of its respective Insured Claims under the SWS Policies. The retention of the SWS Policies by SWS is in no way intended to limit, inhibit or preclude any right to insurance coverage for any Insured Claim of a named insured under the SWS Policies, including, but no limited to, Westwood and any of its operations, and any Westwood Subsidiary or Affiliate.

(c) Allocation of Policy Limits. SWS and Westwood agree that where Westwood Liabilities are specifically covered under SWS Policies in effect for periods prior to the Distribution Date, then from and after the Distribution Date Westwood may claim for Insured Claims under each such SWS Policy as and to the extent that such insurance is available up to the full extent of the applicable fixed dollar coverage limits of the policy, subject to the terms of this Section 7.4(c). In the event that the aggregate of Insured Claims by SWS and Westwood have exhausted the fixed dollar coverage limits under a particular SWS Policy, taking into account defense costs to the extent such costs are applied against such limits of such policy, then the party that has utilized more than its "allocable portion" (as defined below) of the fixed dollar coverage limits under such Policy (the "benefited party") shall indemnify the party which utilized less than its allocable portion of such fixed dollar coverage limits (the "non-exceeding party") for any subsequent claim by the non-exceeding party (including, without limitation, defense costs related to such claim) arising out of an insured or insurable occurrence or event under such SWS Policy which would have been an Insured Claim but for the fact that the limits of such SWS Policy were exceeded, up to the difference between such parties allocable portion of the fixed dollar coverage limits under such SWS Policy and the amount of such fixed dollar coverage limits (excluding defense costs to the extent such costs are not applied against the fixed dollar coverage limits) actually utilized by the non-exceeding party (the "maximum reimbursement amount"). The non-exceeding party shall submit to the benefited party the same information and documentation that it would have been required to submit to the insurance carrier under the applicable SWS Policy within the same time frames provided for in such SWS Policy, and the benefited party shall, within 30 days of receipt of documentation supporting such claim, either pay such claim or give written notice denying the claim to the non-exceeding party. Westwood's "allocable portion" is the percentage of consolidated SWS sales attributable to the Westwood Business for the SWS fiscal year during which the event giving rise to the claim occurred (or, with respect to SWS's 2002 fiscal year, for the portion of the 2002 fiscal year prior to the Distribution), and SWS's "allocable portion" is the percentage of consolidated SWS sales attributable to the business of SWS (exclusive of the Westwood Business) for the same period.

In the event the benefited party denies any claim, then the parties

shall select an independent insurance coverage expert within 30 days of the notice of denial. If the parties are unable to agree on an independent insurance coverage expert within 45 days of the notice of denial, and a third independent insurance coverage expert shall be selected by mutual agreement of the first two independent insurance coverage experts within 60 days of the notice of denial. If the parties agree on the selection of an independent insurance coverage expert, such expert so selected, or if the parties do not so agree, the third independent insurance coverage expert so

selected, shall interpret the terms, provisions and conditions of the applicable SWS Policy and shall determine, within 45 days of being selected, whether the claim would have been an Insured Claim under such SWS Policy and the amount of reimbursement that the non-exceeding party will receive in settlement of such claims; provided, however, that the aggregate amount of claims paid by a benefited party under this paragraph (c) shall not exceed the maximum reimbursement amount.

The decision of the independent insurance coverage expert will be final and binding on the parties, and no appeal may be taken from that decision. Fees and costs for attorneys, experts and all independent insurance coverage experts will be borne equally by the parties. This agreement of the parties to submit disputes between them to the procedures set forth in this paragraph (c) will not be deemed a waiver of legal defenses, including, but not limited to, statutes of limitations, that either party may have.

Except as set forth in this paragraph (c) or in paragraph (d) of this Section 7.4, SWS and Westwood will not be liable to one another for claims by the other not reimbursed by insurers for any other reason whatsoever not within the control of SWS or Westwood, as the case may be, including, but not limited to, coinsurance provisions, deductibles, quota share deductibles, self-insured retentions, bankruptcy or insolvency of an insurance carrier, SWS Policy limitations or restrictions, any coverage disputes, any failure to timely claim by Westwood or SWS or any defect in such claim or its processing.

(d) Allocation of Insurance Deductibles. Insured Claims by both SWS and Westwood shall be subject to, and shall apply toward the satisfaction of, the full amount of applicable deductibles or self-insured retentions under the SWS Policies; provided that, if the aggregate deductibles or self-insured retentions under any SWS Policy (other than an SWS Policy providing for directors and officers liability coverage) are exceeded and one company benefits from the deductibles or retentions paid by the other, then the benefited company shall reimburse the other company to the extent of such benefit up to its allocable portion of such aggregate deductible or retention within 30 days of receipt of such benefit.

(e) Allocation of Insurance Proceeds. SWS shall direct the insurance carriers to pay Insurance Proceeds with respect to claims, costs and expenses under the SWS Policies directly to or on behalf of Westwood with respect to Westwood Insured Claims and directly to or on behalf of SWS with respect to SWS's Insured Claims. The parties agree to use their best efforts to cooperate with respect to insurance matters.

(f) In the event that Insured Claims of both Westwood and SWS exist relating to the same occurrence, Westwood and SWS agree to jointly defend such Insured Claim; provided, that, if, in the reasonable judgment of one party, a conflict of interest between SWS and Westwood exists in respect of such Insured Claim or if the other party assumes responsibility for such Insured Claim with any reservations or exceptions, the party which concludes that a conflict exists or that has not assumed responsibility for such Insured Claim will have the right to employ separate counsel reasonably satisfactory to the other party. In that event, the fees and expenses of such separate counsel will be paid by the party retaining such counsel unless the other party shall have indemnified such party against such fees and expenses pursuant to this Agreement or

otherwise. Nothing in this Section 7.4 shall be construed to limit or otherwise

alter in any way the indemnity obligations of the parties to this Agreement, by operation of law or otherwise.

Section 7.5 Successors and Assigns

The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that neither party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto. If any party or any of its successors or assigns (i) shall consolidate with or merge into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) shall transfer all or substantially all of its properties and assets to any Person, then, and in each such case, proper provisions shall be made to the satisfaction of the other party so that the successors and assigns of such party shall assume all of the obligations of such party under the Distribution Documents.

Section 7.6 Governing Law

This Agreement shall be construed in accordance with and governed by the law of the State of Texas, without regard to the conflicts of laws rules thereof.

Section 7.7 Counterparts; Effectiveness

This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto.

Section 7.8 Entire Agreement

This Agreement and the other Distribution Documents constitute the entire understanding of the parties with respect to the subject matter hereof and thereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter hereof and thereof. No representation, inducement, promise, understanding, condition or warranty not set forth herein or in the other Distribution Documents has been made or relied upon by any party hereto. Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder. To the extent that the provisions of this Agreement are inconsistent with the provisions of any other Distribution Document, the provisions of such other Distribution Document shall prevail.

Section 7.9 Tax Matters

(a) Except as otherwise provided herein and not inconsistent with the Tax Separation Agreement, this Agreement shall not govern the preparation and filing of any Tax Returns, the payment of, and liability for, any Tax, and the management of any proceedings or contests

relating to any Tax, each of which shall be exclusively governed by the Tax Separation Agreement.

(b) On or before the Distribution Date, SWS shall have received an opinion from Gardere Wynne Sewell LLP, counsel to SWS, in form and substance reasonably satisfactory to SWS, substantially to the effect that, on the basis of the facts, representations and assumptions set forth in such opinion which are consistent with the state of facts existing on the Distribution Date, the Distribution will constitute a tax-free transaction under Section 355(a) of the Code. In rendering its opinion, SWS's counsel may require and rely upon the truth and accuracy of various representations and covenants, including those contained in the Form 10, the Ancillary Agreements, certificates of officers of SWS, Westwood and others, and other documents, certificates and records they deem necessary or appropriate as a basis for their opinion.

(c) SWS and Westwood shall comply with all reporting and document retention requirements of the Code, and the regulations promulgated thereunder, applicable to the Distribution.

Section 7.10 Jurisdiction

Any Action seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby may be brought in the United States District Court for the Northern District of Texas or any other Texas state court sitting in Dallas County, and each of the parties hereby consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient form. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 7.1 shall be deemed effective service of process on such party.

Section 7.11 Existing Arrangements

Except as otherwise contemplated hereby or by the other Distribution Documents, all prior agreements and arrangements, including those relating to goods, rights or services provided or licensed, between the Westwood Group and the SWS Group shall be terminated effective as of the Distribution Date, if not theretofore terminated. No such agreements or arrangements shall be in effect after the Distribution Date unless embodied in the Distribution Documents.

Section 7.12 Termination Prior to the Distribution

The SWS Board of Directors may at any time prior to the Distribution abandon the Distribution and, by notice to Westwood, terminate this Agreement (whether or not the SWS Board of Directors has theretofore approved this Agreement and/or the Distribution).

Section 7.13 Severability

If any one or more of the provisions contained in this Agreement should be declared invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a declaration, the parties shall modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner so that the transactions contemplated hereby are consummated as originally contemplated to the fullest extent possible.

Section 7.14 Survival

All covenants and agreements of the parties contained in this Agreement shall survive the Distribution Date indefinitely, unless a specific survival or other applicable period is expressly set forth herein.

Section 7.15 Captions

The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

Section 7.16 Specific Performance

Each party to this Agreement acknowledges and agrees that damages for a breach or threatened breach of any of the provisions of this Agreement would be inadequate and irreparable harm would occur. In recognition of this fact, each party agrees that, if there is a breach or threatened breach, in addition to any damages, the other nonbreaching party to this Agreement, without posting any bond, shall be entitled to seek and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, attachment, or any other equitable remedy which may then be available to obligate the breaching party (i) to perform its obligations under this Agreement or (ii) if the breaching party is unable, for whatever reason, to

perform those obligations, to take any other actions as are necessary, advisable or appropriate to give the other party to this Agreement the economic effect which comes as close as possible to the performance of those obligations (including, but not limited to, transferring, or granting liens on, the assets of the breaching party to secure the performance by the breaching party of those obligations).

Section 7.17 Release

Effective upon the Distribution and except as otherwise specifically set forth in this Agreement, each of SWS and Westwood releases and forever discharges the other and its respective directors, officers and Affiliates of and from all Liabilities against such other party, and its respective directors, officers and Affiliates or any of its successors or assigns, which the releasing party has or ever had, which arise out of or relate to events, circumstances or actions taken by such other party prior to the Distribution; provided, however, that the foregoing general

release shall not apply to this Agreement, the Ancillary Agreements or the transactions contemplated hereby or thereby and shall not affect either party's right to enforce this Agreement or any of the Ancillary Agreements in accordance with their terms.

IN WITNESS WHEREOF the parties hereto have caused this Distribution Agreement to be duly executed by their respective authorized officers as of the date first above written.

SWS GROUP, INC.

By:_____
Name:_____
Title:_____

WESTWOOD HOLDINGS GROUP, INC.

By:_____
Name:_____
Title:_____

EXHIBIT 10.1

WESTWOOD HOLDINGS GROUP, INC.
STOCK INCENTIVE PLAN

1. ESTABLISHMENT, PURPOSE AND TERM OF PLAN.

1.1 Establishment. This Westwood Holdings Group, Inc. Stock Incentive Plan (the "Plan") is hereby established effective as of _____ ___, 2002.

1.2 Purpose. The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract and retain persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group.

1.3 Term of Plan. The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued and all restrictions on such shares (if any) under the terms of the Plan and the agreements evidencing the Awards granted under the Plan have lapsed. However, all Awards shall be granted, if at all, within ten (10) years from the earlier of the date the Plan is adopted by the Board or the date the Plan is duly approved by the stockholders of the Company.

2. DEFINITIONS AND CONSTRUCTION.

2.1 Definitions. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "Acquiring Corporation" has the meaning given to it in Section 13.2.

(b) "Annual Incentive Award" has the meaning given to it in Section 11.1.

(c) "Award" means any form of incentive or performance award granted under the Plan, whether singly or in combination, to a Participant by the Board pursuant to such terms, conditions, restrictions and/or limitations (if any) as the Board may establish. Awards granted under the Plan may include:

(i) Options awarded pursuant to Sections 6-8;

(ii) Restricted Stock awarded pursuant to Section 9;

(iii) Purchase Rights awarded pursuant to Section 10;

(iv) Annual Incentive Awards awarded pursuant to Section 11; and

(v) Performance-Based Awards awarded pursuant to Section 12.

(d) "Award Certificate" has the meaning given to it in Section 12.3.

(e) "Board" means the Board of Directors of the Company. If one or more Committees have been appointed by the Board to administer the Plan, "Board" also means such Committee(s).

(f) "Cashless Exercise" has the meaning given to it in Section 6.3(a).

(g) "Cause" shall mean any of the following: (i) the Participant's theft of a Participating Company's property or falsification of any Participating Company documents or records; (ii) the Participant's improper use or disclosure of a Participating Company's confidential or proprietary information; (iii) any action by the Participant which has a detrimental effect on a Participating Company's reputation or business; (iv) the Participant's failure or inability to perform any reasonable assigned duties after written notice from the Participating Company Group or any Participating Company of, and a reasonable opportunity to cure, such failure or inability; (v) any material breach by the Participant of any employment agreement between the Participant and the Participating Company Group or any Participating Company, which breach is not cured pursuant to the terms of such agreement; or (vi) the Participant's conviction (including any plea of guilty or nolo contendere) of any felony or any other criminal act which impairs the Participant's ability to perform his or her duties with the Participating Company Group or any Participating Company.

(h) "Change in Control" has the meaning given to it in Section 13.1.

(i) "Code" means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(j) "Committee" means the Compensation Committee or other committee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(k) "Company" means Westwood Holdings Group, Inc., a Delaware corporation, or any successor corporation thereto.

(l) "Consultant" means a person engaged to provide consulting or advisory services (other than as an Employee or a Director) to a Participating

Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on either the exemption from registration provided by Rule 701 under the Securities Act or, if the Company is required to file reports pursuant to Section 13 or 15(d) of the Exchange Act, registration on a Form S-8 Registration Statement under the Securities Act.

(m) "Deferred Compensation Plan" means that certain Westwood Holdings Group, Inc. Deferred Compensation Plan, effective January 1, 2002.

(n) "Director" means a member of the Board or of the board of directors of any other Participating Company.

(o) "Disability" means the permanent and total disability of the Participant within the meaning of Section 22(e)(3) of the Code.

(p) "Employee" means any person treated as an employee (including an officer or a Director who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a Director nor payment of a director's fee shall be sufficient to constitute employment for purposes of the Plan.

(q) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(r) "Exercise Period" has the meaning given to it in Section 10.1.

(s) "Fair Market Value" means, as of any date, the value of a share of Stock or other property as determined by the Board, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) If, on such date, the Stock is listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock (or the mean of the closing bid and asked prices of a share of Stock if the Stock is so quoted instead) as quoted on the Nasdaq National Market, the Nasdaq SmallCap Market or such other national or regional securities exchange or market system constituting the primary market for the Stock, as reported in The Wall Street Journal or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded prior to the relevant date, or

such other appropriate day as shall be determined by the Board, in its discretion.

(ii) If, on such date, the Stock is not listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be as determined by the Board in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse.

(t) "Good Reason" means a resignation occurring within ninety (90) days following a Change in Control; (ii) the relocation of the principal place of business of the Participating Company for which the Participant renders Service to a location more than 100 miles from its location as of the date without the Participant's consent; or (iii) a material reduction in the Participant's salary or bonus opportunity, or the Participant's responsibilities.

(u) "Incentive Stock Option" means an Option intended to be (as set forth in the Option Agreement), and which qualifies as, an incentive stock option within the meaning of Section 422(b) of the Code.

(v) "Insider" means an officer or a Director of the Company or any other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(w) "Non-Employee Director" has the meaning given to it in Article 8.

(x) "Nonstatutory Stock Option" means an Option not intended to be (as set forth in the Option Agreement), or which does not qualify as, an Incentive Stock Option.

(y) "Option" means a right to purchase Stock (subject to adjustment as provided in Section 4.2) pursuant to the terms and conditions of the Plan. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

(z) "Option Agreement" means a written agreement between the Company and a Participant setting forth the terms, conditions and restrictions of the Option granted to the Participant and any shares acquired upon the exercise thereof. An Option Agreement may consist of a form of "Notice of Grant of Stock Option" and a

form of "Stock Option Agreement" incorporated therein by reference, or such other form or forms as the Board may approve from time to time

(aa) "Option Expiration Date" has the meaning given to it in Section 6.6(a)(i).

(bb) "Ownership Change Event" has the meaning given to it in Section 13.1.

(cc) "Parent" means (i) any "parent corporation" as defined in Section 424(e) of the Code and any successor provisions; (ii) any other entity that is taxed as a corporation under Section 7701(a)(3) of the Code and is a member of the "affiliated group" as defined in Section 1504(a) of the Code of which the Company is a common subsidiary corporation, and (iii) any other entity as may be permitted from time to time by the Code or the Internal Revenue Service to be an employer of employees to whom Options may be granted; provided, however, that in each case the Company must be consolidated in the Parent's financial statements.

(dd) "Participant" means a person who has been granted one or more awards pursuant to the terms and conditions of the Plan.

(ee) "Participating Company" means the Company or any Parent or Subsidiary.

(ff) "Participating Company Group" means, at any point in time, all corporations or other entities collectively which are then Participating Companies.

(gg) "Performance Cycle" means (i) with respect to any Annual Incentive Award, the twelve (12) month period beginning on January 1, 2002 and each January 1 thereafter, and (ii) with respect to any Performance-Based Award, the period determined by the Committee over which the Company's level of attainment of a Performance Measure shall be determined.

(hh) "Performance Goals" means, with respect to any Annual Incentive Award or Performance-Based Award, one or more targets, goals or levels of attainment required to be achieved in terms of the specified Performance Measure during a fiscal year or specified Performance Cycle, as applicable.

(ii) "Performance Measure" means, with respect to any Annual Incentive Award or Performance-Based Award, the business criteria established by the Committee to measure the level of performance of the Company during the fiscal year or Performance Cycle, as applicable. The Committee may select as the Performance Measure any one or combination of financial measures, as interpreted by the Committee, which (to the extent applicable) can be determined either on a pro forma or GAAP basis, and either pre-tax or after-tax, such as: earnings per share, return on equity, return on invested capital, relative total shareholder return, revenue growth, Stock performance, net income, return on sales, return on assets, economic value added, cash flow and net operating income.

(jj) "Performance-Based Award" has the meaning given to it in Section 12.1.

(kk) "Permitted Transferees" has the meaning given to it in Section 6.7.

(ll) "Plan" has the meaning given to it in Section 1.1.

(mm) "Purchase Right" means the right to purchase Stock in accordance with the provisions of Section 10.

(nn) "Restricted Period" has the meaning given to it in Section 9.1.

(oo) "Restricted Stock" means an award of Stock made under Section 9, which is subject to vesting provisions.

(pp) "Rule 16b-3" means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(qq) "Securities Act" means the Securities Act of 1933, as amended.

(rr) "Service" means a Participant's employment or service with the Participating Company Group, whether in the capacity of an Employee, a Director or a Consultant. A Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service to the Participating Company Group or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant's Service. Furthermore, a Participant's Service with the Participating Company Group shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company; provided, however, that if any such leave exceeds ninety (90) days, on the ninety-first (91st) day of such leave the Participant's Service shall be deemed to have terminated unless the Participant's right to return to Service with the Participating Company Group is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, a leave of absence shall not be treated as Service for purposes of determining vesting under any Option Agreement. The Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the corporation for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(ss) "Spin-off Date" means the date on which SWS Group, Inc., a Delaware corporation, distributes all of the Stock that it then holds to its stockholders.

(tt) "Stock" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.2.

(uu) "Subsidiary" means (i) any "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code and any successor provisions, (ii) any other entity that is taxed as a corporation under Section 7701(a)(3) of the Code and is a member of the "affiliated group" as defined in Section 1504(a) of the Code of which the Company is a common parent corporation, and (iii) any other entity as may be permitted from time to time by the Code or the Internal Revenue Service to be an employer of employees to whom Options may be granted; provided, however, that in each case the subsidiary corporation must be consolidated in the Company's financial statements.

(vv) "Ten Percent Owner Participant" means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company within the meaning of Section 422(b)(6) of the Code.

(ww) "Termination After Change in Control" shall mean either of the following events occurring within twelve (12) months after (or as a result of) a Change in Control:

(i) termination by the Participating Company Group of the Participant's Service with the Participating Company Group for any reason other than for Cause; or

(ii) the Participant's resignation for Good Reason from Service with the Participating Company Group within a reasonable period of time following the event constituting Good Reason.

Notwithstanding any provision herein to the contrary, Termination After Change in Control shall not include any termination of the Participant's Service with the Participating Company Group which (1) is for Cause; (2) is a result of the Participant's death or Disability; (3) is a result of the Participant's voluntary termination of Service other than for Good Reason; or (4) occurs prior to the effectiveness of a Change in Control (and is not directly related to a Change in Control).

2.2 Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. ADMINISTRATION.

3.1 Administration by the Board. The Plan shall be administered by the Board. All questions of interpretation of the Plan or of any Award shall be determined by the

Board, and such determinations shall be final and binding upon all persons having an interest in the Plan.

3.2 Authority of Officers. Any officer of a Participating Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 Powers of the Board. In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Board shall have the full and final power and authority, in its discretion:

(a) to determine the persons to whom, and the time or times at which, Awards shall be granted and, if applicable, the number of shares of Stock to be subject thereto;

(b) to designate Options as Incentive Stock Options or Nonstatutory Stock Options;

(c) to determine the Fair Market Value of shares of Stock or other property;

(d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and, if applicable, any shares acquired upon the exercise thereof, including, without limitation, (i) the exercise price of an Option or Purchase Right, (ii) the method of payment for shares purchased upon the exercise of the Option or Purchase Right, (iii) the method for satisfaction of any tax withholding obligation arising in connection with the Award or such shares of Stock issued or cash provided thereunder, including by the withholding or delivery of shares of Stock or cash, (iv) the timing, terms and conditions of

the exercisability of the Award or the vesting of any shares acquired upon the exercise thereof, (v) the time of the expiration of the Award, (vi) the effect of the Participant's termination of Service with the Participating Company Group on any of the foregoing, and (vii) all other terms, conditions and restrictions applicable to the Award not inconsistent with the terms of the Plan;

(e) to approve one or more forms of Option Agreement or Award Certificate;

(f) to amend, modify, extend, cancel or renew any Award, or to waive any restrictions or conditions applicable to any Award or any shares of Stock acquired upon the exercise thereof;

(g) to accelerate, continue, extend or defer the exercisability of any Award or the vesting of any shares acquired upon the exercise thereof, including with respect to the period following a Participant's termination of Service with the Participating Company Group;

(h) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt supplements to, or alternative versions of, the Plan, including, without limitation, as the Board deems necessary or desirable to comply with the laws of, or to accommodate the tax policy or custom of, foreign jurisdictions whose citizens may be granted Options; and

(i) to correct any defect, supply any omission or reconcile any inconsistency in the Plan, any Option Agreement or any Award Certificate and to make all other determinations and take such other actions with respect to the Plan or any Option as the Board may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

3.4 Administration with Respect to Insiders. With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

3.5 Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of the Participating Company Group, members of the Board and any officers or employees of the Participating Company Group to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. SHARES SUBJECT TO PLAN.

4.1 Maximum Number of Shares Issuable. Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be 948.35 shares, and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof. If an outstanding Award for any reason expires or

is terminated or canceled or if shares of Stock are acquired upon the exercise of an Award or otherwise subject to a Company repurchase option and are repurchased by the Company at the Participant's exercise price, or if shares of Restricted Stock are forfeited unvested, the shares of Stock shall again be available for issuance under the Plan. Subject

to adjustment as provided in Section 4.2, the maximum aggregate number of Options for shares of Stock that may be awarded in any year to any Participant may not exceed 316.12 shares.

4.2 Adjustments for Changes in Capital Structure. In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar change in the capital structure of the Company, appropriate adjustments shall be made in the number and class of shares subject to the Plan and to any outstanding Awards (if applicable) and in the exercise price per share of any outstanding Awards (if applicable). If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event, as defined in Section 13.1) shares of another corporation (the "New Shares"), the Board may unilaterally amend the outstanding Awards to provide that such Awards are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Board, in its discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number, and in no event may the exercise price of any Award be decreased to an amount less than the par value, if any, of the stock subject to the Award. The adjustments determined by the Board pursuant to this Section 4.2 shall be final, binding and conclusive.

5. ELIGIBILITY AND OPTION LIMITATIONS.

5.1 Persons Eligible for Awards. Awards may be granted pursuant to this Plan only to Employees, Consultants, and Directors. For purposes of the foregoing sentence, "Employees," "Consultants" and "Directors" shall include prospective Employees, prospective Consultants and prospective Directors to whom Awards are granted in connection with written offers of an employment or other service relationship with the Participating Company Group. Eligible persons may be granted more than one (1) Award.

5.2 Option Grant Restrictions. Any person who is not an Employee on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee shall be deemed granted effective on the date such person commences Service with a Participating Company, with an exercise price determined as of such date in accordance with Section 6.1.

5.3 Fair Market Value Limitation. To the extent that Options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for Stock having a Fair Market Value greater than One Hundred Thousand Dollars ($100,000), the portions of such Options

which exceed such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section 5.3, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of Stock shall be determined as of the time the Option with respect to such Stock is granted. If the Code is amended to provide for a different limitation from that set forth in this Section 5.3,

such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section 5.3, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion shall be issued upon the exercise of the Option.

6. TERMS AND CONDITIONS OF OPTIONS.

Options shall be evidenced by Option Agreements specifying the number of shares of Stock covered thereby, in such form as the Board shall from time to time establish. No Option or purported Option shall be a valid and binding obligation of the Company unless evidenced by a fully executed Option Agreement. Option Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 Exercise Price. The exercise price for each Option shall be established in the discretion of the Board; provided, however, that (a) the exercise price per share for an Option shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option, and (b) no Incentive Stock Option granted to a Ten Percent Owner Participant shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

6.2 Exercisability and Term of Options. Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Board and set forth in the Option Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner Participant shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option, and (c) no Option granted to a prospective Employee, prospective Consultant or prospective Director may become exercisable prior to the date on which such person commences Service

with a Participating Company. Subject to the foregoing, unless otherwise specified by the Board in the grant of an Option, any Option granted hereunder shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

6.3 Payment of Exercise Price.

(a) Forms of Consideration Authorized. Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the

exercise price, (iii) by delivery of a properly executed notice together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System) (a "Cashless Exercise"), (iv) provided that the Participant is an Employee and in the Company's sole discretion at the time the Option is exercised, by delivery of the Participant's promissory note in a form approved by the Company for the aggregate exercise price, provided that, if the Company is incorporated in the State of Texas, the Participant shall pay in cash that portion of the aggregate exercise price not less than the par value of the shares being acquired, (v) by such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (vi) by any combination thereof. The Board may at any time or from time to time, by approval of or by amendment to the standard forms of Option Agreement described in Section 7, or by other means, grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) Limitations on Forms of Consideration.

(i) Tender of Stock. Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. Unless otherwise provided by the Board, an Option may not be by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares

either have been owned by the Participant for more than six (6) months or were not acquired, directly or indirectly, from the Company.

(ii) Cashless Exercise. The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise,

(iii) Payment by Promissory Note. No promissory note shall be permitted if the exercise of an Option using a promissory note would be a violation of any law. Any permitted promissory note shall be on such terms as the Board shall determine at the time the Option is granted. The Board shall have the authority to permit or require the Participant to secure any promissory note used to exercise an Option with the shares of Stock acquired upon the exercise of the Option or with other collateral acceptable to the Company. Unless otherwise provided by the Board, if the Company at any time is subject to the regulations promulgated by the Board of Governors of the Federal Reserve System or any other governmental entity affecting the extension of credit in connection with the Company's securities, any promissory note shall comply with such applicable regulations, and the Participant shall pay the unpaid principal and accrued interest, if any, to the extent necessary to comply with such applicable regulations.

6.4 Tax Withholding. The Company shall have the right, but not the

obligation, to deduct from the shares of Stock issuable upon the exercise of an Option, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the federal, state, local and foreign taxes, if any, required by law to be withheld by the Participating Company Group with respect to such Option or the shares acquired upon the exercise thereof. Alternatively or in addition, in its discretion, the Company shall have the right to require the Participant, through payroll withholding, cash payment or otherwise, including by means of a Cashless Exercise, to make adequate provision for any such tax withholding obligations of the Participating Company Group arising in connection with the Option or the shares acquired upon the exercise thereof the Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates, the Company shall have no obligation to deliver shares of Stock or to release shares of Stock from an escrow established pursuant to the Option Agreement until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

6.5 Repurchase Rights. Shares issued under the Plan may be subject to a right of first refusal, one or more repurchase options, or other conditions and restrictions as determined by the Board in its discretion at the time the Option is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

6.6 Effect of Termination of Service.

(a) Option Exercisability. Subject to earlier termination of the Option as otherwise provided herein and unless otherwise provided by the Board in the grant of an Option and set forth in the Option Agreement, an Option shall be exercisable after a Participant's termination of Service only during the applicable time period determined in accordance with this Section 6.6 and thereafter shall terminate:

(i) Disability. If the Participant's Service with the Participating Company Group terminates because of the Disability of the Participant, the Option, to the Disability exercisable on the date on which the Disability terminated, may be exercised by the Participant (or the Participant's guardian or legal to the expiration of one (1) year (or such other period of time as determined by the Board, in its discretion) after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Option Agreement evidencing such Option (the "Option Expiration Date").

(ii) Death. If the Participant's Service with the Participating Company Group terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable on the date on which the Participant's Service terminated, may be exercised by legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of one (1) year (or such other period of time as determined by the Board, in its discretion) after the date on which the Participant'sService terminated, but

in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if theParticipant dies within three (3) months (or such otherperiod of time as determined by the Board, in its discretion) after the Participant's termination of Service.

(iii) Cause. If the Participant's Service with the Participating Company Group is terminated for Cause, the Option shall terminate and cease to be exercisable immediately upon such termination of Service.

(iv) Termination After Change in Control. Except as otherwise specified in an Option Agreement, if the Participant's Service with the Participating Company Group ceases as a result of Termination After Change in Control, then (1) the Option, to the extent unexercised and exercisable on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of three (3) months (or such longer period of time as determined by the Board, in its sole discretion) after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date, and (2) any unexercisable or unvested portion of the Option shall become fully vested and exercisable as of the date on which the Participant's Service terminated.

(v) Termination of Service. If the Participant's Service with the Participating Company Group terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable by the Participant on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months (or such other period of time as determined by the Board, in its discretion) after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) Extension if Exercise Prevented by Law. Notwithstanding the foregoing, if the exercise of an Option within the applicable time periods set forth in Section 6.6(a) is prevented by the provisions of Section 16 below, the Option shall remain exercisable until three (3) months (or such longer period of time as determined by the Board, in its discretion) after the date the Participant is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date.

(c) Extension if Participant Subject to Section 16(b). Notwithstanding the foregoing, if a sale within the applicable time periods set forth in Section 6.6(a) of shares acquired upon the exercise of the Option would subject the Participant to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such shares by the Participant would no longer be subject to such suit, (ii) the one hundred and ninetieth

(190/th/) day after the Participant's termination of Service, or (iii) the Option Expiration Date.

6.7 Transferability of Options. Incentive Stock Options granted under the

Plan shall not be transferable otherwise than by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder. Incentive Stock Options shall be exercisable during the lifetime of the Participant only by the Participant or by the Participant's guardian or legal representative (unless such exercise would disqualify an Option as an Incentive Stock Option). With the approval of the Board, the Option Agreement (other than an Incentive Stock Option) may provide that such Option may be transferred without consideration to one or more Permitted Transferees. Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Option or other award contrary to the provisions hereof, or the levy of any execution, attachment or similar process upon an Option or other award shall be null and void and without effect. As used herein, "Permitted Transferees" means a member of a Participant's immediate family, trusts for the exclusive benefit of such Participant and/or such Participant's immediate family members, and partnerships or other entities in which the Participant and/or such immediate family members are the only partners, provided that no consideration is provided for the transfer. Immediate family members shall include a Participant's spouse, descendants (children, grandchildren and more remote descendants), spouses of descendants, and shall include step-children and relationships arising from legal adoption.

7. STANDARD FORMS OF OPTION AGREEMENT.

7.1 Option Agreement. Unless otherwise provided by the Board at the time the Option is granted, an Option shall comply with and be subject to the terms and conditions set forth in the form of Option Agreement approved by the Board concurrently with its adoption of the Plan and as amended from time to time.

7.2 Authority to Vary Terms. The Board shall have the authority from time to time to vary the terms of any standard form of Option Agreement described in this Section 7 either in connection with the grant or amendment of an individual Option or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Option Agreement are not inconsistent with the terms of the Plan.

8. AWARD AND DELIVERY OF OPTIONS TO NON-EMPLOYEE DIRECTORS.

Notwithstanding any other provision of the Plan, each Director who is not an Employee (a "Non-Employee Director") shall, on the Spin-off Date and upon each date of election or re-election as a Board member, be granted a Nonstatutory Stock Option for [_____] shares of Stock. The exercise price for any Options awarded pursuant to this Article 8 on the Spin-off

Date shall be equal to one hundred percent (100%) of the Fair Market Value of the shares on the Spin-off Date, and the exercise price for any Options awarded pursuant to this Article 8 thereafter shall be equal to one hundred percent (100%) of the Fair Market Value of the shares on the date of election or reelection of the Non-Employee Director. Each such Option shall fully vest at the expiration of twelve (12) months from the date of the grant. Each Non-Employee Director Option shall have a term of ten (10) years. Expiration of a Non-Employee Director's term of office shall not affect a Non-Employee Director's right to exercise its Option to the extent such Option is vested at any time prior to the expiration of the Director's term.

9. AWARD AND DELIVERY OF RESTRICTED STOCK.

9.1 Restricted Period. At the time an award of Restricted Stock is made, the Committee shall establish a period or periods of time (each a "Restricted Period") or such other restrictions on the vesting of the Restricted Stock as it shall deem appropriate or applicable to such award. Each award of Restricted Stock may have a different Restricted

Period or Restricted Periods. The Committee may, in its sole discretion, at the time an award is made, provide for the incremental lapse of Restricted Periods with respect to a portion or portions of the Restricted Stock awarded, and for the lapse or termination of restrictions upon all or any portion of the Restricted Stock upon the satisfaction of other conditions in addition to or other than the expiration of the applicable Restricted Period. The Committee may also, in its sole discretion, shorten or terminate a Restricted Period or waive any conditions for the lapse or termination of restrictions with respect to all or any portion of the Restricted Stock.

9.2 Rights and Privileges. At the time a grant of Restricted Stock is made to a Participant, a stock certificate representing a number of shares of the Company's common stock equal to the number of shares of such Restricted Stock shall be registered in the Participant's name but shall be held in custody by the Company for such Participant's account. The Participant shall generally have the rights and privileges of a stockholder as to such Restricted Stock, including, without limitation, the right to vote the Restricted Stock, except that, subject to the earlier lapse or termination of restrictions as herein provided, the following restrictions shall apply: (i) the Participant shall not be entitled to delivery of the stock certificate evidencing Restricted Stock until the expiration or termination of the Restricted Period applicable to such shares and the satisfaction of any other conditions prescribed by the Committee; (ii) none of the shares then subject to a Restricted Period shall be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period applicable to such shares and until the satisfaction of any other conditions prescribed by the Committee; and (iii) all of the shares then subject to a Restricted Period shall be forfeited and all rights of the Participant to such Restricted Stock shall terminate without further obligation on the part of the Company if the Participant ceases to be an Employee, Consultant or Director of the Company or any of its subsidiaries before the expiration or termination of such Restricted Period and the satisfaction of any other conditions prescribed by the Committee applicable to such Restricted Stock. Dividends on Restricted Stock shall be currently paid; provided, however,
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that in lieu of paying currently a dividend of shares of Common Stock in respect of Restricted Stock, the Committee may, in its sole discretion, register in the name of a Participant a stock certificate representing such shares of Common Stock issued as a dividend on Restricted Stock, and may cause the Company to hold such certificate in custody for the Participant's account subject to the same terms and conditions as such Restricted Stock. Upon the forfeiture of any Restricted Stock, such forfeited Restricted Stock shall be transferred to the Company without further action by the Participant.

9.3 Expiration of Restricted Period. Upon the expiration or termination of the Restricted Period applicable to Restricted Stock and the satisfaction of any other conditions prescribed by the Committee or at such earlier time as provided for herein, the restrictions applicable to the Restricted Stock to such Restricted Period shall lapse and a certificate for a number of shares of Common Stock equal to the number of shares of Restricted Stock with respect to which the restrictions have expired or terminated shall be delivered, free of all such restrictions, except any that may be imposed by law, to the Participant. The Company shall not be required to deliver any fractional share of Common Stock but shall pay to the Participant, in lieu thereof, the product of (i) the Fair Market Value per share (determined as of the date the restrictions expire or terminate) and (ii) the fraction of a share to which such Participant would otherwise be entitled.

10. AWARD AND DELIVERY OF PURCHASE RIGHTS.

10.1 Purchase Rights. At the time an award of Purchase Rights is made, the Committee shall establish a period or periods of time during which the

Purchase Right may be exercised (each an "Exercise Period") or such other restrictions as it shall deem appropriate and applicable to such award. Each award of Purchase Rights may have a different Exercise Period or Exercise Periods. Each award shall specify the method of payment (which may include promissory notes) to purchase Stock and shall set forth any repurchase rights or calls applicable to the purchased Stock.

11. ANNUAL INCENTIVE AWARDS.

11.1 Annual Incentive Awards. The Committee may grant annual incentive awards of Stock or cash (each an "Annual Incentive Award") to such Participants as the Committee may from time to time recommend, in such amounts and subject to such terms and conditions as the Committee in its discretion may determine. The Committee shall establish the maximum amount of Annual Incentive Awards that may be granted for each Performance Cycle. Notwithstanding the foregoing, all Annual Incentive Awards shall be subject to the provisions of paragraphs (a) through (e) below:

(a) Annual Incentive Awards shall be granted in connection with a 12-month Performance Cycle, which shall be the fiscal year of the Company. The

first Performance Cycle under the Plan shall commence on January 1, 2002.

(b) Subject to Section 4.1, within ninety (90) days after the commencement of a Performance Cycle, the Committee shall determine the Participants who shall be eligible to receive an Annual Incentive Award for such Performance Cycle.

(c) Within ninety (90) days after the commencement of a Performance Cycle, the Committee shall fix and establish, in writing, (A) the Performance Measure(s) that shall apply to such Performance Cycle, (B) an objective formula for computing the amount of the Annual Incentive Awards for such Performance Cycle, where the amount shall be based upon the attainment of various Performance Goals for the applicable Performance Measure(s). Notwithstanding anything to the contrary, the Committee may, on a case by case basis and in its sole discretion, reduce, but not increase, the Annual Incentive Award payable to any Participant with respect to any given Performance Cycle (unless the Participant has a vested right under applicable employment law to receive the full Annual Incentive Award), provided, however, that no such reduction shall result in an increase to any other Participant.

(d) No Annual Incentive Award shall be paid to a Participant under this Section 11 unless and until the Committee certifies in writing the level of attainment of the applicable Performance Goals for the applicable Performance Cycle and Participants shall not have any right or claim whatsoever for payment of any Annual Incentive Award until the Committee has made such certification in writing.

(e) Annual Incentive Awards shall be paid in the form of cash, Stock (including Restricted Stock) or any combination thereof; provided, however, that the Committee shall determine the form of payment of any Annual Incentive Awarded to a Participant within ninety (90) days after the commencement of the applicable Performance Cycle. A portion of any payments made in connection with an Annual Incentive Award may, at the election of the Participant, be deferred pursuant to the provisions of the Deferred Compensation Plan.

12. PERFORMANCE-BASED AWARDS.

12.1 Performance-Based Awards. The Committee may grant to officers and

other key Employees of either the Company or any Subsidiary the prospective contingent right, expressed in Units, to receive payments of Stock, cash or any combination thereof, with each Unit equivalent in value to one share of Stock, or equivalent to such other value or monetary amount as may be designated or established by the Committee ("Performance-Based Awards"). Performance-Based Awards shall be earned by Participants only if

specified Performance Goals are satisfied in the applicable Performance Cycle. The Committee shall, in its sole discretion, determine the officers and other key Employees eligible to receive Performance-Based Awards. At the time each grant of a Performance-Based Award is made, the Committee shall establish the applicable Performance Cycle, the Performance Measure and Performance Goals in respect of such Performance-Based Award. The number of shares of Stock and/or the amount of cash earned and payable in settlement of a Performance-Based Award shall be determined by the Committee at the end of the Performance Cycle.

12.2 The Committee may grant Performance-Based Awards to a Participant in such amounts as the Committee may determine, subject to the limitations set forth in Section 4.1.

12.3 A certificate (an "Award Certificate") for each Performance-Based Award shall provide that, in order for a Participant to earn all or a portion of the Units subject to such Performance-Based Award, the Company must achieve certain Performance Goals over a designated Performance Cycle having a minimum duration of one year. The Performance Goals and Performance Cycle shall be established by the Committee in its sole discretion. The Committee shall establish a Performance Measure for each Performance Cycle for determining the portion of the Performance-Based Award, which will be earned or forfeited, based on the extent to which the Performance Goals are achieved or exceeded. Performance Goals may include minimum, maximum and target levels of performance, with the size of the Performance-Based Award based on the level attained. Once established by the Committee and specified in the Award Certificate, and if and to the extent provided in or required by the Award Certificate, the Performance Goals and the Performance Measure in respect of any Performance-Based Award shall not be changed. The Committee may, in its discretion, eliminate or reduce (but not increase) the amount of any Performance-Based Award that otherwise would be payable to a Participant upon attainment of the Performance Goal(s) unless the Participant has a vested right under applicable employment law to receive the full Performance-Based Award.

12.4 Performance-Based Awards may be made on such terms and conditions not inconsistent with the Plan, and in such form or forms, as the Committee may from time to time approve. Performance-Based Awards may be made alone, in addition to in tandem with, or independent of other grants and awards under the Plan. Subject to the terms of the Plan, the Committee shall, in its discretion, determine the number of Units subject to each Performance Grant made to a Participant and the Committee may impose different terms and conditions on any particular Performance-Based Award made to any Participant. The Performance Goals, the Performance Cycle and the Performance Measure applicable to a Performance Grant shall be set forth in the relevant Award Certificate.

12.5 Each Participant shall be entitled to receive payment in an amount equal to the aggregate Fair Market Value (if the Unit is equivalent to a share of Stock), or such other value as the Committee shall specify, of the Units earned in respect of such Performance Award. Payment in settlement of a Performance-Based Award may be made in Stock, in cash, or in any combination of Stock and cash, and at such time or times, as the

Committee, in its discretion, shall determine. A portion of any payments made in connection with a Performance-Based Award may, at the election of the Participant, be deferred pursuant to the provisions of the Deferred Compensation Plan.

13. CHANGE IN CONTROL.

13.1 Definitions.

(a) An "Ownership Change Event" shall be deemed to have occurred if any of the following occurs with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company; or (iv) a liquidation or dissolution of the Company.

(b) A "Change in Control" shall mean (i) a merger or consolidation of the Company with or into another corporation in which the Company shall not be the surviving corporation (other than a merger undertaken solely in order to reincorporate in another state) (for purposes hereof, the Company shall not be deemed the surviving corporation in any such transaction if, as the result thereof, it becomes a wholly-owned subsidiary of another corporation), (ii) a dissolution of the Company, (iii) a transfer of all or substantially all of the assets of the Company in one transaction or a series of related transactions to one or more other persons or entities, (iv) a transaction or series of transactions that results in any entity, "Person" or "Group" (as defined below), becoming the beneficial owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities, or (v) during any period of two (2) consecutive years commencing on or after January 1, 2002, individuals who at the beginning of the period constituted the Company's Board of Directors cease for any reason to constitute at least a majority, unless the election of each director who was not a director at the beginning of the period has been approved in advance by directors representing at least two-thirds (2/3) of the directors then in office who were directors at the beginning of the period; provided, however, that a "Change of Control" shall not be deemed to have occurred if the ownership of 50% or more of the combined voting power of the surviving corporation, asset transferee or Company (as the case may be), after giving effect to the transaction or series of transactions, is directly or indirectly held by (A) a trustee or other fiduciary under an employee benefit plan maintained by the Company, (B) one or more of the "executive officers" of the Company that held such positions prior to the transaction or series of transactions, or any entity, Person or Group under their control. As used herein, "Person" and "Group" shall have the meanings set forth in Sections 13(d)(3) and/or 14(d)(2) of the Securities Exchange Act of 1934,

as amended, and "executive officer" shall have the meaning set forth in Rule 3b-7 promulgated under such Act .

13.2 Effect of Change in Control on Awards. In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or Parent thereof, as the case may be (the "Acquiring Corporation"), may either assume the Company's rights and obligations under outstanding Awards or substitute for outstanding Awards substantially equivalent awards, including awards for the Acquiring Corporation's stock, if applicable. For purposes of this Section 13.2, an Award shall be deemed assumed if, following the Change in Control, the Award confers the right to purchase in accordance with its terms and conditions, for each share of Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash or other securities or property) to which a holder of a share of Stock on the effective date of the Change in Control was entitled. In the event the Acquiring Corporation elects not to assume

or substitute for outstanding Awards in connection with a Change in Control, the exercisability and vesting of each outstanding Award shall be accelerated for 12 months as of the date ten (10) days prior to the date of the Change in Control, provided that the Participant's Service has not terminated prior to such date. The exercise or vesting of any Award that was permissible solely by reason of this Section 13.2 shall be conditioned upon the consummation of the Change in Control. Any Award which is neither assumed or substituted for by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control. Notwithstanding the foregoing, shares acquired upon exercise of an Award prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such shares shall continue to be subject to all applicable provisions of the applicable Option Agreement, Award Certificate or Stock Purchase Agreement, except as otherwise provided therein. Furthermore, notwithstanding the foregoing, if the Change in Control results from an Ownership Change Event described in Section 13.1(a)(i) and the Company is the surviving or continuing corporation and immediately after such Change in Control less than fifty percent (50%) of the total combined voting power of its voting stock is held by another corporation or by other corporations that are members of an affiliated group within the meaning of Section 1504(a) of the Code without regard to the provisions of Section 1504(b) of the Code, the outstanding Awards shall not terminate unless the Board otherwise provides in its discretion.

14. PROVISION OF INFORMATION.

Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

15. COMPLIANCE WITH SECURITIES LAW.

The grant of an Award and the issuance of shares of Stock upon exercise of an Award, if applicable, shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. An Award may not be exercised for shares of Stock if the issuance of such shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised for shares of Stock unless (a) a registration statement under the Securities Act shall at the time of exercise of the Award be in effect with respect to the shares of Stock issuable upon exercise of the Award or (b) in the opinion of legal counsel to the Company, the shares of Stock issuable upon exercise of the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares of Stock hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares of Stock as to which such requisite authority shall not have been obtained. As a condition to the exercise of any Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

16. TERMINATION OR AMENDMENT OF PLAN.

The Board may terminate or amend the Plan at any time. However, subject to changes in applicable law, regulations or rules that would permit otherwise, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.2), (b) no change in the class of persons eligible to receive Incentive Stock Options, and

(c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule. No termination or amendment of the Plan shall affect any then outstanding Award unless expressly provided by the Board. In any event, no termination or amendment of the Plan may adversely affect any then outstanding Award without the consent of the Participant, unless such termination or amendment is required to enable an Option designated as an Incentive Stock Option to qualify as an Incentive Stock Option or is necessary to comply with any applicable law, regulation or rule.

17. STOCKHOLDER APPROVAL.

Both the Plan and any increase in the maximum aggregate number of shares of Stock issuable thereunder as provided in Section 4.1 (the "Authorized Shares") shall be approved by the stockholders of the Company within twelve (12) months of the date of adoption thereof by the Board. Awards granted prior to stockholder approval of the Plan or in excess of the Authorized Shares previously approved by the stockholders shall become exercisable no earlier than the date of stockholder approval of the Plan or such increase in the Authorized Shares, as the case may be.

PLAN HISTORY

February 1, 2002	Board adopts Plan, with an initial reserve of 948.35 shares.
February 8, 2002	Stockholders approve Plan, with an initial reserve of 948.35 shares.

EXHIBIT 10.2

WESTWOOD HOLDINGS GROUP, INC.

DEFERRED COMPENSATION PLAN

Effective February 1, 2002

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WESTWOOD HOLDINGS GROUP, INC.

DEFERRED COMPENSATION PLAN

Effective February 1, 2002

Article I.

Establishment and Purpose

1.1 Establishment. Westwood Holdings Group, Inc., a corporation organized under the laws of the state of Delaware ("Company"), hereby establishes a deferred compensation plan for Eligible Employees to be known as the Westwood Holdings Group, Inc. Deferred Compensation Plan ("Plan").

1.2 Purpose. The Plan shall provide Eligible Employees the ability to defer payment of Incentive Awards paid by the Company. In addition, the Plan shall provide a Company Matching Contribution and allow for Discretionary Contributions for selected Eligible Employees.

1.3 Effective Date of Plan. The Plan was approved by the Company's Board of Directors, and is effective on February 1, 2002.

Article II.

Definitions

Pronouns and other similar words used herein in the masculine or neuter gender shall be read in the appropriate gender. The singular form of words shall be read as plural where appropriate. Where capitalized words or phrases appear in the Plan, they shall have the meaning set forth below.

"Account" means the recordkeeping account maintained in the name of a Participant to which Deferral Amounts, Matching Contributions, Discretionary Contributions, and adjustments for earnings, gains and losses are recorded pursuant to the provisions of Article V1.

"Affiliate" means:

(a) Any corporation other than the Company (i.e., either a subsidiary corporation or an affiliate or associated corporation of the Company), which together with the Company is a member of a "controlled group of corporations" within the meaning of Section 414(b) of the Internal Revenue Code.

(b) Any organization that is under "common control" with the Company determined under Section 414(c) of the Internal Revenue Code.

(c) Any organization which together with the Company is a member of an "affiliated service group" within the meaning of Section 414(m) of the Internal Revenue Code.

"Beneficiary" means the person, persons, trust, or other entity designated by a Participant to receive benefit, if any, under this Plan at such Participant's death pursuant to Section 5.5.

"Committee" means the Compensation Committee or such other committee as may be appointed by the Board of Directors of Westwood Holdings Group, Inc. from time to time to oversee the administration of the plan.

"Company" means Westwood Holdings Group, Inc. and its Affiliates and any successor thereto.

"Deferral Amount" means the portion of the Eligible Employee's Incentive Award which he elects to defer pursuant to Article IV.

"Deferral Period" means the period established under Section 4.1 to which a Deferral Amount election shall apply.

"Disability" or "Disabled" means a mental or physical condition which qualifies the Participant as being disabled for purposes of the Westwood Holdings Group, Inc. Long Term Disability Plan. If a participant is not covered by such plan, disability means a mental or physical condition, which in the opinion of the Committee will cause the Participant to be unable to perform

usual duties of the employer for a period of at least six months.

"Discretionary Contribution" means a supplemental amount credited to a Participant's Account as allocated by the Committee from time to time.

"Eligible Employee" means an Employee who is designated by the Committee as belonging to a "select group of management or highly compensated employees," as such phrase is defined under ERISA and who meets such other criteria as determined by the Committee.

"Employee" means an individual who is an employee of the Company or Affiliate.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Incentive Award" means any Annual Incentive Award or Performance-Based Award to an Eligible Employee under the Westwood Holdings Group, Inc. Stock Incentive Plan, as amended or modified from time to time, or any successor plan.

"Investment Alternative" means the investment selected by the Participant pursuant to Section 6.3.

"Matching Contribution" means the amount credited to a Participant's Account by the Company, as defined in Section IV.

"Participant" means an Eligible Employee who has been designated a Participant under the Plan pursuant to Section 3.2. A person shall continue to be a Participant under the Plan until the entire remaining balance of his or her Vested Account Balance has been distributed in accordance with Article V. of the Plan.

"Plan" means this Westwood Holdings Group, Inc. Deferred Compensation Plan, as amended from time to time.

"Plan Year" means the 12-month period beginning each January 1 and ending December 31.

"Retirement Date" means the first day of any month after a Participant separates from service, attains age 55 and completes 10 years of Service.

"Service" means the most recent period of whole years of uninterrupted service with the Employer.

"Stock" means Westwood Holdings Group, Inc. Common Stock.

"Vested Account" means the vested portion of a Participant's Account as defined in Section 6.5.

Article III.

Eligibility and Participation

3.1 Eligibility. Only those Eligible Employees selected by the Committee shall be eligible to participate in the Plan. All determinations as to an Employee's status as an Eligible Employee shall be made by the Committee. The Committee may also determine that an Employee that was previously eligible under the Plan is no longer eligible. The determinations of the Committee shall be final and binding on all Employees. The Committee shall provide each Eligible Employee with notice of the Employee's status as an Eligible Employee under this Plan and permit such Eligible Employee the opportunity to make the Deferral Amount election pursuant to Article IV. Such notice may be given at such time and in such manner as the Committee may determine.

3.2 Participation and Classification of Participants. Each Eligible Employee who has a Deferral Amount credited to an Account under this Plan shall be a Participant. An Eligible Employee shall continue as a Participant as long as there is a balance credited to the Participant's Account.

Article IV.

Determination of Contribution Amounts

4.1 Deferral. The Company and each affiliate which has Eligible Employees shall establish a Deferral Period to which any Deferral Amount election made by such employees shall apply. Such Deferral Period shall be at least twelve months in length except for the Participant's initial Deferral Period. Only Incentive Awards which become payable within such Deferral Period may be covered by a Deferral Amount election.

For any Deferral Period, a Participant may elect to defer up to 50% of any Incentive Award that may be payable by the Company. The amount deferred shall be specified as a percentage (deferrals made in 1% increments).

4.2 Election of Deferral Amount. An Eligible Employee must file a Deferral Amount election form for each Deferral Period for which a Deferral will be made. Such election must be made not less than 45 days prior to the commencement of the Deferral Period to which it is to apply, except that an Eligible Employee's initial election may be made within 30 days of his selection as a Participant provided no Incentive Award payable to the Participant at the date of such election shall be considered part of such Deferral Amount.

If an Eligible Employee does not file a Deferral Amount election form within the foregoing period prior to any Deferral Period, such Eligible Employee will be deemed to have elected not to defer receipt of any Incentive Awards which otherwise become payable during such Deferral Period.

Once made, an election will be in force for the entire Deferral Period. If a severe and unforeseeable financial hardship (as determined under Section 5.1) occurs during the Deferral Period, a Participant may revoke the Deferral Amount election with the consent of the Committee. Following such a revocation, a Participant may resume Deferrals only during the above-described period for the following Deferral Period by executing a new Deferral Amount election and delivering it to the Committee.

4.3 Deferral Amount Election Forms. All Deferral Amount elections shall be made on a Deferral Amount election form. A Deferral Amount election form shall specify the Deferral Amount, the Investment Alternative pursuant to Subsection 6.3, and the Eligible Employee's designated Beneficiary to receive any death benefit applicable to such Deferral Amounts.

4.4 Matching Contribution. The Company shall match a Participant's annual Deferral Amount as of the date on which the Deferral Amount to which the Matching Contribution relates is credited to the Account of the Participant. The Company match will equal 25% of the Participant's annual Deferral Amount, but not to exceed a total Matching Contribution of $10,000.

4.4 Discretionary Contribution. From time to time, the Company may make additional contributions to selected Participants' Discretionary Accounts, as the Committee deems appropriate. Discretionary Contributions shall be made in Stock, unless otherwise determined by the Committee.

Article V.

Payments of Benefits

5.1 Time of Payment. Payment of the Vested Account will commence within 90 days of the earliest to occur of 1) termination prior to Retirement Date, 2) retirement after a Retirement Date, 3) death, or 4) disability. A Participant may defer commencement of payment under the Plan beyond his Retirement or termination date with the consent of the Committee, provided his request to do so is received by the Committee not less than one year prior to the date that payment would otherwise be made or commence and the Participant agrees to defer payment or commencement to a definite future date not less than two years from the date payment would otherwise be made or commence. The election must be made at least one year prior to his Retirement Date.

Subject to Section 5.2, all or a portion of the Participant's Account may be paid during active employment of a Participant if he makes an election to receive such distribution at least two years prior to the date such distribution is to be paid. Only one such election shall be permitted and any such election shall be irrevocable except in the case of the Participant's subsequent death or Disability. The Committee may also permit a Participant to receive payment of all or a portion of his Vested Account to the extent he incurs a severe and unforeseeable financial hardship. An unforeseeable financial emergency will not be deemed to exist if the hardship may be relieved through other sources or cessation of Deferrals under Section 4.2 of the Plan.

5.2 Method of Payment. When a Participant becomes entitled to a distribution, the Plan shall, except as provided below, pay the balance of the Participant's Vested Account in 10 annual installments. The first installment shall be due on the first day of the month following the Participant's Retirement or termination. Each subsequent annual installment shall be paid on the first business day in January following the initial payment and shall continue on each subsequent January 1 until all installment payments have been made. The amount of the first installment shall equal one-tenth of the Vested Account on the valuation date established under Section 6.2 which coincides or immediately precedes the Participant's Retirement or termination. The amount of the second installment shall be one-ninth of the Vested Account on the valuation date coincident with or next preceding the second installment date and so forth until all installment payments have been made; provided that if any installment payment would be less than $50,000, the Plan may distribute the entire remaining Vested Account Balance. After commencement of installment payments, a Participant's Account shall continue to be adjusted in the same manner as set forth in Section 6.4.

A Participant may request the Committee to authorize payment of his Vested Account balance in a lump sum. The Committee shall have the discretion to agree to such payment upon such terms and conditions, as it shall establish from time to time. Without limiting the generality of the foregoing, the Committee may require a Participant to enter into a non-competition agreement or to execute one or more releases of claims against the Company and its Affiliates and their officers, employees and agents as a condition to such lump sum payment. The Committee may, with or without the request or consent of

the Participant, require the Participant to accept a distribution of his Vested Account in a single lump sum payment.

The portion of the Account invested in mutual funds shall be distributed in cash. The remaining portion, if any, invested in Stock shall be distributed in shares of Westwood Holdings Group, Inc. Common Stock.

5.3 Death Benefit. If a Participant dies with a balance credited to the Employee's Account, such balance shall be paid to the Employee's Beneficiary designated on the applicable Deferral Amount election form. The then current balance of the Vested Account payable to a designated Beneficiary shall be paid in a single lump sum payment.

5.4 Disability Benefit. If a Participant becomes Disabled with a balance credited to the Employee's Account, such balance shall be paid to the Employee. The then current balance of the Vested Account shall be paid in a single lump sum payment.

5.5 Beneficiary Designations. A Participant shall designate a Beneficiary who, upon the Employee's death, shall receive payments that otherwise would have been paid to him under the Plan. All Beneficiary designations shall be in writing. Any such designation shall be effective only if and when delivered to the Committee during the lifetime of the Participant.

If a designated Beneficiary of a Participant predeceases the Participant, the designation of such Beneficiary shall be void. If a Participant fails to designate a Beneficiary with respect to any death benefit payments or if such designation is ineffective, in whole or in part, any payment that otherwise would have been paid to such Participant shall be paid to the Employee's surviving spouse or, if none, to the Employee's estate.

Article VI.

Accounts and Account Adjustments

6.1 Participant Accounts. The Committee shall maintain, or cause to be maintained, a bookkeeping Account for each Participant for the purpose of accounting for the Participant's interest under the Plan. The Committee shall maintain within each Participant's Account such Deferral Amount, Matching Contribution, and Discretionary Contribution subaccounts as may be necessary. In addition to the foregoing bookkeeping subaccounts maintained for each Participant, the Committee shall maintain, or cause to be maintained, such other accounts, subaccounts, records or books as it deems necessary to properly provide for the maintenance of Accounts and to carry out the intent and purpose of the Plan.

6.2 Adjustment of Accounts. Each Participant's Account shall be adjusted to

reflect all Deferral Amounts, Matching Contributions, and Discretionary Contributions credited to the Employee's Account, all earnings, gains or losses credited or debited to the Employee's Account as provided by Section 6.4, and all benefit payments charged to the Employee's Account. A Participant's Deferral Amount shall be credited to such Participant's Account as soon as possible on or after the date on which the amount being deferred would have become payable to the Participant absent the deferral election. Participant Accounts shall be adjusted to reflect earnings and losses pursuant to Section 6.4. Changes to a Participant's Account to reflect benefit payments shall be made as of the date of any such payment. As of any relevant date, the balance standing to the credit of a Participant's Account, and each separate subaccount comprising such Account, shall be the respective balance in such Account and the component subaccounts as of the close of business on such date after all applicable credits, debits and charges have been posted.

6.3 Investment Alternatives. Participants may elect among the following investment alternatives with respect to their Deferral Amounts in accordance with such limitations as may be approved by the Committee from time to time:

(a) Deemed Investment Options. A Participant may request that all or a portion of his Deferral Amount be invested in selected mutual fund(s) approved by the Committee from time to time. The purchase price used for any shares or units of mutual funds held in Participant Accounts shall be based on the price of such shares or units on the date such shares or units are actually purchased with such Deferral Amount. Participants may elect to change, on a calendar quarter basis, the deemed investment election with respect to future Deferral Amounts, by following such procedures as shall be established by the Committee. Participants may also elect to reallocate any portion of their Deferral Amounts, on a calendar quarter basis, among the deemed investment mutual fund options then available, by following such procedures as shall be established by the Committee.

(b) Company Stock. A Participant may request that all or a portion of his Deferral Amount be deemed to be invested in Stock. The purchase price used for Stock

units held in Participant Accounts shall be based on the Stock price on the date such Deferral Amount is credited to the Participant's Account.

6.4 Adjustments for Earnings or Losses. The amount credited to a Participant's Account shall be adjusted on a quarterly basis as of the last day of each calendar quarter to reflect net earnings, gains or losses for the quarter, weighted in accordance with the Participant's investment allocation.

The rate earned (positive or negative) by each deemed investment mutual fund available (taking into account earnings distributed and share appreciation (gains) or depreciation (losses) on the value of shares in the fund), shall be determined and credited to the Participant's Accounts that are invested in the mutual fund deemed investment options.

Shares of Stock credited to a Participant's Account shall be adjusted to reflect any dividends or distributions paid on such Stock, or any split or consolidation of outstanding shares of Stock. If the outstanding Stock shall, in whole or in part, be changed into or exchangeable for a different class or classes of securities of the Company or securities of another corporation or cash or property other than Stock, whether through reorganization, reclassification, recapitalization, merger, consolidation or otherwise, the Board of Directors of the Company shall adopt such amendments to the Plan as it

deems necessary to carry out the purposes of the Plan, including the continuing deferral of any Accounts deemed invested in Company Stock.

6.5 Vesting. Subject to the conditions and limitations on payment of benefits under the Plan, a Participant's Deferral Amount subaccount shall be 100% vested as of any relevant date. Company Matching Contributions and Discretionary Contributions shall be vested 25% per year on a class year basis. The entire balance of the Account shall be 100% vested upon death, Disability, or retirement after Retirement Date.

Notwithstanding the foregoing, if a Participant is terminated due to theft or other dishonesty or if the Participant violates any obligation to which he is subject to refrain from competition or disclosure of confidential information, the Committee may require the Participant to forfeit any portion of his Vested Account derived from Matching or Discretionary Contributions and any earnings or appreciation of his Deferral Amounts.

6.6 Account Statements. The Committee shall provide each Participant with a statement of the status of the Employee's Account under the Plan. The Committee shall provide such statement annually or at such other times as the Committee may determine. Such statement shall be in the format prescribed by the Committee.

Article VII.

Administration of the Plan

7.1 Administration. The Plan shall be administered by the Committee. A majority of the members of the Committee shall constitute a quorum. The acts of a majority of a quorum of the Committee at a meeting or acts approved in writing by a majority of the Committee without a meeting shall be the acts of the Committee. The Committee shall have the discretionary authority to make such rules as it deems necessary to administer the Plan, to interpret the Plan, to decide questions arising under the Plan, and to take such other action as may be appropriate to carry out the purpose of the Plan. The Committee is authorized to employ attorneys, accountants or any other agents or delegate specified duties to employees of the Company as it shall deem proper in the discharge of its duties. The Committee shall be the "plan administrator' and the Company shall be the "named fiduciary" as such terms are defined by ERISA.

7.2 Compensation and Expenses. Any member of the Committee may receive reimbursement by the Company for expenses properly and actually incurred. All expenses of the Committee shall be paid by the Company. Such expenses shall include any expenses incident to the functioning of the Committee or the Plan, including, but not limited to, fees of actuaries, accountants, legal counsel and other specialists, and other costs of administering the Plan.

7.3 Claims Review Procedures.

(a) Denial of Claim. If a claim for benefits is wholly or partially denied, the claimant shall be given notice in writing of the denial within a reasonable time after the receipt of the claim, but not later than 90 days after the receipt of the claim. However, if special circumstances require an extension, written notice of the extension shall be furnished to the claimant before the termination of the 90-day period. In no event shall the extension exceed a period of 90 days after the expiration of the initial 90-day period. The notice of the denial shall contain the following information written in a manner that may be understood by the claimant:

(1) The specific reasons for the denial.

(2) Specific reference to pertinent Plan provisions on which the denial is based.

(3) A description of any additional material or information necessary for the claimant to make a claim and an explanation of why such material or information is necessary.

(4) An explanation that a full and fair review by the Committee of the denial may be requested by the claimant or authorized representative by filing a

written request for a review with the Committee within 60 days after the notice of the denial is received; and

(5) If a request for a review is filed, the claimant or an authorized representative may review pertinent documents and submit issues and comments in writing within the 60-day period described in Section 7.3(a)(4).

(b) Decision After Review. The decision of the Committee with respect to the review of the denial shall be made promptly, but not later than 60-days after the Committee receives the request for the review. However, if special circumstances require an extension of time, a decision shall be rendered not later than 120 days after the receipt of the request for review. A written notice of the extension shall be furnished to the claimant prior to the expiration of the initial 60-day period. The claimant shall be given a copy of the decision, which shall state, in a manner calculated to be understood by the claimant, the specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based.

(c) Finality of Determinations. All determinations of the Committee as to any matter arising under the Plan, including questions of construction and interpretation shall be final, binding and conclusive upon all interested parties.

(d) Indemnification. To the extent permitted by law and the Company's bylaws, the members of the Committee, its agents, and the officers, directors and employees of the Company shall be indemnified and held harmless by the Company from and against any and all loss, cost, liability or expense that may be imposed upon or may be reasonably incurred by them in connection with or resulting with any claim, action, suit or proceeding to which they be a party or which they may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by them in settlement with the Company's written approval or paid by them in satisfaction of a judgment in any such action, suit or proceeding. The foregoing provision shall not be applicable to any person if the loss, cost, liability or expense is due to such person's gross negligence or willful misconduct.

7.4 Voting of Securities. The Committee shall direct the Trustee as to the manner in which voting, dissenter's rights or other stockholder's rights of any securities held by the trust created by Article VIII shall be exercised.

Article VIII.

Provisions For Benefits

8.1 Provisions For Benefits. Amounts payable under the Plan to or on account of an Eligible Employee shall be paid, directly or indirectly, from assets of the trust established by the Company for such payment, the assets of which shall be subject to the claims of creditors of the Company in the event of the Company's insolvency. The Company shall make contributions to the trust in amounts that are reasonably estimated to be sufficient to satisfy the Company's obligations to make benefit payments under the Plan. To the extent that the assets of the trust are not sufficient to make benefit payments hereunder, amounts payable under the Plan shall be paid directly by the Company from its general assets. No assets of the Company shall be used solely for the purpose of providing benefits hereunder (except as to the amounts paid or payable to the trust established for this Plan), and the Company's obligation to pay such benefits is not limited to any particular assets of the Company. The Company's obligation to make credits to the Accounts of each Eligible Employee is merely a contractual obligation, and an Eligible Employee shall be treated as a general creditor of the Company with respect to any amounts credited to his Account.

Article IX.

Amendment, Termination, or Merger

9.1 Amendment and Termination. The Board of Directors of the Company may amend, modify or terminate the Plan at any time and in any manner. In the event of a termination of the Plan, no further Deferral Amount elections shall be made under the Plan. Amounts which are then payable or which become payable under the terms of the Plan shall be paid as scheduled under the provisions of the Plan, unless the Committee directs the payments be accelerated.

9.2 Merger, Consolidation or Acquisition. In the event of a merger, consolidation, or acquisition or other reorganization in which the Company is not the surviving or resulting corporation, (i) all Accounts in the Plan shall become 100% vested, and (ii) the surviving or resulting corporation may elect to continue and carry on the Plan, and in such event, shall have the same rights with respect to the Plan as the Company. If the Plan is terminated as part of a reorganization, all Accounts shall be considered fully vested at such date and participants shall receive payment of their Accounts pursuant to Section 5.2.

Article X.

General Provisions

10.1 Effect on Other Plans. Deferred Amounts shall not be considered as part of a Participant's compensation for the purpose of any qualified employee pension plans maintained by the Company. However, such amounts may be taken into account under all other employee benefit plans maintained by the Company in the year in which such amounts would have been payable absent the deferral election; provided, such amounts shall not be taken into account if their inclusion would jeopardize the tax-qualified status of the plan to which they relate.

10.2 Nonalienation. Except as otherwise required by law, no benefit payable at any time under the Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, garnishment, or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge, or otherwise encumber any such benefit, whether presently or hereafter payable, shall be void. No benefit payable under the Plan shall in any manner be liable for or subject to the debts or liabilities of any

Participant or Beneficiary entitled to any benefit. Without limiting the generality of the foregoing, no benefit payable or in pay status under the Plan shall be subject to division in connection with any divorce or separation proceeding involving a Participant.

10.3 Incompetency. Any person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally competent until the date on which the Committee receives written notice, in an acceptable form and manner, that such person is incompetent and a guardian or other person legally vested with the care of the Employee's estate has been appointed. If the Committee finds that any person to whom a benefit is payable under the Plan is unable to care for the Employee's affairs because of any disability or infirmity and no legal guardian of such person's estate has been appointed, any payment due may be paid to the spouse, a child, a parent, a sibling, or to any person deemed by the Committee to have incurred expense for such person otherwise entitled to payment. Any such payment so made shall be a complete discharge of any liability therefor under the Plan. If a guardian of the estate of any person receiving or claiming benefits under the Plan shall be appointed by a court of competent jurisdiction, benefit payments shall be made to such guardian, provided proper proof of appointment and continuing qualification is furnished in the form and manner acceptable to the Committee. Any such payment so made shall be a complete discharge of any liability therefor under the Plan.

10.4 Effect of Mistake. If, in the sole opinion of the Committee, a material mistake or misstatement occurs with respect to the eligibility of a Participant, the amount of benefit payments made or to be made to or with respect to a Participant, the Investment Alternative selected by a Participant or other matters related to the administration of the Plan, the Committee may make such adjustments as it deems appropriate to correct such mistake or misstatement. To the extent that the Committee determines that such mistake or misstatement results from an act or failure to act of a Participant, the Committee may require the Participant to hold the Plan harmless from any loss or expense incurred by it.

10.5 Plan Not an Employment Contract. This Plan is not an employment contract and does not confer on any person the right to be continued in employment. All Employees remain subject to change of salary, transfer, change of job, discipline, layoff, discharge or any other change of employment status.

10.6 Tax Withholding. The Company or other payor may withhold from a benefit payment or Deferral Amount any federal, state or local taxes required by law to be withheld with respect to such payment or Deferral Amount. All contributions will be subject to FICA tax as required by federal law. In the event the Deferred Amount is invested in Stock and the Participant's Account does not contain sufficient cash for the required withholding, the Company or other payor may sell shares of Stock to supply sufficient cash to fund the required withholding.

10.7 Severability. If any provision of the plan is held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had never been contained therein. The Company shall have the privilege and opportunity to correct and remedy such questions of illegality or invalidity by amendment.

10.8 Applicable Law. The Plan shall be governed and construed in accordance with the laws of the State of Delaware, except to the extent such laws are preempted by any applicable federal law. No reference to ERISA in the Plan shall be construed to mean that the Plan is subject to any particular provisions of ERISA.

10.9 Binding Effect. This Plan shall be binding upon the Company, its Affiliates and their respective successors and assigns and upon the Participant and

each Participant's Beneficiary, heirs, executors, administrators, representatives, successors and assigns.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by a duly authorized officer of the Company, effective as of February 1, 2002.

WESTWOOD HOLDINGS, INC.

Attest:

By:_____ By: _____

EXHIBIT 10.3

TAX SEPARATION AGREEMENT

This TAX SEPARATION AGREEMENT (this "Agreement"), dated as of _____ __, 2002, is by and between SWS Group, Inc., a Delaware corporation ("SWS"), and Westwood Holdings Group, Inc., a Delaware corporation ("Westwood"). SWS and Westwood may be jointly or separately referred to herein as the "Parties" or a "Party." For the reasons and under the terms below, the Parties desire to fix their joint and separate tax liabilities as follows:

SWS, Westwood, Westwood Management Corporation ("WMC") and/or Westwood Trust ("WT") have heretofore joined in filing certain consolidated, combined and unitary federal, state, local and/or foreign income tax returns.

As of December 14, 2001, SWS sold 19.82% of its 100% interest in Westwood to certain members of Westwood's management and transferred all of the capital stock of WMC and WT to Westwood in a transaction intended to qualify for non-recognition treatment under Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code"). SWS intends to distribute its remaining 80.18% interest in Westwood to its stockholders in a transaction intended to qualify for non-recognition treatment under Section 355(a) of the Code (the "Spin-off").

The Parties desire to allocate their rights and obligations with respect to the handling of Taxes (as defined below) and to agree as to certain other matters.

ARTICLE 1
DEFINITIONS

"Agreement" has the meaning assigned to it in the introductory paragraph hereof.

"Assessed" means self-assessed or determined by a Taxing Authority that a Person is, or may become, subject to legal proceedings.

"Code" has the meaning assigned to it in the recitals hereto.

"Consolidated Tax" shall mean any Tax payable to a Taxing Authority on a consolidated, combined or unitary basis.

"Managing Party" has the meaning assigned to it in Section 5(A).

"Other Party" has the meaning assigned to it in Section 5(A).

"Party" and "Parties" has the meaning assigned to it in the introductory paragraph hereto.

"Person" has the meaning assigned to it in Section 7701(a)(1) of the Code.

"Prime" means the rate announced from time to time as "prime" as reported in the Wall Street Journal's Money Rates table as the prime rate with respect to the applicable currency.

"Return" shall mean any return, report, filing, declaration, questionnaire or other document required to be filed (or permitted to be filed in order to obtain a Favorable Tax Attribute), including information reports, requests for extensions of time, filings made with estimated tax payments, claims for Tax refunds and amended Returns that may be filed for any period with any Taxing Authority in connection with any Tax.

"Separate Tax" means any Tax other than a Consolidated Tax.

"Spin-off" has the meaning assigned to it in the recitals.

"Spin-off Date" means _____ ____, 2002.

"Straddle Period" has the meaning assigned to it in Article 2 of this Agreement.

"SWS" has the meaning assigned to it in the introductory paragraph hereto.

"SWS Consolidated Group" means SWS and each of its direct and indirect corporate subsidiaries, including each subsidiary that is a member of the Westwood Group, that is eligible to join with SWS or a member of the SWS Group in the filing of a Consolidated Tax Return.

"SWS Group" means SWS and each of its direct or indirect corporate subsidiaries, other than those subsidiaries that are members of the Westwood Group, that is eligible to join with SWS in the filing of a Consolidated Return.

"SWS Share" means the ratio of (A) the number of days of such Straddle Period preceding, and including, the Spin-off Date over (B) the total number of days in such Straddle Period.

"Tax" means any tax of any kind, together with any interest, penalties, fines and other additions to Tax, imposed by any Taxing Authority. A non-compulsory payment shall not be considered a Tax.

"Tax Attributes" means items of income, gain, deduction, loss and credit, and similar items that have an effect on a Tax. "Favorable Tax Attributes" are Tax Attributes that reduce Taxes.

"Tax Benefit" means an amount derived with respect to a Tax Attribute that is equal to the excess of (i) the amount of Taxes that would have been payable by the recipient of the Tax Benefit without the use of the Tax Attribute (including, but not limited to, a carryback, carryforward, or reattribution of the Tax Attribute), over (ii) the amount of Taxes, as the case may be, actually payable by such recipient.

"Tax Contest" means any judicial or administrative proceeding (i) brought by a Taxing Authority against a Person for the collection of Tax or (ii) brought by a Person against a Taxing Authority for refund of Tax paid or to prevent imposition of assessment of Tax against the Person or the property of a Person.

"Tax Refund" means a reimbursement from a Taxing Authority for a Tax previously paid or accrued by or on behalf of the recipient of the reimbursement.

"Taxing Authority" means any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, office or other regulatory administration or governmental authority that has legal authority to assess a Tax.

"Westwood" has the meaning assigned to it in the introductory paragraph hereto.

"Westwood Group" means Westwood and each of its direct or indirect corporate subsidiaries that is eligible to join with Westwood in the filing of a Consolidated Tax Return.

"Westwood Group Consolidated Tax Benefit" means an amount derived by the SWS Consolidated Group with respect to any Tax period prior to, and including, the 2002 Tax year, by reason of the application of one or more Favorable Tax Attributes of the Westwood Group (including any Favorable Tax Attributes recognized in a Tax period following the 2002 Tax year that the Westwood Group elects to be carried back to such earlier Tax period), that is equal to the excess, if any, of (i) the amount of Consolidated Tax that would have been payable by the SWS Consolidated Group for such Tax period without the use of the Favorable Tax Attribute(s), over (ii) the amount of Consolidated Tax that is actually payable by the SWS Consolidated Group for such Tax period.

"Westwood Group Consolidated Tax Liability" means the Westwood Group's allocable share of the SWS Consolidated Group's Consolidated Tax liability for

the 2002 Tax year computed using the SWS Consolidated Group's historical method of computations as if the Westwood Group were not, and never were, a part of any consolidated group other than a consolidated group of which Westwood was the common parent.

ARTICLE 2
STRADDLE PERIODS

SWS and Westwood agree that with respect to any Tax period for the payment of a Separate Tax that includes, but does not end on, the Spin-off Date, if permissible under applicable law, the Parties will elect to close such Tax period on the Spin-off Date. Any such Tax period not permitted to be closed under applicable law shall, for purposes of this Agreement, be referred to herein as a "Straddle Period."

ARTICLE 3
FILING OF RETURNS

A. SWS shall be responsible for the preparation and filing of (i) all Consolidated Tax Returns of the SWS Consolidated Group for all Tax periods; (ii) all Separate Tax Returns of any member of the Westwood Group for all Tax periods ending on or before the Spin-off Date and (iii) all Separate Tax Returns of any member of the SWS Group for all Tax periods; provided, however, that such Tax
Returns shall be filed consistent with past practice provided that with respect to any Return in which an item relating to the Westwood Group or any member thereof will be reflected, SWS agrees to (x) consult with Westwood prior to filing such a Return regarding the manner in which such items will be reflected therein; (y) prepare each such Return in a manner consistent with its past practice; and (z) undertake in good faith to prepare such Returns in a manner that SWS determines may be substantively beneficial to the Westwood Group for any taxable period ending after the Spin-off Date, but only to the extent that such manner of preparing Returns has no adverse impact on SWS. SWS shall be responsible for the remittance of all Taxes with respect to any Returns filed pursuant to this Section 3(A). Except as otherwise provided in this Agreement, SWS will hold the Westwood Group harmless from any cost or liability arising from the failure to perform this Section 3(A).

B. Westwood shall be responsible for the preparation and filing of all Returns, including both Consolidated Tax Returns and Separate Tax Returns, and the remittance of Taxes with respect thereto, of the Westwood Group or any member thereof for all Tax periods ending after the Spin-off Date. Except as otherwise provided in this Agreement, Westwood will hold SWS harmless from any cost or liability arising from the failure to perform this Section 3(B).

ARTICLE 4
TAX SHARING

A. Westwood shall pay to SWS an amount equal to any Westwood Group Consolidated Tax Liability.

B. If the SWS Consolidated Group (or any member thereof) receives a Tax Refund or Tax Benefit which relates to a period prior to the Spin-off Date because of a Westwood Group Consolidated Tax Benefit or a Favorable Tax Attribute of any member of the Westwood Group recognized after the Spin-off Date is carried back to a Tax period that ends before or includes the Spin-off Date, then any Tax Refund or Tax Benefit received by the SWS Consolidated Group attributable to that Favorable Tax Attribute will be paid by SWS to Westwood. SWS will pay to Westwood the amount of any such Tax Refund or Tax Benefit on or before the due date of the SWS Consolidated Group's Consolidated Tax Return for the Tax period in which the Favorable Tax Attribute is used and usable by the SWS Consolidated Group or any of its members.

C. Any Tax Refunds or Tax Benefits realized by the SWS Consolidated Group not otherwise allocated pursuant to this Agreement shall be allocated to SWS or Westwood based on the source of the Tax Refund or Tax Benefit.

D. SWS will indemnify, defend and hold harmless the Westwood Group from and against any and all liabilities for any Consolidated Taxes of the SWS Consolidated Group, other than Consolidated Taxes allocated to the Westwood Group by this Agreement. Westwood will indemnify, defend and hold harmless the SWS Group from and against any and all liabilities for any Consolidated Taxes of the Westwood Group, other than Consolidated Taxes allocated to the SWS Group by this Agreement. SWS will indemnify, defend and hold harmless the Westwood Group from and against any and all liabilities for (i) Separate Taxes attributable to the Separate Tax Returns described in Sections 3(A)(ii) and 3(A)(iii) of this Agreement and (ii) the SWS Share of any Separate Tax of any member of the Westwood Group attributable to a Straddle Period.

E. If, as a result of Westwood's actions, a transaction or series of transactions triggers application of Section 355(e) of the Code in connection with the Spin-off, Westwood shall be liable to pay SWS the amount of Tax 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.

F. If, as a result of SWS's actions, a transaction or series of transactions triggers application of Section 355(e) of the Code in connection with the Spin-off, SWS will be responsible for and will pay the Tax for which SWS becomes liable under Section 355(e) of the Code and will hold Westwood harmless for any and all costs and liabilities from application of Section 355(e) of the Code.

ARTICLE 5
PROCEEDINGS

A. The Party who has filed, or is entitled to file pursuant to Article 3 of this Agreement or otherwise, a Return, shall be responsible for and entitled to manage any Tax Contest relating to such Return (a "Managing Party"); provided, however, that the Managing Party shall keep the other Party (the "Other Party") informed of all material developments and events relating to any such Tax Contest to the extent the Tax Contest creates or affects any Tax liability or Tax Benefit of the Other Party or may give rise to a claim for indemnification by the Other Party against the Managing Party under Section 4(D) of this Agreement.

B. Notwithstanding anything to the contrary in Section 5(A) of this Agreement or otherwise, Westwood may elect, at its expense, to act as the Managing Party with respect to an issue raised under Section 355(e) of the Code for which SWS may become liable as a result of Westwood's actions and for which Westwood is responsible to pay SWS pursuant to Section 4(E) of this Agreement; provided, however, that any disposition of an issue that may be adverse in any way to SWS and that is not compensated for by Westwood pursuant to Section 4(E) of this Agreement may be made only with the approval of SWS.

C. The Managing Party is hereby authorized to settle any Tax Contest; provided, however, that if any proposed settlement creates or affects any Tax liability or Tax Benefit of the Other Party or may give rise to a claim for indemnification by the Other Party against the

Managing Party under Section 4(D) of this Agreement, the Managing Party shall provide the Other Party with ten (10) days advance written notice of such proposed settlement. If the Managing Party and the Other Party are unable to agree on the terms of such proposed settlement prior to the expiration of such ten (10) day period, the Parties agree that such disagreement shall be resolved pursuant to binding arbitration.

D. The Managing Party shall bear the costs and expenses of any Tax Contest. If, under this Agreement or otherwise, a Tax Contest results in a payment or Tax Benefit to the Other Party, the Managing Party shall be entitled to offset the payment by the amount of the Managing Party's costs incurred in

the Tax Contest multiplied by the ratio of (i) the Other Party's Tax Benefits obtained in the Tax Contest, over (ii) the total Tax Benefits obtained in the Tax Contest. If, under this Agreement or otherwise, a Tax Contest results in a Tax deficiency to, or a decrease or offset of a Favorable Tax Attribute attributable to the Other Party, the Other Party shall pay to the Managing Party an amount equal to the product of (x) the Managing Party's costs in the Tax Contest and (y) the ratio of the amount of the Other Party's Tax deficiency or Favorable Tax Attribute decrease or offset over the total Tax deficiency or Favorable Tax Attribute decrease or offset resulting from the Tax Contest.

ARTICLE 6
COOPERATION

The Parties agree to cooperate in carrying out the terms of this Agreement.

ARTICLE 7
PAYMENT

Except as otherwise provided in this Agreement, any payment under this Agreement shall be made within thirty (30) days after the date the paying Party first had notice the payment was due. Any payment that is not made when due shall bear interest at a rate equal to Prime until paid.

ARTICLE 8
INCORPORATION OF DISTRIBUTION AGREEMENT

Any issue not expressly addressed by this Agreement shall be decided under that certain Distribution Agreement dated _____ __, 2002, the provisions of which are incorporated by reference hereto.

ARTICLE 9
ADMINISTRATIVE AND COMPLIANCE MATTERS

Any and all existing tax sharing agreements or arrangements, written or unwritten, between any member of the SWS Group and any member of the Westwood Group shall be terminated as of the date of this Agreement. As of the date of this Agreement, neither the members of the SWS Group nor the members of the Westwood Group shall have any further rights or liabilities under any such preexisting tax sharing agreements, and this Agreement shall be the sole tax sharing agreement between SWS and Westwood as well as the respective members of SWS Group and the Westwood Group.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties having caused this Agreement to be duly executed as of the date first above written.

SWS GROUP, INC.

By: ----------

Name: ----------

Title: ----------

WESTWOOD HOLDINGS GROUP, INC.

By: ____________________________________

Name: __________________________________

Title: _________________________________

Signature Page

EXHIBIT 10.4

TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT (this "Agreement") for the performance of certain corporate services is executed and made effective as of February __, 2002, by and among SWS Group, Inc., a Delaware corporation ("SWS"), Westwood Management Corporation, a New York corporation ("Westwood Management"), and Westwood Trust, a Texas trust ("Westwood Trust" and together with Westwood Management, "Westwood"). Unless otherwise defined herein, capitalized terms have the meaning assigned to them in the Distribution Agreement (defined herein).

WHEREAS, SWS, through its ownership of 80.18% of the issued and outstanding common stock, $0.01 par value per share (the "Westwood Common Stock"), of Westwood Holdings Group, Inc. participates in the business of asset management;

WHEREAS, the Board of Directors of SWS has determined that it would be advisable and in the best interests of SWS and its stockholders for SWS to distribute all of the shares of Westwood Common Stock that it owns on a pro rata basis to the holders of SWS common stock (the "Distribution") pursuant to that certain Distribution Agreement, dated as of the date hereof, between SWS and Westwood Holdings Group, Inc. (the "Distribution Agreement");

WHEREAS, the parties intend that the transactions described herein will be effective at the Distribution Date (as defined in the Distribution Agreement); and

WHEREAS, the parties hereto deem it to be appropriate and in the best interests of the parties that SWS provide certain services to Westwood on the terms and conditions set forth herein.

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

1. Description of Services. Effective as of the Distribution Date, SWS shall, subject to the terms and provisions of this Agreement, provide Westwood with the information technology and equipment services listed on Schedule 1.1 and the human resources services listed on Schedule 1.2; provided, however, that the human resources services specifically exclude direct involvement with employees of Westwood in the investigation of employee discipline and grievances, or regarding an employee's specific question or problem involving interpretation under any policy, program or benefit document; or any specific activities involving potential employee complaints under any federal or state regulations.

2. Consideration for Services. Westwood shall pay SWS the fees set forth on Schedule 1.1 for information technology and equipment services provided and $95.00 per hour for human resources services provided in the first 15 hours in any calendar week, and $125.00 per hour for all human resources services provided in excess of 15 hours in any calendar week.

3. Terms of Payment. Within ten business days after the end of each month during the term of this Agreement, SWS will submit a written invoice to Westwood for service fees for services performed during the immediately preceding month together with an accounting of the charges for such services. Within 30 business days after the receipt of such invoices, Westwood will remit payment of the full amount of such invoice to SWS in the manner provided below. Interest shall accrue at the Prime Rate (defined herein) plus 2% per annum on any amounts not received by SWS within 30 days after Westwood's receipt of the SWS invoice. "Prime Rate" means the prime rate of interest as published from time to time in the Wall Street Journal.

4. Method of Payment. All amounts payable by Westwood for the services rendered by SWS pursuant to this Agreement shall be remitted to SWS in United States dollars in the form of a check or wire transfer.

5. Warranties. THIS IS A SERVICE AGREEMENT. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, THERE ARE NO WARRANTIES OR GUARANTIES, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, TITLE AND FITNESS FOR A PARTICULAR PURPOSE.

6. Liability; Indemnification.

(a) In no event shall either SWS have any liability, whether based on contract, tort (including, without limitation, negligence), warranty or any other legal or equitable grounds, for any punitive, consequential, special, indirect or incidental loss or damage suffered by Westwood arising from or related to this Agreement, including without limitation, loss of data, profits, interest or revenue, or interruption of business, even if the party providing the services hereunder is advised of the possibility of such losses or damages.

(b) The limitations set forth in Section 6(a) above shall not apply to liabilities that may arise as the result of willful misconduct, gross negligence, fraud or breach of this Agreement of the party providing the services hereunder.

(c) Each party hereto (the "Indemnifying Party") shall indemnify and defend the other party and its directors, officers, employees and representatives (the "Indemnified Party") from and against any and all claim, loss, cost, damage, liability and expense, including reasonable counsel fees, incurred by the Indemnified Party resulting from the Indemnifying Party's gross negligence, willful misconduct, fraud or breach of this Agreement. If for any reason the indemnification provided for in this Section 6(c) is unavailable to any Indemnified Party, or insufficient to hold it harmless, then the Indemnifying Party shall contribute to the amount paid or payable by such Indemnified

Party as a result of such claim, loss, cost, damage, liability and expense in such proportion as is appropriate to reflect all relevant equitable considerations.

(d) Any indemnification claim arising under this Agreement shall be resolved in accordance with Sections 3.4 and 3.5 of the Distribution Agreement.

(e) The indemnification obligations set forth under Sections 6(c) and 6(d) shall terminate two years after the date of this Agreement; provided, however, such obligations shall not terminate with respect to any claim for indemnification or contribution or with respect to which notice is delivered to the Indemnifying Party in accordance with Section 3.4 of the Distribution Agreement prior to the date of termination.

7. Termination.

(a) SWS will provide Westwood (i) the information technology and equipment services for the lesser of one year following the Distribution Date or, with respect to each piece of equipment, until the expiration of the lease relating to such equipment and (ii) the human resources services for a period of six months following the Distribution Date; provided, however, that Westwood may, at its option, upon no less than 30 days prior written notice to SWS (or such other period as the parties may mutually agree in writing), terminate either the information technology and equipment services or the human resources services.

(b) SWS and Westwood are parties to the (i) Investment Agreement dated June 2, 1999, relating to The Southwest Special Reserve Account for the Benefit of PAIB and (ii) Investment Agreement dated October 19, 1993 relating to The Special Reserve Account for Exclusive Benefit of Customers, as such agreements may be amended or superseded from time to time (collectively, the "Investment Agreements"). SWS and Westwood Trust are parties to the (A) Agency Account without Investment Advice Letter of Instruction March 31, 1998 relating to the Special Reserve Account and (B) Agency Account without Investment Advice Letter of Instruction June 2, 1999 relating to the Special Reserve Account for

the Exclusive Benefit of PAIB, as such agreements may be amended or superseded from time to time (collectively, the "Custodial Agreements" and together with the Investment Agreements, the "Management Agreements"). Nothing in this Agreement is intended to modify or amend the terms of the Management Agreements, except that SWS agrees that, except in the event of a default under the terms of the Management Agreements, SWS shall not terminate any of the Management Agreements at any time less than one year following the Distribution Date. Thereafter, the termination provision of each respective Management Agreement shall govern the terms of its termination.

(c) Notwithstanding Section 7(a) above, this Agreement may be terminated in its entirety in accordance with the following:

(i) Upon written agreement of the parties;

(ii) By either SWS or Westwood for material breach hereof by the other if the breach is not cured within 30 calendar days after written notice of breach is delivered to the breaching party; or

(iii) By either SWS or Westwood, upon written notice to the other if the other shall become insolvent or shall make an assignment of substantially all of its assets for the benefit of creditors, or shall be placed in receivership, reorganization, liquidation or bankruptcy.

Notwithstanding the foregoing, the termination of this Agreement shall not affect the continued effectiveness of Section 7(b)(or Section 9(d) pertaining to the Management Agreements), absent the express written stipulation of the parties otherwise.

8. Transfer of Software Licenses. SWS agrees to take all necessary actions on the Distribution Date to transfer and assign to Westwood (i) all applicable software licenses for the authorized use by Westwood of Microsoft Office Professional, Symantec NAV software, NT 4.0 Service, Windows 2000 Server and Norton Antivirus software used by Westwood on the Distribution Date, and (ii) all upgrade protection or maintenance purchased by SWS related to the Symantec NAV and Norton Antivirus licenses (collectively, the "Software Licenses and Maintenance"). Westwood agrees to accept and assume the Software Licenses and Maintenance as of the Distribution Date.

9. General.

(a) Force Majeure. Any delays in or failure of performance by SWS or Westwood shall not constitute a default hereunder if and to the extent such delay or failure of performance is caused by occurrences beyond the reasonable control of SWS or Westwood, as the case may be, including, but not limited to: acts of God or the public enemy; compliance with any order or request of any governmental authority; acts of war; riots or strikes or other concerted acts of personnel; or any other causes beyond the reasonable control of SWS or Westwood, whether or not of the same class or kind as those specifically named above.

(b) Confidentiality. Section 5.6 of the Distribution Agreement shall govern this Agreement.

(c) Notices. All notices and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and, except as noted, shall be deemed given when received addressed as follows:

If to SWS, to:

SWS Group, Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270

Telecopy: (214) 859-6020
Attention: General Counsel

With a copy to:

Gardere Wynne Sewell LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761
Telecopy: (214) 999-4667
Attention: David G. McLane

If to Westwood Management or Westwood Trust, to:

Westwood Management Corporation
or Westwood Trust
300 Crescent Court, Suite 1300
Dallas, Texas 75201
Telecopy: (214) 756-6979
Attention: Brian O. Casey, President

With a copy to:

Locke Liddell & Sapp LLP
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201
Telecopy: (214) 740-8800
Attention: John B. McKnight

(d) Amendments; No Waivers.

(i) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by SWS and Westwood, or in the case of a waiver, by the party against whom the waiver is to be effective.

(ii)No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

(e) Entire Agreement. This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter hereof and thereof. No representation, inducement, promise, understanding, condition or warranty not set forth herein has been made or relied upon by any party hereto. Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder. To the extent that the provisions of this Agreement are inconsistent with the provisions of any other Distribution Document, the provisions of this Agreement shall prevail. The terms of Section 7(b) (as well as the terms of Section 9(d) pertaining to the Management Agreements) shall prevail over any inconsistent terms in the Management Agreements.

(f) Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that neither party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto. If any party or any of its successors or assigns (i) shall consolidate with or merge into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) shall transfer all or substantially all of its properties and assets to any Person, then, and in each such case, proper provisions shall be made so that the successors and assigns of such party shall assume all of the obligations of such party under the Distribution documents and the Management Agreements.

(g) Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of Texas, without regard to the conflicts of laws rules thereof.

(h) Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto.

(i) Jurisdiction. Any Action seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby may be brought in the United States District Court for the Northern District of Texas or any other Texas state court sitting in Dallas County, and each of the parties hereby consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient form. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 9(c) shall be deemed effective service of process on such party.

(j) Existing Arrangements. Except as otherwise contemplated hereby, by the other Distribution Documents or by the Management Agreements, all prior agreements and arrangements, including those relating to goods, rights or services provided or licensed, between the Westwood and the SWS shall be terminated effective as of the Distribution Date, if not theretofore terminated. No such agreements or arrangements shall be in effect after the Distribution Date unless embodied in the Distribution Documents or by the Management Agreements.

(k) Severability. If any one or more of the provisions contained in this Agreement should be declared invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement shall not in any way be affected or impaired thereby so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a declaration, the parties shall modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner so that the transactions contemplated hereby are consummated as originally contemplated to the fullest extent possible.

(l) Captions. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date first above written.

SWS GROUP, INC.

By:_____
Name:_____
Title:_____

WESTWOOD MANAGEMENT CORPORATION

By:_____
Name:_____
Title: _____

WESTWOOD TRUST

By:_____
Name:_____
Title:_____

Signature Page

Schedule 1.1

Information Technology and Equipment Services

SWS agrees to provide to Westwood information technology and equipment services to Westwood in a manner that is consistent with the current support services provided by SWS to Westwood and at a pricing level that is consistent with the pricing provided to other SWS customers. The prices and support services are subject to change based on current practices and market conditions.

Internet Access / Email:

SWS will continue to provide Westwood with internet access for a fee of $600 per month. Westwood will be required to purchase the following items in order to have the equivalent email capabilities it currently has:

Hardware

	$ 2,092.00
Upgrade to 1GB Ram	$ 697.00
5 18 GB Hard Drives	$ 1,530.00
Smart Array 5302/32	$ 984.00
Total Hardware	$ 5,303.00

Software	Qty	Unit Price	Ext. Price	
VLA Windows 2000 Server	1.00	680.39	680.39	
VLA Windows 2000 Client	51.00	27.59	1,407.09	**
Windows 2000 Server with Boot Disk	1.00	23	23.00	
VLA Exchange Server 2000	1.00	644.46	644.46	
VLA Exchange Client 2000	51.00	61.95	3,159.45	**
Exchange Server 20000 English CD Media	1.00	19	19.00	
Total Software			5,933.39	

Less: Licenses to be transferred to Westwood from SWS	
VLA Windows 2000 Client	(1,407.09)
VLA Exchange Client 2000	(3,159.45)
Adjusted Total Software	1,366.85
Grand Total	$ 6,669.85

** The client licenses for Windows 2000 and Exchange are already included in the core licenses per user that are being transferred to Westwood from SWS.

Westwood will continue to be directly connected to SWS's network. As such, Westwood will be provided with SWS's standard virus protection, network security and network monitoring.

Data Lines:

All data line costs that are currently billed to SWS (e.g., T1, circuits, etc.) for the access and use of Westwood will be billed to Westwood at cost. Currently these lines include:

Line	Vendor	Acct #	Circuit ID	Avg Monthly Amount (a)
T1 (300 Crescent Ct to 1201 Elm)	MCI Worldcom	31187-dal	13-odc-3cr-0007	$375.00
ISDN Backup (300 Crescent Ct. to 1201 Elm)	Southwestern Bell Telephone	214-220-0287	11.ibjd.674094	$ 80.00
56K private line to Bloomberg	Southwestern Bell Telephone	510-072-1015	14.XHGS.65394	$ 80.00

(a) Monthly billing is subject to change based on current tariffs and fees.

SWS agrees to work with Westwood in good faith to transfer ownership to, and obligations for, all data lines, including any modifications thereto specified by Westwood, as deemed necessary for Westwood's normal course of business.

SOHO / VPN Connections:

SWS will continue to support all current VPN and SOHO connections for the period of this Agreement.

Westwood will be billed monthly per the following schedule, based on the method of connection:

ISDN Connection	$100 per connection per month
ADSL Connection	$100 per connection per month
Modem / Dial Up Connection	$ 35 per connection per month
VPN Connection	$ 30 per connection per month

Desktop, Server and Application Support:

SWS will provide Westwood with help desk support and trouble ticketing services for a flat fee of $100 per month. In the event that the help desk is unable to provide the assistance requested by Westwood, it will direct the matter to another support department and monitor the services provided by such department, which may include on-site services. If this occurs, SWS will charge Westwood at a rate of $40 per hour, plus out-of-pocket travel expenses.

ILX or Other Equity Quote Services:

SWS will continue to provide ILX or other equity quote services to Westwood for the term of this Agreement for a fee equal to the actual fees charged to SWS by third parties for such services, which may change from time to time.

Equipment Rental:

The equipment attached as Exhibit 1 to this Schedule 1.1 are leased by SWS from Winthrop Resources Corporation as of the date of this Agreement. Westwood will continue to use the equipment set forth on Exhibit 1 until such time the lease relating to such equipment expires. Westwood will be billed monthly by SWS at the rates listed below. Westwood will be subject to the terms and agreements of the Master Lease Agreement between SWS and Winthrop Resources Corporation.

The equipment lease schedules and monthly rent for the equipment leases in effect as of the date of the Agreement are listed below. The monthly rent indicated below includes applicable sales tax.

Lease Schedule	Expiration Date	Monthly Rent
7	4/30/2002	$ 1,010.25
8	7/31/2002	$ 130.71
9	10/31/2002	$ 299.48
10	1/31/2003	$ 444.92
11	3/31/2002	$ 443.49
12	7/31/2002	$ 431.50
13	7/31/2003	$ 1,324.12
14	9/30/2003	$ 719.07
15	11/30/2003	$ 172.96
16	2/28/2004	$ 657.00
17	4/30/2004	$ 126.11
18**	6/30/2004	$ 51.18

** more equipment may be added to this lease schedule pursuant to the terms of the Master Lease Agreement

Website Hosting / Maintenance:

SWS will continue to provide website hosting and co-location services for Westwood's website through SWS Technologies. The current monthly fee for this service is $319.80, including applicable sales tax. Westwood will be billed for this fee separately by SWS Technologies and is subject to its pricing terms, which shall not be less favorable than the fair market value for such services.

SWS will provide website maintenance (e.g., updates, modifications, etc.) for Westwood's website at a rate of $75 per hour plus related out-of-pocket travel expenses.

Disaster Recovery:

Westwood currently performs their own data backup of all servers located at their offices. This process is coordinated by an SWS employee and monitored by Westwood. Following the Distribution Date, Westwood will continue to be responsible for tape storage and monitoring. In the event that Westwood converts to a different method of tape backup, such as Vytal Vault, Westwood will be responsible for the conversion to the new method, including all costs and expenses relating thereto, and SWS will provide any support needed for such conversion. SWS will charge Westwood a fee of $45 per hour for such conversion

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support services.

Any consultation for disaster recovery plan development and testing or Work Place Area recovery will be quoted under a separate agreement.

Schedule 1.2

HUMAN RESOURCES SERVICES

General human resources advisory services involving the evaluation or development of payroll, benefits and compensation programs and systems

Development of employee handbook and pertinent policies

Development of effective human resources practices

Consultation on setting up proper controls to insure human resources compliance with various federal and state employee relations regulations

Guidance on proper interviewing procedures and processes

Assistance in identifying effective recruiting resources

Development of human resources forms and documents

Other general human resources related services

EXHIBIT 10.5

PROMISSORY NOTE AND PLEDGE AGREEMENT

$2,766,960.00 December 14, 2001

FOR VALUE RECEIVED, the undersigned Susan Byrne ("Maker"), hereby promises to pay to the order of WESTWOOD HOLDINGS GROUP, INC., a Delaware Company ("Payee") or holder hereof, at Payee's address, 300 Crescent Court, Suite 1300, Dallas, Texas 75201 or such other address as Payee may designate in writing from time to time, a principal sum of two million seven hundred sixty six thousand, nine hundred sixty and No/100 Dollars ($2,766,960.00) (the "Principal Sum"), together with interest thereon, as provided in this promissory note (this "Note").

For purposes of this Note, the following terms shall have the following definitions:

Maturity Date: the earlier of (i) ninety (90) days after Maker's employment with Payee is terminated (A) by Payee for Cause, or (B) by Maker without Good Reason, or (ii) December 14, 2010.

Cause: (i) dishonesty, fraud or gross insubordination with respect to the business or affairs of Payee or, (ii) conviction of a crime or acceptance of a plea bargain relating to a felony or a misdemeanor if, in the opinion of the Board of Directors, the employee's ability to carry out his/her responsibilities would be materially impaired, or (iii) the violation of any substance abuse policy of Payee that would result in discharge under such policy as applied to Payee's employees generally.

Change of Control: (i) a merger or consolidation of Payee with or into another corporation in which Payee shall not be the surviving corporation (other than a merger undertaken solely in order to reincorporate in another state) (for purposes hereof, Payee shall not be deemed the surviving corporation in any such transaction if, as the result thereof, it becomes a wholly-owned subsidiary of another corporation), (ii) a dissolution of Payee, (iii) a transfer of all or substantially all of the assets of Payee in one transaction or a series of related transactions to one or more other persons or entities, (iv) a transaction or series of transactions that results in any entity, "Person" or "Group" (as defined below), becoming the beneficial owner, directly or indirectly, of securities of Payee representing more than 50% of the combined voting power of Payee's then outstanding securities, or (v) during any period of two (2) consecutive years commencing on or after January 1, 2002, individuals who at the beginning of the period constituted Payee's Board of Directors cease for any reason to constitute at least a majority, unless the election of each director who was not a director at the beginning of the period has been approved in advance by directors representing at least two-thirds (2/3) of the directors then in office who were directors at the beginning of the period; provided, however, that a "Change of Control" shall not be deemed to have occurred if the ownership of 50% or more of the combined voting power of the surviving corporation, asset transferee or Company (as the case may be), after giving effect to the transaction or series of transactions, is directly or indirectly held by (A) a trustee or other fiduciary under an employee benefit plan maintained by Payee, (B) one or more of the "executive officers" of Payee that held such positions prior to the transaction or series of

transactions, or any entity, Person or Group under their control. As used herein, "Person" and "Group" shall have the meanings set forth in Sections 13(d)(3) and/or 14(d)(2) of the Securities Exchange Act of 1934, as amended, and "executive officer" shall have the meaning set forth in Rule 3b-7 promulgated under such Act.

Collateral: 720 shares of common stock of Westwood Holdings Group, Inc.

Good Reason: (i) a resignation occurring within ninety (90) days following a Change in Control; (ii) the relocation of Payee's principal place of business to a location more than 100 miles from its location as of the date of this Note without Maker's consent; or (iii) a material reduction in Maker's salary or bonus opportunity, or Maker's responsibilities.

Interest Rate: 3.93% per annum, compounded semi-annually.

1. Background. Maker has executed this Note to evidence Maker's obligation to repay the Principal Sum together with interest thereon, as provided in Section 2 of this Note, and to provide the Collateral as collateral security for the obligations of Maker evidenced by this Note.

2. Interest. This Note shall bear interest at the Interest Rate set forth above. Maker shall pay all accrued and unpaid interest annually, with the first interest payment date being February 1, 2003, and on the first day of each February thereafter until the Maturity Date.

3. Events of Default; Remedies.

(a) Each of the following shall constitute an "Event of Default" under this Note:

(i) The failure of Maker to pay when due any part of the Principal Sum, interest or other payment required to be made pursuant to this Note.

(ii) The failure of Maker to observe or perform any other obligation set forth in this Note or that certain Stock Purchase Agreement between SWS Group, Inc. ("SWS") and Maker, dated as of December 14, 2001 (the "SPA");

(iii) Any transfer of the Collateral by Maker to SWS as a result of an exercise (A) by SWS of any call right, or (B) by Maker of any put right, pursuant to the terms of the SPA; or

(iv) If Maker (a) makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, of a substantial part of Maker's property; (b) admits in writing Maker's inability to pay his or her debts as they become due; (c) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of Maker's assets, either in a proceeding brought by Maker or in a proceeding brought against Maker and such appointment is not discharged or such possession is not terminated within sixty (60) days after the effective date thereof or he or she consents to or acquiesces in such appointment or possession; (d) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar laws (all of the foregoing hereinafter collectively called "Applicable Bankruptcy Law") or an involuntary petition for relief is filed against Maker under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within sixty (60) days after the filing thereof, or an order for relief naming Maker is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is

requested or consented to by Maker; (e) fails to have discharged within a period of thirty (30) days any attachment, sequestration or similar writ levied upon a substantial part of Maker's property; or (f) fails to pay within thirty (30) days any final money judgment against Maker.

(b) Upon the occurrence and during the continuance of an Event of Default under this Note, Payee may declare the entire unpaid Principal Sum and accrued and unpaid interest on this Note immediately due and payable, without further notice, demand, or presentment, foreclose any liens or security interests securing all or any part hereof, or exercise any other right or remedy to which Payee may be entitled by agreement, at law, or in equity; provided, however, that no Event of Default shall be deemed to have
occurred unless notice of the event giving rise to a potential Event of Default shall have been delivered to Maker and Maker shall have failed to correct or cure such event within fifteen (15) days following his receipt of such notice; provided further, however, that upon any Event of Default
under Section 3(a)(iii) and (iv) hereof, this Note shall automatically become due and payable without necessity of any notice or action on the part of Payee and without the ability of Maker to cure such event. Payee shall have all rights and remedies available to it under the Uniform Commercial Code as adopted in the State of Texas.

5. Costs of Collection. If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings, Maker agrees to pay court costs, reasonable attorneys' fees, and other costs of collection of Payee.

6. Certain Waivers. Maker waives presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration, and notice of protest and nonpayment, and agrees that his liability on this Note shall not be affected by, and hereby consents to, any renewal or extension in the time of payment hereof, any indulgences, or any release or change in any security for the payment of this Note.

7. Pledge Agreement; Partial Release of Collateral. As security for payment of the Principal Sum and any accrued and unpaid interest thereon, Maker hereby grants to Payee a continuing interest in all of Maker's right, title and interest in, to and under the Collateral, which shall be retained by Payee, and all products and proceeds of such Collateral, now existing or hereafter arising (the "Pledge"). The Collateral shall be released from the Pledge upon Maker's payment in full of the Principal Sum, together with all accrued interest thereon. In addition, upon Maker's request, a partial release of the Collateral shall be made provided, however, that Maker delivers cash to Payee in an amount
sufficient to pay the pro-rata portion of the outstanding Principal Sum and any unpaid interest accrued thereon attributable to the Collateral to be released (the "Pro-Rata Debt Amount").

8. ENTIRETY. THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN MAKER AND PAYEE AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9. GOVERNING LAW. THE VALIDITY, CONSTRUCTION, AND ENFORCEABILITY OF THIS NOTE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA.

10. Parties Bound. This Note is binding upon and shall inure to the benefit of Maker, Payee, and their respective successors and assigns. Maker may not assign any of its rights or obligations hereunder without Payee's prior written consent, and any purported assignment thereof without Payee's prior written consent shall be void and ineffective. Payee, upon prior written notice

to Maker, shall be entitled to assign its rights and duties hereunder to any subsequent holder of this Note who shall for all purposes hereof thereafter be "Payee" hereunder the same as if originally named as "Payee" herein.

MAKER:

/s/ SUSAN BYRNE

Susan Byrne

PAYEE:

Westwood Holdings Group, Inc.,
a Delaware corporation

By: /s/ BRIAN O. CASEY

Name: Brian O. Casey

Title: President & COO

EXHIBIT 10.6

PROMISSORY NOTE AND PLEDGE AGREEMENT

$922,320.00 December 14, 2001

FOR VALUE RECEIVED, the undersigned Brian Casey ("Maker"), hereby promises to pay to the order of WESTWOOD HOLDINGS GROUP, INC., a Delaware Company ("Payee") or holder hereof, at Payee's address, 300 Crescent Court, Suite 1300, Dallas, Texas 75201 or such other address as Payee may designate in writing from time to time, a principal sum of nine hundred twenty two thousand, three hundred twenty and No/100 Dollars ($922,320.00) (the "Principal Sum"), together with interest thereon, as provided in this promissory note (this "Note").

For purposes of this Note, the following terms shall have the following definitions:

Maturity Date: the earlier of (i) ninety (90) days after Maker's employment with Payee is terminated (A) by Payee for Cause, or (B) by Maker without Good Reason, or (ii) December 14, 2010.

Cause: (i) dishonesty, fraud or gross insubordination with respect to the business or affairs of Payee or, (ii) conviction of a crime or acceptance of a plea bargain relating to a felony or a misdemeanor if, in the opinion of the Board of Directors, the employee's ability to carry out his/her responsibilities would be materially impaired, or (iii) the violation of any substance abuse policy of Payee that would result in discharge under such policy as applied to Payee's employees generally.

Change of Control: (i) a merger or consolidation of Payee with or into another corporation in which Payee shall not be the surviving corporation (other than a merger undertaken solely in order to reincorporate in another state) (for purposes hereof, Payee shall not be deemed the surviving corporation in any such transaction if, as the result thereof, it becomes a wholly-owned subsidiary of another corporation), (ii) a dissolution of Payee, (iii) a transfer of all or substantially all of the assets of Payee in one transaction or a series of related transactions to one or more other persons or entities, (iv) a transaction or series of transactions that results in any entity, "Person" or "Group" (as defined below), becoming the beneficial owner, directly or indirectly, of securities of Payee representing more than 50% of the combined voting power of Payee's then outstanding securities, or (v) during any period of two (2) consecutive years commencing on or after January 1, 2002, individuals who at the beginning of the period constituted Payee's Board of Directors cease for any reason to constitute at least a majority, unless the election of each director who was not a director at the beginning of the period has been approved in advance by directors representing at least two-thirds (2/3) of the directors then in office who were directors at the beginning of the period; provided, however, that a "Change of Control" shall not be deemed to have occurred if the ownership of 50% or more of the combined voting power of the surviving corporation, asset transferee or Company (as the case may be), after giving effect to the transaction or series of transactions, is directly or indirectly held by (A) a trustee or other fiduciary under an employee benefit plan maintained by Payee, (B) one or more of the "executive officers" of Payee that held such positions prior to the transaction or series of transactions, or any entity, Person or Group under their control. As used herein, "Person" and "Group" shall have the meanings set forth in Sections 13(d)(3) and/or 14(d)(2) of the Securities Exchange Act of 1934, as amended, and "executive officer" shall

have the meaning set forth in Rule 3b-7 promulgated under such Act.

Collateral: 240 shares of common stock of Westwood Holdings Group, Inc.

Good Reason: (i) a resignation occurring within ninety (90) days following a Change in Control; (ii) the relocation of Payee's principal place of business to a location more than 100 miles from its location as of the date of this Note without Maker's consent; or (iii) a material reduction in Maker's salary or bonus opportunity, or Maker's responsibilities.

Interest Rate: 3.93% per annum, compounded semi-annually.

1. Background. Maker has executed this Note to evidence Maker's obligation to repay the Principal Sum together with interest thereon, as provided in Section 2 of this Note, and to provide the Collateral as collateral security for the obligations of Maker evidenced by this Note.

2. Interest. This Note shall bear interest at the Interest Rate set forth above. Maker shall pay all accrued and unpaid interest annually, with the first interest payment date being February 1, 2003, and on the first day of each February thereafter until the Maturity Date.

3. Events of Default; Remedies.

(a) Each of the following shall constitute an "Event of Default" under this Note:

(i) The failure of Maker to pay when due any part of the Principal Sum, interest or other payment required to be made pursuant to this Note.

(ii) The failure of Maker to observe or perform any other obligation set forth in this Note or that certain Stock Purchase Agreement between SWS Group, Inc. ("SWS") and Maker, dated as of December 14, 2001 (the "SPA");

(iii) Any transfer of the Collateral by Maker to SWS as a result of an exercise (A) by SWS of any call right, or (B) by Maker of any put right, pursuant to the terms of the SPA; or

(iv) If Maker (a) makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, of a substantial part of Maker's property; (b) admits in writing Maker's inability to pay his or her debts as they become due; (c) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of Maker's assets, either in a proceeding brought by Maker or in a proceeding brought against Maker and such appointment is not discharged or such possession is not terminated within sixty (60) days after the effective date thereof or he or she consents to or acquiesces in such appointment or possession; (d) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar laws (all of the foregoing hereinafter collectively called "Applicable Bankruptcy Law") or an involuntary petition for relief is filed against Maker under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within sixty (60) days after the filing thereof, or an order for relief naming Maker is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by Maker; (e) fails to have discharged within a period of thirty (30) days any attachment, sequestration or similar writ levied

upon a substantial part of Maker's property; or (f) fails to pay within thirty (30) days any final money judgment against Maker.

(b) Upon the occurrence and during the continuance of an Event of Default under this Note, Payee may declare the entire unpaid Principal Sum and accrued and unpaid interest on this Note immediately due and payable, without further notice, demand, or presentment, foreclose any liens or security interests securing all or any part hereof, or exercise any other right or remedy to which Payee may be entitled by agreement, at law, or in equity; provided, however, that no Event of Default shall be deemed to have occurred unless notice of the event giving rise to a potential Event of Default shall have been delivered to Maker and Maker shall have failed to correct or cure such event within fifteen (15) days following his receipt of such notice; provided further, however, that upon any Event of Default under Section 3(a)(iii) and (iv) hereof, this Note shall automatically become due and payable without necessity of any notice or action on the part of Payee and without the ability of Maker to cure such event. Payee shall have all rights and remedies available to it under the Uniform Commercial Code as adopted in the State of Texas.

5. Costs of Collection. If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings, Maker agrees to pay court costs, reasonable attorneys' fees, and other costs of collection of Payee.

6. Certain Waivers. Maker waives presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration, and notice of protest and nonpayment, and agrees that his liability on this Note shall not be affected by, and hereby consents to, any renewal or extension in the time of payment hereof, any indulgences, or any release or change in any security for the payment of this Note.

7. Pledge Agreement; Partial Release of Collateral. As security for payment of the Principal Sum and any accrued and unpaid interest thereon, Maker hereby grants to Payee a continuing interest in all of Maker's right, title and interest in, to and under the Collateral, which shall be retained by Payee, and all products and proceeds of such Collateral, now existing or hereafter arising (the "Pledge"). The Collateral shall be released from the Pledge upon Maker's payment in full of the Principal Sum, together with all accrued interest thereon. In addition, upon Maker's request, a partial release of the Collateral shall be made provided, however, that Maker delivers cash to Payee in an amount sufficient to pay the pro-rata portion of the outstanding Principal Sum and any unpaid interest accrued thereon attributable to the Collateral to be released (the "Pro-Rata Debt Amount").

8. ENTIRETY. THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN MAKER AND PAYEE AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9. GOVERNING LAW. THE VALIDITY, CONSTRUCTION, AND ENFORCEABILITY OF THIS NOTE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA.

10. Parties Bound. This Note is binding upon and shall inure to the benefit of Maker, Payee, and their respective successors and assigns. Maker may not assign any of its rights or obligations hereunder without Payee's prior written consent, and any purported assignment thereof without Payee's prior written consent shall be void and ineffective. Payee, upon prior written notice to Maker, shall be entitled to assign its rights and duties hereunder to any subsequent holder of this Note who shall for all purposes hereof thereafter be

"Payee" hereunder the same as if originally named as "Payee" herein.

MAKER:

/s/ Brian Casey

Brian Casey

PAYEE:

Westwood Holdings Group, Inc.,
a Delaware corporation

By: /s/ Susan M. Byrne

Name: Susan M. Byrne

Title: Chairman & CEO

EXHIBIT 10.7

PROMISSORY NOTE AND PLEDGE AGREEMENT

$96,075.00 December 14, 2001

FOR VALUE RECEIVED, the undersigned Patricia Fraze ("Maker"), hereby promises to pay to the order of WESTWOOD HOLDINGS GROUP, INC., a Delaware Company ("Payee") or holder hereof, at Payee's address, 300 Crescent Court, Suite 1300, Dallas, Texas 75201 or such other address as Payee may designate in writing from time to time, a principal sum of ninety six thousand, seventy five and No/100 Dollars ($96,075.00) (the "Principal Sum"), together with interest thereon, as provided in this promissory note (this "Note").

For purposes of this Note, the following terms shall have the following definitions:

Maturity Date: the earlier of (i) ninety (90) days after Maker's employment with Payee is terminated (A) by Payee for Cause, or (B) by Maker without Good Reason, or (ii) December 14, 2010.

Cause: (i) dishonesty, fraud or gross insubordination with respect to the business or affairs of Payee or, (ii) conviction of a crime or acceptance of a plea bargain relating to a felony or a misdemeanor if, in the opinion of the Board of Directors, the employee's ability to carry out his/her responsibilities would be materially impaired, or (iii) the violation of any substance abuse policy of Payee that would result in discharge under such policy as applied to Payee's employees generally.

Change of Control: (i) a merger or consolidation of Payee with or into another corporation in which Payee shall not be the surviving corporation (other than a merger undertaken solely in order to reincorporate in another state) (for purposes hereof, Payee shall not be deemed the surviving corporation in any such transaction if, as the result thereof, it becomes a wholly-owned subsidiary of another corporation), (ii) a dissolution of Payee, (iii) a transfer of all or substantially all of the assets of Payee in one transaction or a series of related transactions to one or more other persons or entities, (iv) a transaction or series of transactions that results in any entity, "Person" or "Group" (as defined below), becoming the beneficial owner, directly or indirectly, of securities of Payee representing more than 50% of the combined voting power of Payee's then outstanding securities, or (v) during any period of two (2) consecutive years commencing on or after January 1, 2002, individuals who at the beginning of the period constituted Payee's Board of Directors cease for any reason to constitute at least a majority, unless the election of each director who was not a director at the beginning of the period has been approved in advance by directors representing at least two-thirds (2/3) of the directors then in office who were directors at the beginning of the period; provided, however, that a "Change of Control" shall not be deemed to have occurred if the ownership of 50% or more of the combined voting power of the surviving corporation, asset transferee or Company (as the case may be), after giving effect to the transaction or series of transactions, is directly or indirectly held by (A) a trustee or other fiduciary under an employee benefit plan maintained by Payee, (B) one or more of the "executive officers" of Payee that held such positions prior to the transaction or series of transactions, or any entity, Person or Group under their control. As used herein, "Person" and "Group" shall have the meanings set forth in Sections 13(d)(3) and/or 14(d)(2) of the Securities Exchange Act of 1934, as amended, and "executive officer" shall

have the meaning set forth in Rule 3b-7 promulgated under such Act .

Collateral: 25 shares of common stock of Westwood Holdings Group, Inc.

Good Reason: (i) a resignation occurring within ninety (90) days following a Change in Control; (ii) the relocation of Payee's principal place of business to a location more than 100 miles from its location as of the date of this Note without Maker's consent; or (iii) a material reduction in Maker's salary or bonus opportunity, or Maker's responsibilities.

Interest Rate: 3.93% per annum, compounded semi-annually.

1. Background. Maker has executed this Note to evidence Maker's obligation to repay the Principal Sum together with interest thereon, as provided in Section 2 of this Note, and to provide the Collateral as collateral security for the obligations of Maker evidenced by this Note.

2. Interest. This Note shall bear interest at the Interest Rate set forth above. Maker shall pay all accrued and unpaid interest annually, with the first interest payment date being February 1, 2003, and on the first day of each February thereafter until the Maturity Date.

3. Events of Default; Remedies.

(a) Each of the following shall constitute an "Event of Default" under this Note:

(i) The failure of Maker to pay when due any part of the Principal Sum, interest or other payment required to be made pursuant to this Note.

(ii) The failure of Maker to observe or perform any other obligation set forth in this Note or that certain Stock Purchase Agreement between SWS Group, Inc. ("SWS") and Maker, dated as of December 14, 2001 (the "SPA");

(iii) Any transfer of the Collateral by Maker to SWS as a result of an exercise (A) by SWS of any call right, or (B) by Maker of any put right, pursuant to the terms of the SPA; or

(iv) If Maker (a) makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, of a substantial part of Maker's property; (b) admits in writing Maker's inability to pay his or her debts as they become due; (c) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of Maker's assets, either in a proceeding brought by Maker or in a proceeding brought against Maker and such appointment is not discharged or such possession is not terminated within sixty (60) days after the effective date thereof or he or she consents to or acquiesces in such appointment or possession; (d) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar laws (all of the foregoing hereinafter collectively called "Applicable Bankruptcy Law") or an involuntary petition for relief is filed against Maker under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within sixty (60) days after the filing thereof, or an order for relief naming Maker is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by Maker; (e) fails to have discharged within a period of thirty (30) days any attachment, sequestration or similar writ levied upon a substantial part of Maker's property; or (f) fails to pay within thirty (30) days any final money judgment

against Maker.

(b) Upon the occurrence and during the continuance of an Event of Default under this Note, Payee may declare the entire unpaid Principal Sum and accrued and unpaid interest on this Note immediately due and payable, without further notice, demand, or presentment, foreclose any liens or security interests securing all or any part hereof, or exercise any other right or remedy to which Payee may be entitled by agreement, at law, or in equity; provided, however, that no Event of Default shall be deemed to have
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occurred unless notice of the event giving rise to a potential Event of Default shall have been delivered to Maker and Maker shall have failed to correct or cure such event within fifteen (15) days following his receipt of such notice; provided further, however, that upon any Event of Default
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under Section 3(a)(iii) and (iv) hereof, this Note shall automatically become due and payable without necessity of any notice or action on the part of Payee and without the ability of Maker to cure such event. Payee shall have all rights and remedies available to it under the Uniform Commercial Code as adopted in the State of Texas.

5. Costs of Collection. If this Note is placed in the hands of an
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attorney for collection, or if it is collected through any legal proceedings, Maker agrees to pay court costs, reasonable attorneys' fees, and other costs of collection of Payee.

6. Certain Waivers. Maker waives presentment and demand for payment,
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protest, notice of intention to accelerate, notice of acceleration, and notice of protest and nonpayment, and agrees that his liability on this Note shall not be affected by, and hereby consents to, any renewal or extension in the time of payment hereof, any indulgences, or any release or change in any security for the payment of this Note.

7. Pledge Agreement; Partial Release of Collateral. As security for
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payment of the Principal Sum and any accrued and unpaid interest thereon, Maker hereby grants to Payee a continuing interest in all of Maker's right, title and interest in, to and under the Collateral, which shall be retained by Payee, and all products and proceeds of such Collateral, now existing or hereafter arising (the "Pledge"). The Collateral shall be released from the Pledge upon Maker's payment in full of the Principal Sum, together with all accrued interest thereon. In addition, upon Maker's request, a partial release of the Collateral shall be made provided, however, that Maker delivers cash to Payee in an amount
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sufficient to pay the pro-rata portion of the outstanding Principal Sum and any unpaid interest accrued thereon attributable to the Collateral to be released (the "Pro-Rata Debt Amount").

8. ENTIRETY. THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN MAKER AND

PAYEE AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9. GOVERNING LAW. THE VALIDITY, CONSTRUCTION, AND ENFORCEABILITY OF THIS

NOTE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA.

10. Parties Bound. This Note is binding upon and shall inure to the
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benefit of Maker, Payee, and their respective successors and assigns. Maker may not assign any of its rights or obligations hereunder without Payee's prior written consent, and any purported assignment thereof without Payee's prior written consent shall be void and ineffective. Payee, upon prior written notice to Maker, shall be entitled to assign its rights and duties hereunder to any subsequent holder of this Note who shall for all purposes hereof thereafter be "Payee" hereunder the same as if originally named as "Payee" herein.

MAKER:

/s/ PATRICIA FRAZE

Patricia Fraze

PAYEE:

Westwood Holdings Group, Inc.,
a Delaware corporation

By: /s/ BRIAN O. CASEY

Name: Brian O. Casey

Title: President & COO

EXHIBIT 10.8

PROMISSORY NOTE AND PLEDGE AGREEMENT

$153,720.00 December 14, 2001

FOR VALUE RECEIVED, the undersigned Lynda Calkin ("Maker"), hereby promises to pay to the order of WESTWOOD HOLDINGS GROUP, INC., a Delaware Company ("Payee") or holder hereof, at Payee's address, 300 Crescent Court, Suite 1300, Dallas, Texas 75201 or such other address as Payee may designate in writing from time to time, a principal sum of one hundred fifty three thousand, seven hundred twenty and No/100 Dollars ($153,720.00) (the "Principal Sum"), together with interest thereon, as provided in this promissory note (this "Note").

For purposes of this Note, the following terms shall have the following definitions:

Maturity Date: the earlier of (i) ninety (90) days after Maker's employment with Payee is terminated (A) by Payee for Cause, or (B) by Maker without Good Reason, or (ii) December 14, 2010.

Cause: (i) dishonesty, fraud or gross insubordination with respect to the business or affairs of Payee or, (ii) conviction of a crime or acceptance of a plea bargain relating to a felony or a misdemeanor if, in the opinion of the Board of Directors, the employee's ability to carry out his/her responsibilities would be materially impaired, or (iii) the violation of any substance abuse policy of Payee that would result in discharge under such policy as applied to Payee's employees generally.

Change of Control: (i) a merger or consolidation of Payee with or into another corporation in which Payee shall not be the surviving corporation (other than a merger undertaken solely in order to reincorporate in another state) (for purposes hereof, Payee shall not be deemed the surviving corporation in any such transaction if, as the result thereof, it becomes a wholly-owned subsidiary of another corporation), (ii) a dissolution of Payee, (iii) a transfer of all or substantially all of the assets of Payee in one transaction or a series of related transactions to one or more other persons or entities, (iv) a transaction or series of transactions that results in any entity, "Person" or "Group" (as defined below), becoming the beneficial owner, directly or indirectly, of securities of Payee representing more than 50% of the combined voting power of Payee's then outstanding securities, or (v) during any period of two (2) consecutive years commencing on or after January 1, 2002, individuals who at the beginning of the period constituted Payee's Board of Directors cease for any reason to constitute at least a majority, unless the election of each director who was not a director at the beginning of the period has been approved in advance by directors representing at least two-thirds (2/3) of the directors then in office who were directors at the beginning of the period; provided, however, that a "Change of Control" shall not be deemed to have occurred if the ownership of 50% or more of the combined voting power of the surviving corporation, asset transferee or Company (as the case may be), after giving effect to the transaction or series of transactions, is directly or indirectly held by (A) a trustee or other fiduciary under an employee benefit plan maintained by Payee, (B) one or more of the "executive officers" of Payee that held such positions prior to the transaction or series of

transactions, or any entity, Person or Group under their control. As used herein, "Person" and "Group" shall have the meanings set forth in Sections 13(d)(3) and/or 14(d)(2) of the Securities Exchange Act of 1934, as amended, and "executive officer" shall have the meaning set forth in Rule 3b-7 promulgated under such Act.

Collateral: 40 shares of common stock of Westwood Holdings Group, Inc.

Good Reason: (i) a resignation occurring within ninety (90) days following a Change in Control; (ii) the relocation of Payee's principal place of business to a location more than 100 miles from its location as of the date of this Note without Maker's consent; or (iii) a material reduction in Maker's salary or bonus opportunity, or Maker's responsibilities.

Interest Rate: 3.93% per annum, compounded semi-annually.

1. Background. Maker has executed this Note to evidence Maker's obligation to repay the Principal Sum together with interest thereon, as provided in Section 2 of this Note, and to provide the Collateral as collateral security for the obligations of Maker evidenced by this Note.

2. Interest. This Note shall bear interest at the Interest Rate set forth above. Maker shall pay all accrued and unpaid interest annually, with the first interest payment date being February 1, 2003, and on the first day of each February thereafter until the Maturity Date.

3. Events of Default; Remedies.

(a) Each of the following shall constitute an "Event of Default" under this Note:

(i) The failure of Maker to pay when due any part of the Principal Sum, interest or other payment required to be made pursuant to this Note.

(ii) The failure of Maker to observe or perform any other obligation set forth in this Note or that certain Stock Purchase Agreement between SWS Group, Inc. ("SWS") and Maker, dated as of December 14, 2001 (the "SPA");

(iii) Any transfer of the Collateral by Maker to SWS as a result of an exercise (A) by SWS of any call right, or (B) by Maker of any put right, pursuant to the terms of the SPA; or

(iv) If Maker (a) makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, of a substantial part of Maker's property; (b) admits in writing Maker's inability to pay his or her debts as they become due; (c) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of Maker's assets, either in a proceeding brought by Maker or in a proceeding brought against Maker and such appointment is not discharged or such possession is not terminated within sixty (60) days after the effective date thereof or he or she consents to or acquiesces in such appointment or possession; (d) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar laws (all of the foregoing hereinafter collectively called "Applicable Bankruptcy Law") or an involuntary petition for relief is filed against Maker under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within sixty (60) days after the filing thereof, or an order for relief naming Maker is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is

requested or consented to by Maker; (e) fails to have discharged within a period of thirty (30) days any attachment, sequestration or similar writ levied upon a substantial part of Maker's property; or (f) fails to pay within thirty (30) days any final money judgment against Maker.

(b) Upon the occurrence and during the continuance of an Event of Default under this Note, Payee may declare the entire unpaid Principal Sum and accrued and unpaid interest on this Note immediately due and payable, without further notice, demand, or presentment, foreclose any liens or security interests securing all or any part hereof, or exercise any other right or remedy to which Payee may be entitled by agreement, at law, or in equity; provided, however, that no Event of Default shall be deemed to have
occurred unless notice of the event giving rise to a potential Event of Default shall have been delivered to Maker and Maker shall have failed to correct or cure such event within fifteen (15) days following his receipt of such notice; provided further, however, that upon any Event of Default
under Section 3(a)(iii) and (iv) hereof, this Note shall automatically become due and payable without necessity of any notice or action on the part of Payee and without the ability of Maker to cure such event. Payee shall have all rights and remedies available to it under the Uniform Commercial Code as adopted in the State of Texas.

5. Costs of Collection. If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings, Maker agrees to pay court costs, reasonable attorneys' fees, and other costs of collection of Payee.

6. Certain Waivers. Maker waives presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration, and notice of protest and nonpayment, and agrees that his liability on this Note shall not be affected by, and hereby consents to, any renewal or extension in the time of payment hereof, any indulgences, or any release or change in any security for the payment of this Note.

7. Pledge Agreement; Partial Release of Collateral. As security for payment of the Principal Sum and any accrued and unpaid interest thereon, Maker hereby grants to Payee a continuing interest in all of Maker's right, title and interest in, to and under the Collateral, which shall be retained by Payee, and all products and proceeds of such Collateral, now existing or hereafter arising (the "Pledge"). The Collateral shall be released from the Pledge upon Maker's payment in full of the Principal Sum, together with all accrued interest thereon. In addition, upon Maker's request, a partial release of the Collateral shall be made provided, however, that Maker delivers cash to Payee in an amount
sufficient to pay the pro-rata portion of the outstanding Principal Sum and any unpaid interest accrued thereon attributable to the Collateral to be released (the "Pro-Rata Debt Amount").

8. ENTIRETY. THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN MAKER AND PAYEE AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9. GOVERNING LAW. THE VALIDITY, CONSTRUCTION, AND ENFORCEABILITY OF THIS NOTE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA.

10. Parties Bound. This Note is binding upon and shall inure to the benefit of Maker, Payee, and their respective successors and assigns. Maker may not assign any of its rights or obligations hereunder without Payee's prior written consent, and any purported assignment thereof without Payee's prior written consent shall be void and ineffective. Payee, upon prior written notice

to Maker, shall be entitled to assign its rights and duties hereunder to any subsequent holder of this Note who shall for all purposes hereof thereafter be "Payee" hereunder the same as if originally named as "Payee" herein.

MAKER:

/s/ LYNDA CALKIN

Lynda Calkin

PAYEE:

Westwood Holdings Group, Inc.,
a Delaware corporation

By: /s/ BRIAN O. CASEY

Name: Brian O. Casey

Title: President & COO

EXHIBIT 10.9

PROMISSORY NOTE AND PLEDGE AGREEMENT

$153,720.00 December 14, 2001

FOR VALUE RECEIVED, the undersigned Joyce Schaer ("Maker"), hereby promises to pay to the order of WESTWOOD HOLDINGS GROUP, INC., a Delaware Company ("Payee") or holder hereof, at Payee's address, 300 Crescent Court, Suite 1300, Dallas, Texas 75201 or such other address as Payee may designate in writing from time to time, a principal sum of one hundred fifty three thousand, seven hundred twenty and No/100 Dollars ($153,720.00) (the "Principal Sum"), together with interest thereon, as provided in this promissory note (this "Note").

For purposes of this Note, the following terms shall have the following definitions:

Maturity Date: the earlier of (i) ninety (90) days after Maker's employment with Payee is terminated (A) by Payee for Cause, or (B) by Maker without Good Reason, or (ii) December 14, 2010.

Cause: (i) dishonesty, fraud or gross insubordination with respect to the business or affairs of Payee or, (ii) conviction of a crime or acceptance of a plea bargain relating to a felony or a misdemeanor if, in the opinion of the Board of Directors, the employee's ability to carry out his/her responsibilities would be materially impaired, or (iii) the violation of any substance abuse policy of Payee that would result in discharge under such policy as applied to Payee's employees generally.

Change of Control: (i) a merger or consolidation of Payee with or into another corporation in which Payee shall not be the surviving corporation (other than a merger undertaken solely in order to reincorporate in another state) (for purposes hereof, Payee shall not be deemed the surviving corporation in any such transaction if, as the result thereof, it becomes a wholly-owned subsidiary of another corporation), (ii) a dissolution of Payee, (iii) a transfer of all or substantially all of the assets of Payee in one transaction or a series of related transactions to one or more other persons or entities, (iv) a transaction or series of transactions that results in any entity, "Person" or "Group" (as defined below), becoming the beneficial owner, directly or indirectly, of securities of Payee representing more than 50% of the combined voting power of Payee's then outstanding securities, or (v) during any period of two (2) consecutive years commencing on or after January 1, 2002, individuals who at the beginning of the period constituted Payee's Board of Directors cease for any reason to constitute at least a majority, unless the election of each director who was not a director at the beginning of the period has been approved in advance by directors representing at least two-thirds (2/3) of the directors then in office who were directors at the beginning of the period; provided, however, that a "Change of Control" shall not be deemed to have occurred if the ownership of 50% or more of the combined voting power of the surviving corporation, asset transferee or Company (as the case may be), after giving effect to the transaction or series of transactions, is directly or indirectly held by (A) a trustee or other fiduciary under an employee benefit plan maintained by Payee, (B) one or more of the "executive officers" of Payee that held such positions prior to the transaction or series of transactions, or any entity, Person or Group under their control. As used herein, "Person" and "Group" shall have the meanings set forth in Sections 13(d)(3) and/or 14(d)(2) of the Securities Exchange Act of 1934, as amended, and "executive officer" shall have the meaning set forth in Rule 3b-7 promulgated under such Act .

Collateral: 40 shares of common stock of Westwood Holdings Group, Inc.

Good Reason: (i) a resignation occurring within ninety (90) days following a Change in Control; (ii) the relocation of Payee's principal place of business to a location more than 100 miles from its location as of the date of this Note without Maker's consent; or (iii) a material reduction in Maker's salary or bonus opportunity, or Maker's responsibilities.

Interest Rate: 3.93% per annum, compounded semi-annually.

1. Background. Maker has executed this Note to evidence Maker's obligation to repay the Principal Sum together with interest thereon, as provided in Section 2 of this Note, and to provide the Collateral as collateral security for the obligations of Maker evidenced by this Note.

2. Interest. This Note shall bear interest at the Interest Rate set forth above. Maker shall pay all accrued and unpaid interest annually, with the first interest payment date being February 1, 2003, and on the first day of each February thereafter until the Maturity Date.

3. Events of Default; Remedies.

(a) Each of the following shall constitute an "Event of Default" under this Note:

(i) The failure of Maker to pay when due any part of the Principal Sum, interest or other payment required to be made pursuant to this Note.

(ii) The failure of Maker to observe or perform any other obligation set forth in this Note or that certain Stock Purchase Agreement between SWS Group, Inc. ("SWS") and Maker, dated as of December 14, 2001 (the "SPA");

(iii) Any transfer of the Collateral by Maker to SWS as a result of an exercise (A) by SWS of any call right, or (B) by Maker of any put right, pursuant to the terms of the SPA; or

(iv) If Maker (a) makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, of a substantial part of Maker's property; (b) admits in writing Maker's inability to pay his or her debts as they become due; (c) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of Maker's assets, either in a proceeding brought by Maker or in a proceeding brought against Maker and such appointment is not discharged or such possession is not terminated within sixty (60) days after the effective date thereof or he or she consents to or acquiesces in such appointment or possession; (d) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar laws (all of the foregoing hereinafter collectively called "Applicable Bankruptcy Law") or an involuntary petition for relief is filed against Maker under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within sixty (60) days after the filing thereof, or an order for relief naming Maker is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by Maker; (e) fails to have discharged within a period of thirty (30) days any attachment, sequestration or similar writ levied upon a substantial part of Maker's property; or (f) fails to pay within thirty (30) days any final money judgment against Maker.

(b) Upon the occurrence and during the continuance of an Event of Default under this Note, Payee may declare the entire unpaid Principal Sum and accrued and unpaid interest on this Note immediately due and payable, without further notice, demand, or presentment, foreclose any liens or security interests securing all or any part hereof, or exercise any other right or remedy to which Payee may be entitled by agreement, at law, or in equity; provided, however, that no Event of Default shall be deemed to have occurred unless notice of the event giving rise to a potential Event of Default shall have been delivered to Maker and Maker shall have failed to correct or cure such event within fifteen (15) days following his receipt of such notice; provided further, however, that upon any Event of Default under Section 3(a)(iii) and (iv) hereof, this Note shall automatically become due and payable without necessity of any notice or action on the part of Payee and without the ability of Maker to cure such event. Payee shall have all rights and remedies available to it under the Uniform Commercial Code as adopted in the State of Texas.

5. Costs of Collection. If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings, Maker agrees to pay court costs, reasonable attorneys' fees, and other costs of collection of Payee.

6. Certain Waivers. Maker waives presentment and demand for payment, protest, notice of intention to accelerate, notice of acceleration, and notice of protest and nonpayment, and agrees that his liability on this Note shall not be affected by, and hereby consents to, any renewal or extension in the time of payment hereof, any indulgences, or any release or change in any security for the payment of this Note.

7. Pledge Agreement; Partial Release of Collateral. As security for payment of the Principal Sum and any accrued and unpaid interest thereon, Maker hereby grants to Payee a continuing interest in all of Maker's right, title and interest in, to and under the Collateral, which shall be retained by Payee, and all products and proceeds of such Collateral, now existing or hereafter arising (the "Pledge"). The Collateral shall be released from the Pledge upon Maker's payment in full of the Principal Sum, together with all accrued interest thereon. In addition, upon Maker's request, a partial release of the Collateral shall be made provided, however, that Maker delivers cash to Payee in an amount sufficient to pay the pro-rata portion of the outstanding Principal Sum and any unpaid interest accrued thereon attributable to the Collateral to be released (the "Pro-Rata Debt Amount").

8. ENTIRETY. THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN MAKER AND PAYEE AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9. GOVERNING LAW. THE VALIDITY, CONSTRUCTION, AND ENFORCEABILITY OF THIS NOTE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA.

10. Parties Bound. This Note is binding upon and shall inure to the benefit of Maker, Payee, and their respective successors and assigns. Maker may not assign any of its rights or obligations hereunder without Payee's prior written consent, and any purported assignment thereof without Payee's prior written consent shall be void and ineffective. Payee, upon prior written notice to Maker, shall be entitled to assign its rights and duties hereunder to any subsequent holder of this Note who shall for all purposes hereof thereafter be "Payee" hereunder the same as if originally named as "Payee" herein.

MAKER:

/s/ JOYCE SCHAER

Joyce Schaer

PAYEE:

Westwood Holdings Group, Inc.,
a Delaware corporation

By: /s/ BRIAN O. CASEY

Name: Brian O. Casey

Title: President & COO

EXHIBIT 10.10

[ROSEWOOD PROPERTY COMPANY]

THE CRESCENT

OFFICE LEASE

WESTWOOD MANAGEMENT CORP.

April 4, 1990

INDEX

[ROSEWOOD PROPERTY COMPANY]
Office Lease

THIS LEASE (herein so called) is made as of the 9/th/ day of April, 1990, by and between The Crescent, a Texas joint venture ("Landlord"), and the Tenant named below.

WITNESSETH:

1. Basic Provisions.

(a)	Tenant	Westwood Management Corp. a New York corporation 300 Crescent Court, Suite 1110 Dallas, Texas 75201
(b)	Premises:	Suite 1110, 300 Crescent Court, Dallas, Texas 75201. Approximate Rentable Area: 1,621 square feet (RA). Approximate Usable Area: 1,429 square feet (UA).
(c)	Basic Rental:	$2,499.04. per month; annual rental rate per square foot (RA): $18.50
(d)	Security Deposit:	$2,499.04
(e)	Lease Term	5 years
(f)	Estimated Commencement Date	 July 1, 1990
(g)	Finish Allowance:	$6.00
(h)	Operating Expense Stop:	$5.10
(i)	Permitted Use:	General office
(j)	Parking Card Purchase:	1 reserved 1 nonreserved

2. Lease Grant. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises described above, which are shown in Exhibit A-1 attached hereto. The Premises are located in the building described above (which, including the remaining two office towers in The Crescent project and associate common and service areas, is referred to in this Lease as the "Office Building"), located on the real property described in Exhibit A-2 attached hereto. The Office Building is part of a multi-use project (the "Project") known as The Crescent in Dallas, Dallas County, Texas. This Lease is granted subject to the terms hereof, the rights an interests of third parties under existing liens, easements and encumbrances affecting such property, all zoning regulations, rules, ordinances, building restrictions and other laws and regulations now in effect or hereafter adopted by any governmental authority having jurisdiction over the Project or any part thereof.

3. Lease Term. This Lease shall be for the term of years described above, commencing on the later of (a) the Estimated Commencement Date set forth in Paragraph 1 or (b) ten (10) days after Landlord's substantial completion of the Finish Work (as hereinafter defined) in the Premises (as described in Exhibit B attached hereto), but if Tenant takes possession of the Premises for the conduct of business before either such date, then the Lease Term shall commence on the date Tenant in fact occupies the Premises. The date the Lease Term commences shall be referred to in this Lease as the "Commencement Date." If the Lease Term expires on a date other than the last day of a calendar month, Landlord and Tenant shall be deemed to have agreed that the Lease Term shall be extended through the last day of the calendar month in which the termination date falls.

4. Construction of Finish Work in Premises. Landlord agrees to construct leasehold improvements (the "Finish Work") in a good and workmanlike manner in and upon the Premises at its sole cost and expense so long as the cost

of the Finish Work does not exceed $6.00 per square foot of Rentable Area of the Premises (the "Allowance") in accordance with construction drawings approved by Landlord and Tenant. Based on the plans and specifications dated February 23, 1990 (and revised 4/5/90), prepared by Staffelbach Designs and Associates, Inc., costs to be paid by Tenant to Landlord in excess of the Allowance for the construction of the Finish Work shall not exceed $7,000.00 and shall be paid by Tenant to Landlord promptly upon demand prior to Landlord's commencing construction. Change orders requested by Tenant and approved by Landlord after construction has commenced and which increase the cost of construction shall be paid by Tenant to Landlord promptly upon demand. If Landlord is delayed in completing such construction within the specified time, the delay in commencement of Tenant's obligation to pay rent hereunder shall constitute full settlement of all claims that Tenant may have against Landlord based on the delay. If Landlord is unable to complete the Finish Work within the specified time due to a delay caused by Tenant or for any other cause related to Tenant's acts or omissions, Tenant's rental obligations under this Lease shall begin on the date on which Landlord would have delivered possession of the Premises to Tenant absent such delay, and such date shall be the Commencement Date.

5. Tenant's Basic Rental Obligation.

(a) Basic Rental. Beginning on the Commencement Date, Tenant shall pay to Landlord the Basic Rental without demand, deduction or setoff, for each month of the entire Lease Term. If the day on which Basic Rental is first due is other than the first day of a calendar month, rent for such partial month shall be prorated on a daily basis. All Basic Rental shall be paid by Tenant to Landlord in advance on or before the first day of each calendar month during the Lease Term. All rental and other payments which are due hereunder shall be made payable to Landlord. Tenant agrees to pay said rental and other payments to Landlord at P.O. Box 840008, Dallas, Texas 75284, or at such other place as may from time to time be designated

in writing by Landlord, in lawful money of the United States of America without any prior demand therefor and without any deduction or setoff whatsoever.

(b) Security Deposit. Tenant shall deposit with Landlord the amount shown above as a Security Deposit contemporaneously with the execution hereof. Tenant's Security Deposit shall be held in accordance with the terms of Paragraph 19(k).

6. Tenant's Additional Rental Obligation.

(a) Additional Rental. Tenant's Basic Rental is based, in part, upon the estimate that annual Actual Operating Expenses (defined below) for the Office Building (based upon the Office Building being fully occupied) will be equal to the Operating Expense Stop. Tenant shall during the Lease Term pay as an adjustment to Basic Rental hereunder an amount (the "Additional Rental") equal to Tenant's proportionate share of the excess from time to time of Actual Operating Expenses over the Operating Expense Stop. Beginning on the Commencement Date, Tenant shall pay to Landlord each calendar year the Additional Rental. Additional Rental shall be prorated on a daily basis for each partial calendar year in the Lease Term. Tenant's proportionate share shall be based on the ratio which the Rentable Area in the Premises (adjusted for office expansions) bears to the Rentable Area within the Office Building of 1,134,826 square feet. In connection with any remeasuring and recalculation of any Rentable Area in the Office Building, Landlord shall utilize the measurement standards promulgated by the Building Owners and Managers Association.

(b) Adjustment of Actual Operating Expenses. Notwithstanding any language herein to the contrary, if the Office Building is not fully occupied during any calendar year of the Lease Term, Actual Operating Expenses shall be determined as if the Office Building had been fully occupied during such year. For the purposes of this Lease, "fully occupied" shall mean occupancy of one hundred percent (100%) of the Rentable Area in the Office Building.

(c) Actual Operating Expenses Enumerated. Actual Operating

Expenses shall include all expenses, costs and disbursements of every kind and nature incurred or paid by Landlord in connection with the ownership and/or the operation, maintenance, repair and security of the Office Building, including (without limitation) such expenses as utility costs (other than electricity), wages, landscaping, maintenance and repair costs, costs of independent contractors, fees (other than legal fees directly related to leasing activities of Landlord), insurance premiums and real estate taxes and other governmental assessments. Actual Operating Expenses shall exclude the capitalized cost of permanent improvements (other than those installed to reduce operating costs or as may be required by law); interest, amortization or other payments on loans to Landlord (other than that incurred to finance items which are included in Actual Operating Expenses); all costs reimbursed to Landlord out of insurance proceeds or from tenants or other sources not affiliated with Landlord; and depreciation of the Office Building. Operating expenses incurred in connection with the Project which are partially allocable to the Office Building and associated land and common and service areas shall be allocated by Landlord reasonably among the phases of Project operations, in accordance with generally accepted accounting principles consistently applied.

(d) Estimated Actual Operating Expenses. Landlord shall have the right to estimate Additional Rental to accrue hereunder and Tenant shall pay to Landlord the amount of such estimate monthly with Tenant's Basic Rental payments. If Landlord estimates Additional Rental in advance, then by each April 1 during the Lease Term or as soon thereafter as practical, Landlord shall furnish to Tenant a statement of Landlord's Actual Operating Expenses for the previous calendar year. If for any calendar year Tenant's Additional Rental collected for the prior year, as a result of payment of Tenant's estimated Additional Rental, is in excess of Tenant's Additional Rental actually due during such prior year, then, so long as Tenant is not in default hereunder, Landlord shall refund to Tenant any overpayment (or, at Landlord's option, apply such amount against rentals due or to become due hereunder). Likewise, Tenant shall pay to Landlord, on demand, any underpayment with respect to the prior year.

7. Landlord's Obligations.

(a) Water, Heat, Air Conditioning, Janitorial and Elevator Service and Maintenance Obligations. Subject to the limitations hereinafter set forth, Landlord agrees to furnish Tenant while occupying the Premises and while Tenant is not in default under this Lease: (i) water (hot and cold) at those points of supply provided for general use of tenants of the Office Building; (ii) building standard heat and air conditioning in season, as determined by Landlord, weekdays (other than holidays) between 7:00 a.m. and 7:00 p.m., and Saturdays between 7:00 a.m. and 1:00 p.m., at such temperatures and in such amounts as are reasonably considered by Landlord to be standard (Landlord shall only furnish heat and air conditioning weekdays after 7:00 p.m., on Saturdays after 1:00 p.m., and on Sundays and holidays at the written request of Tenant, and at Tenant's cost payable within fifteen (15) days after receipt of an invoice); (iii) building standard janitorial service on weekdays other than holidays for Office Building installations and building standard window washing; (iv) operatorless passenger elevators for ingress and egress to the floor on which the Premises are located; and (v) replacement of building standard light bulbs and fluorescent tubes, but Landlord's standard charge for such bulbs and tubes shall be paid by Tenant. Landlord additionally agrees to maintain in the office tower in which the Premises are located the exterior walls, roof, windows, structural steel, load-bearing nondemising walls, floors below the level of Tenant's floor covering and the HVAC, electrical and plumbing systems serving the Premises, but located outside the Premises, subject to the terms and conditions of this Lease which may limit Landlord's maintenance, repair and rebuilding obligations under various circumstances.

(b) Electrical Service. Subject to the current limitations set forth in Exhibit C attached hereto, Landlord shall provide electrical current required for the operation of the Premises. Tenant shall pay to Landlord Tenant's allocable share of the cost of providing electrical current to the

Office Building during the Lease Term. Such cost shall be allocated by Landlord between the provision of electrical current for lighting, cooling and heating the common and service areas associated with the Office Building and the provision of electrical current to tenant-occupied areas in the Office Building. Tenant's allocable share of the former shall be based on the ratio under Paragraph 6(a). Tenant's allocable share of the latter shall be the ratio which the number of square feet of Rentable Area in the Premises bears to the total number of square feet of all Rentable Area occupied by tenants in the Office Building from time to time.

(c) Interruption of Services. Failure to any extent to make available, or any slow-down, stoppage or interruption of any services described in this paragraph, resulting from any cause whatsoever (other than Landlord's gross negligence) shall not render Landlord liable in any respect for damages, nor be construed as an eviction of Tenant, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any service being furnished by Landlord be interrupted for any cause whatsoever, Tenant shall notify Landlord and Landlord shall use reasonable diligence to restore such service promptly. Tenant shall be entitled to an equitable diminution of rent based upon the percentage area of the Premises which is rendered unfit for occupancy for the Permitted Use, if such interruption or termination of service continues for more than ten (10) consecutive business days. Tenant's right to an equitable diminution of rent shall be Tenant's sole and exclusive remedy in the event of an occurrence specified herein.

(d) Discontinuance of Service. Landlord reserves the right, upon not less than thirty (30) days written notice to Tenant, to discontinue the availability of utility service to the Premises. If Landlord elects such option, Tenant will contract directly with such public utility for the continuance of service to the Premises.

8. Tenant's Covenants. Tenant covenants and agrees as follows:

(a) Alterations. Tenant shall make no alterations, changes or improvements to the Premises without first submitting to Landlord plans and specifications and obtaining the prior written consent of Landlord. All work done by Tenant shall be performed in a good and workmanlike manner, in compliance with applicable laws and at such times and in such manner as not to cause interference with construction in progress or with other tenants in the Office Building.

(b) Mechanic's and Materialmen's Liens. Tenant shall have no authority or power, express or implied, to create or cause any mechanic's or materialmen's lien, charge or encumbrance of any kind against the Premises or the Project or any portion thereof. Tenant shall promptly cause any such liens which have arisen by reason of any work claimed to have been undertaken by or through Tenant to be released by payment, bonding or otherwise within thirty (30) days after request by Landlord, and shall indemnify Landlord against losses arising out of any such claim.

(c) Permitted Use of Premise. Tenant shall not permit the Premises to be used for any purpose other than for the use specified in Paragraph 1 of this Lease. Tenant shall at all times comply with applicable laws, ordinances, rules and regulations in Tenant's occupancy of the Premises.

(d) Repairs. Tenant will not in any manner deface or injure the Office Building, and will pay the cost of repairing and replacing any damage or injury done to the Office Building or any part thereof by Tenant or Tenant's agents, contractors or employees. Tenant shall throughout the Lease Term keep the Premises free from deterioration, waste and nuisance of any kind, excluding ordinary and customary wear and tear and damage resulting from a fire or unavoidable casualty not caused by the act or omission of Tenant or Tenant's agents, contractors or employees. Tenant agrees to keep the Premises in good

condition and

repair and Tenant shall make all necessary repairs and replacements. If Tenant fails to make such repairs within fifteen (15) days after notice from Landlord, Landlord may at its option make such repair, and Tenant shall upon demand pay Landlord for the cost thereof.

(e) Purchase of Parking Rights. Tenant shall be required to purchase parking rights in the Office Building garage for the reserved and nonreserved spaces specified in Paragraph 1 at the rates established from time to time by Landlord or Landlord's garage operator.

9. Assignment and Subletting.

(a) Assignment and Subletting. Tenant shall not sublet the Premises in whole or in part or market the Premises for sublease and shall not sell, assign or in any manner transfer this Lease or any interest herein, directly or indirectly (by transfer of control of Tenant, for example), or voluntarily or by operation of law or otherwise, or permit any transfer of Tenant's interest created hereby, or allow any lien upon Tenant's interest by operation of law or otherwise, or permit the use or occupancy of the Premises or any part thereof, by anyone other than Tenant, nor shall Tenant sublease space in the Office Building from another tenant thereof, without Landlord's prior written consent. If this Lease or any interest in this Lease is sold, assigned or transferred, or Tenant subleases any part of the Premises, without Landlord's consent, cumulative of any other right or remedy available to Landlord, Landlord may elect to terminate this Lease (as it affects the portion of the Premises sought to be sublet or assigned) as of the effective date of the proposed transfer. Landlord's acceptance of any name for listing on the Office Building directory will not be deemed, nor will it substitute for, Landlord's consent, as required by this Lease, to any sublease, assignment or other occupancy of the Premises.

(b) Consent to Assignment. Consent by Landlord to one or more assignments or sublettings shall not operate as a waiver of Landlord's rights as to any subsequent assignments and sublettings. Notwithstanding any assignment or subletting, Tenant and any guarantor of Tenant's obligations under this Lease shall at all times remain fully responsible and liable for the payment of the rent and other sums herein specified and for compliance with all of Tenant's other obligations under this Lease, and Landlord may proceed against Tenant (or any guarantor) for the enforcement of such obligations without first proceeding against any other party. No direct collection by Landlord from any such assignee or sublessee shall be construed to constitute a novation or a release of Tenant or any guarantor of Tenant from the further performance of its obligations hereunder.

(c) Excess Rents. If any rents or other sums received by Tenant under any sublease are in excess of the rent and other sums payable by Tenant under this Lease (prorated for a sublease of less than 100 percent of the Premises), or if any additional consideration is paid to Tenant by any assignee under any assignment, then such excess rents under any sublease or such additional consideration under an assignment shall be paid by Tenant to Landlord as additional rent hereunder within ten (10) days after Tenant receives the same.

10. Indemnity and Insurance.

(a) Indemnity. Tenant will indemnify Landlord and save Landlord harmless liability and expense in

connection with loss, damage or injury to persons or property occurring in, on or about or arising out of the Premises, or the use or occupancy thereof, or the

conduct or operation of Tenant's business, or occasioned wholly or in part by any act or negligence of Tenant or Tenant's agents, contractors or employees (unless the indemnified loss is caused wholly or in part by Landlord's gross negligence, in which event this indemnity shall not apply to the allocable share of such loss resulting from Landlord's gross negligence). Tenant's indemnity under this paragraph is subject to Landlord's waiver of recovery in Paragraph 10(e) to the extent of Landlord's recovery of loss proceeds under policies of insurance (if any) described in Paragraph 10(e).

(b) Liability Insurance. Tenant at all times during the Lease Term shall, at its own expense, keep in full force and effect (i) comprehensive general liability insurance against bodily injury, including death resulting therefrom, to the combined single limits of $1,000,000 to one or more than one person as the result of any one accident or occurrence and against property damage and (ii) environmental impairment liability insurance. Landlord shall be named an additional insured on said policy. The policy or duly executed certificate for the same, together with satisfactory evidence of the payment of the premium therefor, shall be deposited with Landlord on the date Tenant first occupies the Premises and upon renewals of such policy not less than fifteen (15) days prior to the expiration of the term of such coverage.

(c) Increase in Landlord's Insurance Costs. Tenant agrees to pay to Landlord any increase in premiums for Landlord's insurance policies resulting from Tenant's use or occupancy of the Premises.

(d) Waiver of Claims. Landlord and Landlord's agents and employees shall not be liable for and Tenant waives all claims for damages sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises or any other part of the Office Building, unless caused by the gross negligence of Landlord. Tenant's waiver shall apply to claims resulting from damaged fixtures, walls, windows, ceilings or other parts of the Project, whether or not Landlord may have any obligation under this Lease to repair or maintain such item.

(e) Mutual Waivers of Recovery. Landlord, Tenant and all parties claiming under them each mutually release and discharge each other from all claims and liabilities, to the extent of a recovery of loss proceeds under the policies of insurance described in this Lease, arising from or caused by fire or other casualty or hazard covered or required to be covered by hazard insurance under this Lease in respect of the Office Building and the Premises and the personal property owned by them therein, or in connection with activities conducted in the Premises or in the Office Building, no matter how caused, including negligence, and each waives any right of recovery which might otherwise exist on account thereof. The provisions of this paragraph shall not prevent any action by either party against the other for the amount of any deductible.

11. Fire or Casualty. In the event that (a) the Premises or the Office Building containing the Premises should be so damaged by fire or other casualty that rebuilding or repairs cannot be completed within one (1) year after the date of commencement of reconstruction, as determined by Landlord, or (b) the Premises shall be so damaged during the last two (2) years of the Lease Term to the extent that more than fifty percent (50%) of the area thereof is rendered

untenantable, Landlord may at its option terminate this Lease within ninety (90) days after such damage by giving written notice to Tenant, in which event rent shall be abated effective with the date of such damage. If, following any such casualty, Landlord does not terminate this Lease, or in the event of casualty damage of a lesser extent to the Office Building containing the Premises, Landlord shall, following receipt of insurance proceeds, to the extent of such proceeds, rebuild or repair the Premises or the Office Building to substantially the same condition in which they were immediately prior to the happening of the fire or other casualty, except that Landlord shall not be required to rebuild, repair or replace any part of the furniture, equipment, fixtures and other

personal property which may have been placed by Tenant or other tenants within the Office Building or the Premises. Landlord shall allow Tenant a fair diminution of rental during the time the Premises are unfit for occupancy and, at Landlord's option, the Lease Term shall be extended for a period equal to the period that the Premises are unfit for occupancy.

12. Condemnation. In the event that the Premises or the Office Building or any part thereof shall be taken for public use or condemned under eminent domain or conveyed under threat of such a taking or condemnation, or access to the Premises precluded by any such event, either Landlord or Tenant may cancel and terminate this Lease as it affects the portion of the Premises taken, or the portion to which access is precluded, by giving notice to the other within ten (10) days after the date on which title to the property taken vests in the condemnor. If this Lease is not terminated as to all of the Premises following any of said actual takings or conveyances of any part of the Premises, then Landlord shall, to the extent of an equitable proportion of the award for the portion of the Premises taken (excluding any award for land), make such repairs to the Premises as are necessary to constitute a complete architectural and tenantable unit. In the event of a partial taking or conveyance of the Premises, Landlord shall allow Tenant a fair diminution of rental. Tenant shall not be entitled to claim, or have paid to Tenant, any compensation or damages whatsoever for or on account of any taking or conveyance of any right, interest or estate of Tenant under this Lease, and Tenant hereby relinquishes and assigns to Landlord any rights to any such compensation or damages. Tenant does not hereby waive or release claims for moving expenses, inconvenience or business interruption related to a condemnation of the Premises, but any such claim shall be asserted, if at all, in a proceeding independent of Landlord's primary condemnation suit.

13. Default and Remedies.

(a) Events of Default. The following events shall be deemed to be events of default (herein so called) by Tenant under this Lease: (i) Tenant shall fail to pay within five (5) days of the due date Basic Rental, Additional Rental or any other rental or sums payable by Tenant hereunder; (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 to Tenant (or, in the case of Tenant's failure to comply with or observe any other single provision of this Lease more than three (3) times during the Lease Term, upon the occurrence of the fourth and all subsequent such failures, without notice from Landlord); (iii) Tenant or any guarantor of Tenant's obligations hereunder shall make a general assignment for the benefit of creditors; (iv) any petition shall be filed by or against Tenant or any guarantor of Tenant's obligations hereunder under the United States Bankruptcy Code, as amended, or under any similar law or statute of the United States or any state thereof, and such petition shall not be dismissed within forty-five (45) days of filing, or Tenant or any guarantor of Tenant's obligations hereunder shall be adjudged

bankrupt or insolvent in proceedings filed thereunder; (v) a receiver or trustee shall be appointed for all or substantially all of the assets of Tenant or any guarantor of Tenant's obligations hereunder, and such appointment shall not be vacated or otherwise terminated, and the action in which such appointment was ordered dismissed, within forty-five (45) days of filing; (vi) Tenant shall fail to take possession of or shall desert, abandon or vacate the Premises; or (vii) the death of any guarantor.

(b) Remedies. Upon the occurrence of any event of default specified in this Lease, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever and without releasing Tenant from any obligation under this Lease:

(i) Landlord may enter the Premises without terminating this Lease and perform any covenant or agreement or cure any condition creating or giving rise to an event of default under this Lease and Tenant shall pay to Landlord on demand, as additional rent, the amount expended by Landlord in performing such covenants or agreements or satisfying or observing such condition. Landlord or its agents or employees shall have the right to enter the Premises, and such entry and such performance shall not terminate this Lease or constitute an eviction of Tenant.

(ii) Landlord may terminate this Lease by written notice to Tenant (and not otherwise) or Landlord may terminate Tenant's right of possession without terminating this Lease. In either of such events Tenant shall surrender possession of and vacate the Premises immediately and deliver possession thereof to Landlord, and Tenant hereby grants to Landlord full and free license to enter the Premises, in whole or in part, with or without process of law and to expel or remove Tenant and any other person, firm or corporation who may be occupying the Premises or any part thereof and remove any and all property therefrom, using such lawful force as may be necessary.

(iii) In the event Landlord elects to re-enter or take possession of the Premises after Tenant's default, with or without terminating this Lease, Landlord may change or pick locks or alter security devices and lock out, expel or remove Tenant and any other person who may be occupying all or any part of the Premises without being liable for any claim for damages. Notwithstanding anything to the contrary contained herein or in section 93.002 of the Texas Property Code, Landlord may exercise any and all of its rights or remedies under this Lease following an event of default by Tenant without compliance with section 93.002 of the Texas Property Code, the benefits of which are hereby expressly waived by Tenant.

(iv) Apply Tenant's Security Deposit to the extent necessary to make good any rent arrearage, to pay the cost of remedying Tenant's default or to reimburse Landlord for expenditures made or damages suffered as a consequence of Tenant's default.

(v) Nothing contained in this paragraph shall be construed as imposing any enforceable duty upon Landlord to relet the Premises or otherwise mitigate or minimize Landlord's damages by virtue of Tenant's default. Landlord shall not be liable in any manner, nor shall Tenant's obligations hereunder be diminished, by the failure of Landlord to relet the Premises, or in the event of reletting to collect rent.

(c) Effect of Suit or Partial Collection. Institution of a forcible detainer action to re-enter the Premises shall not be construed to be an election by Landlord to terminate this Lease. Landlord may collect and receive any rent due from Tenant and the payment thereof shall not constitute a waiver of or affect any notice or demand given, suit instituted or judgment obtained by Landlord, or be held to waive or alter the rights or remedies which Landlord may have at law or in equity or by virtue of this Lease at the time of such payment.

(d) Remedies Cumulative. All rights and remedies of Landlord herein or existing at law or in equity are cumulative and the exercise of one or more rights or remedies shall not be taken to exclude or waive the right to the exercise of any other.

14. Surrender of Premises.

(a) Surrender. Upon the expiration or termination of this Lease, Tenant shall peaceably surrender to Landlord the Premises, including the alterations, improvements and changes (except as provided in Paragraph 14(b)) 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 damage caused by fire or other casualty not caused by the act or omission of Tenant or Tenant's agents, contractors or employees, or ordinary use and wear.

(b) Removal of Alterations and Tenant's Property. Notwithstanding anything in this Lease to the contrary, all permanent or built-in fixtures or improvements and all mechanical, electrical and plumbing equipment in the Premises shall be the property of Landlord upon the termination of this Lease. Except as otherwise provided, all furnishings, equipment, furniture, trade fixtures and other removable equipment installed in the Premises by Tenant and paid for by Tenant shall remain the property of Tenant and shall be removed by Tenant upon the termination of this Lease. Tenant shall repair any damage caused

by such removal. Title to any furnishings, equipment, furniture, trade fixtures or other removable equipment not removed within five (5) days after the termination of this Lease shall revert automatically to Landlord.

15. Holding Over. If Tenant remains in possession of the Premises after the expiration of the tenancy created hereunder and without the execution of a new lease, Tenant shall be deemed to be occupying the Premises as a tenant at will and subject to all of the provisions of this Lease except those relating to term and except that the Basic Rental and Additional Rental shall be double the amount payable during the last month of the Lease Term (without waiver of Landlord's right to recover damages as permitted by law). Said tenancy may be terminated by Landlord or Tenant by giving written notice to the other at any time,

16. Broker. Tenant warrants and represents that Tenant has dealt with no real estate broker, agent or finder in connection with this transaction (other than Hanover Property Co.); and Tenant agrees to indemnify and save Landlord harmless from and against any and all liabilities, costs, causes of action, damages and expenses, including, without limitation, attorneys' fees, for any claims made by any real estate broker, agent or finder with respect to this Lease, other than claims of the broker, agent or finder, if any, named above.

17. Mortgages. This Lease shall be subordinate to all deeds of trust now or hereafter encumbering the Office Building, and all refinancings, replacements, renewals,

modifications, extensions or consolidations thereof. Tenant agrees to attorn to any mortgagee, trustee under a deed of trust or purchaser at a foreclosure sale or trustee's sale as Landlord under this Lease. Tenant covenants and agrees that Tenant shall within five (5) days after Landlord's request execute in recordable form and deliver to Landlord whatever instruments may be required to acknowledge and further evidence the subordination of this Lease and/or the attornment by Tenant to such mortgagee, trustee or purchaser. If Tenant within five (5) business days after submission of any such instrument fails to execute the same, Landlord is hereby authorized to execute the same as attorney-in-fact for Tenant. Any holder of a deed of trust covering all or any part of the Office Building may at any time elect to have this Lease have priority over its deed of trust by executing unilaterally an instrument of subordination or placing a clause of such subordination in any pleadings or in its deed of trust and recording the same.

18. Certain Rights Reserved by Landlord. Landlord shall have the following rights:

(a) Common and Service Area Alterations. To decorate and to make repairs, alterations, additions, changes or improvements, whether structural or otherwise, in, about or on the exterior of the Office Building, or any part thereof, and to change, alter, relocate, remove or replace service areas and/or common areas; to place, inspect, repair and replace in the Premises (below floors, above ceilings or next to columns) utility lines, pipes and the like to serve other areas of the Office Building outside the Premises; and to otherwise alter or modify the Project, and for such purposes to enter upon the Premises and, during the continuance of any such work, to take such measures for safety or for the expediting of such work as may be required, in Landlord's judgment, all without affecting any of Tenant's obligations hereunder, provided Landlord's entries in the Premises shall be subject to the terms of Paragraph 19(l).

(b) Parking. To permit Tenant and its employees to use the underground parking facility only in accordance with rules and regulations promulgated from time to time by Landlord and/or the operator of such facility at such charges as then may be in effect; and to prohibit Tenant and its employees to use any on-site surface parking spaces within the Project designated for visitors, guests of Hotel Crescent Court, customers of The Crescent retail center, designated occupants of the Office Building, or otherwise.

(c) Rules and Regulations. To establish and amend from time to

time rules and regulations governing all tenants' use and occupancy of the Office Building, provided that in the event of a conflict between those rules and this Lease, this Lease shall control. The rules and regulations now enforced by Landlord are available upon request.

(d) Food Preparation. To prohibit the preparation of food within the Premises for commercial purposes or the placing of vending or dispensing machines of any kind in or about the Premises if such vending or dispensing machines are available to the general public.

(e) Security Measures. To take all such reasonable measures as Landlord may deem advisable for the security of the Office Building and its occupants. Landlord, however, shall have no liability to Tenant or its employees, agents, invitees or licensees for

losses due to theft or burglary, or for damage done by unauthorized persons in or about the Office Building or Premises.

(f) Right To Relocate Tenant. At any time after the execution of this Lease and on sixty (60) days prior written notice, Landlord may substitute for the Premises other premises in the Office Building (the "New Premises"), in which event the New Premises shall be deemed to be the Premises for all purposes hereunder provided: (a) the New Premises shall be similar in area, finish and appropriateness for the Permitted Use; (b) the Basic Rental and other rentals payable under this Lease shall remain the same; and (c) reasonable out-of-pocket costs in connection with relocation to the New Premises shall be reimbursed by Landlord after receipt of third party invoices therefor.

19. Miscellaneous.

(a) Time Is of the Essence. The time of the performance of all of the covenants, conditions and agreements of this Lease is of the essence of this Lease.

(b) Force Majeure. If either Landlord or Tenant is prevented or hindered from timely satisfying any provisions set forth herein because of a shortage of or inability to obtain materials or equipment, strikes or other labor difficulties, governmental restrictions, casualties or any other cause beyond such party's reasonable control, such party shall be permitted an extension of time of performance by the number of days during which such performance was prevented or hindered; provided, however, that this paragraph shall not apply to the payment of rent or other monies by Landlord or Tenant, nor shall the provisions of this paragraph postpone the date that rent is payable pursuant to this Lease, except as expressly provided to the contrary in Paragraph 4.

(c) No Personal Liability of Landlord. If Landlord shall fail to perform any covenant, term or condition of this Lease and, as a consequence, if Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds received at a judicial sale upon execution and levy against the right, title and interest of Landlord in the Office Building and in the rents or other income from the Office Building receivable by Landlord, and neither Landlord nor Landlord's owners, partners or venturers shall have any personal, corporate or other liability hereunder. Landlord shall have the right to transfer, assign and convey, in whole or in part, the Office Building and any and all of its rights under this Lease, and in such event, Landlord shall thereby be released from any further obligations hereunder, and Tenant agrees to look solely to such successor-in-interest of Landlord for performance of such obligation.

(d) Quiet Enjoyment. Landlord hereby covenants and agrees that if Tenant shall perform all of the covenants and agreements herein stipulated to be

performed on Tenant's part, Tenant shall at all times during the continuance hereof have peaceable and quiet enjoyment and possession of the Premises without hindrance from Landlord or any person or persons lawfully claiming the Premises by or through Landlord, subject, however, to the terms of this Lease and to all mortgages, deeds of trust, leases and agreements to which this Lease is subordinate.

(e) Entire Agreement and Amendments. This Lease is the only agreement between the parties hereto and their representatives and agents. There are no representations or warranties between the parties other than the representations and agreements contained in this document. No agreement shall be effective to change, modify or terminate this Lease in whole or in part unless such agreement is in writing and duly signed by the party against whom enforcement of such change, modification or termination is sought.

(f) Interpretation. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Tenant and to either corporations, associations, partnerships or individuals, male or female, shall in all instances be assumed as though in each case fully expressed. The laws of the State of Texas shall govern the validity, performance and enforcement of this Lease. If this Lease is executed by more than one person or entity as "Tenant," each such person or entity executing this Lease as Tenant shall be jointly and severally bound and liable hereunder.

(g) Severability. No provision of this Lease shall be construed or interpreted in any manner which would render such provision invalid. If any provision of this Lease is held to be invalid, such invalid provision shall be deemed to be severable from and shall not affect the validity of the remainder of this Lease.

(h) Terms Binding. Subject to the limitations on subletting and assignment set forth in this Lease, all covenants, promises, conditions, representations and agreements herein contained shall be binding upon and apply and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

(i) Estoppel Certificates. Within five (5) days after request by Landlord, Tenant agrees to execute and deliver to Landlord estoppel or offset letters as required by Landlord or by Landlord's lenders. The letters shall certify the date of this Lease and any amendments, that Landlord is not in default of any of the terms and provisions of this Lease or specifying the provisions as to which Landlord is in default if Landlord shall be in default, that Landlord has performed all inducements required of Landlord in connection with this Lease, including any construction obligations, specifying any inducements which have not been fulfilled by Landlord, the date to which rent has been paid, and any other matters which Landlord or its lenders may reasonably require. Tenant further agrees to furnish to Landlord from time to time when requested by Landlord a letter of acceptance in conformity with any requirements made by any existing or proposed lenders.

(j) Late Payment Charge and Interest Payable. Landlord may impose a late payment charge equal to five percent (5%) of any amount due if not paid within five (5) days from the date required to be paid hereunder. In addition, any payment due under this Lease not paid within ten (10) days after the date herein specified to be paid shall bear interest from the date such payment is due to the date of actual payment at the rate of eighteen percent (18%) per annum or the highest lawful rate of interest permitted by Texas or federal law, whichever rate of interest is lower.

(k) Security Deposit. Landlord shall hold Tenant's Security Deposit without interest, and the same shall not be considered prepaid rent or a measure of Landlord's

damages in case of default by Tenant. The remaining balance of the Security Deposit (after application of any part thereof in accordance with Paragraph 13(b) or for necessary repairs to the Premises) shall be refundable to Tenant within thirty (30) days after termination of this Lease.

(l) Access to Premises. Tenant agrees that Landlord and its agents may enter the Premises for the purpose of inspecting and making such repairs (structural or otherwise), additions, improvements, changes or alterations to the Premises or the Office Building as may be permitted or required under this Lease or as Landlord may elect, and to exhibit the same to prospective purchasers, mortgagees or tenants. In the event of any such repairs, additions, improvements, changes or alterations, Tenant shall cooperate with Landlord to facilitate Landlord's efforts. Landlord's entries in the Premises shall be preceded by reasonable notice (except in the case of an emergency) and shall not unreasonably interfere with Tenant's use and occupancy of the Premises for the Permitted Use.

(m) Notices. Notices hereunder must be hand-delivered or sent by certified mail, return receipt requested, postage prepaid, addressed, if to Landlord, at the address at which the last rental payment was made or required to be made, and if to Tenant, at the address specified for Tenant in Paragraph 1(a) above prior to the Commencement Date and to the Premises thereafter, or to such other address as may be specified by written notice actually received by Landlord. Notice shall be deemed given upon tender of delivery (in the case of a hand-delivered notice) or upon posting of same (in the case of a certified or registered letter), provided that no notice of either party's change of address shall be effective until fifteen (15) days after the addressee's actual receipt thereof.

(n) Acceptance of Premises and Office Building by Tenant. The taking of possession of the Premises by Tenant shall be conclusive evidence that Tenant:

(i) Accepts the Premises as suitable for the purposes for which they were leased;

(ii) Accepts the Office Building and every part and appurtenance thereof as being in good and satisfactory condition; and

(iii) Waives any defects in the Premises and its appurtenances existing now or in the future, except for the completion of any minor Finish Work items which do not materially interfere with Tenant's occupancy.

(o) Building Name. Landlord shall have the exclusive right at all times during the Lease Term to change, modify, add to or otherwise alter the name of the Office Building, and Landlord shall not be liable for claims or damages of any kind which may be attributed thereto or result therefrom.

(p) Landlord's Lien. In addition to the statutory landlord's lien, Landlord shall have at all times a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Tenant, and to secure payment of any damage or loss which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement or condition contained herein, upon all goods, wares, equipment, fixtures furniture, improvements

and other personal property of Tenant presently or which may hereafter be situated in the Premises and all proceeds therefrom, and such property shall not

be removed therefrom without the consent of Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord hereunder shall first have been paid and discharged and all the covenants, agreements and conditions hereof have been fully complied with and performed by Tenant. Upon the occurrence of an event of default by Tenant, Landlord may, in addition to any other remedies provided herein, enter upon the Premises and take possession of any and all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant situated in the Premises, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Tenant reasonable notice of the time and place of any public sale or of the time after which any private sale is to be made, at which sale(s) Landlord or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Tenant reasonable notice, the requirement of reasonable notice shall be met if such notice is given at least five (5) days before the time of sale. Such notice shall be deemed to be delivered if personally delivered or when deposited in the United States mail, postage prepaid, certified or registered mail (with or without return receipt requested), addressed to the parties hereto at the addresses as shown herein, whether or not actually received. The proceeds from any such disposition, less any and all expenses connected with the taking of possession, holding and selling of the property (including reasonable attorneys' fees and other expenses), shall be applied as a credit against the indebtedness secured by the security interest granted in this paragraph. Any surplus shall be paid to Tenant or as otherwise required by law; and Tenant shall pay any deficiencies forthwith. Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provisions of the Uniform Commercial Code in force in the State of Texas. The statutory lien for rent is not hereby waived, the security interest herein granted being in addition and supplementary thereto.*

(q) Authority To Sign Lease. If Tenant is a corporation or a partnership (general or limited), each person(s) signing this Lease as an officer or partner of Tenant represents to Landlord that such person(s) is authorized to execute this Lease without the necessity of obtaining any other signature of any other officer or partner, that the execution of this Lease has been authorized by the board of directors of the corporation or by the partners of the partnership, as the case may be, and that this Lease is fully binding on Tenant. Landlord reserves the right to request evidence of the approval of this Lease and authorization of Tenant's signatories to bind Tenant, which evidence shall be satisfactory in form and content to Landlord and its counsel.

(r) Attorneys' Fees. In the event either party is in default beyond any applicable grace or notice period in the performance of any of the terms of this Lease and the other party employs an attorney in connection therewith, the nonprevailing party agrees to pay the prevailing party's reasonable attorneys' fees.

(s) Execution of Lease. The submission of this Lease for examination does not constitute a reservation of or option for the Premises or any other space within the Office Building and shall vest no right in either party. This Lease shall become effective only upon the full execution and delivery hereof by all of the parties hereto.

(t) Exhibits and Riders. The following exhibits and riders are attached hereto, incorporated herein and made a part of this Lease for all purposes:

Exhibit A-1:	Floor plan of Premises
Exhibit A-2:	Property description
Exhibit B:	Intentionally omitted
Exhibit C:	Electric current limitations
Exhibit ____:	
Exhibit ____:	

Riders: (check if attached and applicable)

_____(I)
_____(II)

20. Special Provisions.

* Landlord hereby agrees to subordinate the liens described in this paragraph, in form and content satisfactory to Landlord, to any purchase money security interest or leasehold interest covering Tenant's personal property located in the Premises. Landlord shall not exercise any of its rights contained in this paragraph until the occurrence of an event of default as defined in Paragraph 13(a) of this Lease.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Lease as of the day and year first above written.

LANDLORD:

THE CRESCENT,
a Texas joint venture

By: ROSEWOOD PROPERTY COMPANY,
managing venturer

By: /s/ PAUL E. ROWSEY, III
Paul E. Rowsey, III
President, Commercial Group

TENANT:

WESTWOOD MANAGEMENT CORP.
a New York corporation

By: /s/ DAVID W. JENNINGS
David W. Jennings
Executive Vice President

EIGHTH MODIFICATION OF OFFICE LEASE

THIS EIGHTH MODIFICATION OF OFFICE LEASE (this "Eighth Modification") entered into as of the 21st day of September, 1998, by and between CRESCENT REAL ESTATE FUNDING I, L.P., a Delaware limited partnership ("Landlord"), and WESTWOOD MANAGEMENT CORPORATION, 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 an office building commonly known as The Crescent(R), located at 300 Crescent Court, Dallas, Texas (the "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 the Building (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 date 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 the Building (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"); and (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 (the "Released Space") and expanded to include an additional 5,818 rentable square feet located on the thirteenth floor of the Building and 200 Crescent Court (the "Fifth 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 and the Seventh 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 and reduced by the Released Space, are hereinafter referred to as the "Expanded Premises", collectively consisting a total of approximately 12,910 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 modify the Lease as follows:

1. Premises. Effective as of September 15, 1998, the Lease is hereby modified and amended to include an additional 665 rentable square feet, located on the thirteenth floor of both the Building and the building located at 200 Crescent Court, Dallas, Texas, as shown on Exhibit A attached hereto (the "Expansion Space"). From and after September 15, 1998, the term "Premises" wherever used in the Lease shall mean the Expanded Premises, together with the Expansion Space, collectively consisting of a total of 13,575 rentable square feet. Tenant hereby acknowledges the Expansion Space is leased by Tenant subject to all terms and conditions of the Lease, as amended by this Eighth Modification.

2. Basic Rental. Commencing on September 15, 1998, and continuing through and including July 31, 2004, (a) the Basic Rental due and payable for the Expansion Space shall be $21,280.00 per annum, payable in equal monthly installments of $1,773.33, calculated on the basis of $32.00 per rentable square foot and (b) Tenant's proportionate share shall be approximately 1.196 percent (1.196%) (increased to include the Rentable Area of the Expansion Space). The Basic Rental for the Expansion Space shall be paid in addition to the Basic Rental for the Expanded Premises and all rental shall be payable in accordance with the terms and provisions of the Lease, as modified by this Eighth Modification.

3. Operating Expense Stop. Effective as of September 15, 1998, Paragraph 1(h) of the Lease is modified and amended to provide that the term "Operating Expense Stop" shall mean the following with respect to the Expansion Space only:

"The quotient of (i) the amount of the Actual Operating Expenses for the Project for the calendar year 1998, divided by (ii) the number of square feet of Rentable Area in the Building."

4. Leasehold Improvements. Provided no event of default has occurred, Landlord agrees to construct leasehold improvements in and upon the Expansion Space in accordance with the Construction Agreement attached hereto as Exhibit B.

5. Time of the Essence. Time is of the essence with respect to Tenant's execution and delivery of this Eighth Modification to Landlord. If Tenant fails to execute and deliver a signed copy of this Eighth Modification to Landlord by 5:00 p.m. (Dallas, Texas time), on September 15, 1998, 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.

6. Binding Effect. Except as modified by this Eighth Modification, the terms and provisions of the Lease shall remain in full force and effect, and the

Lease, as modified by this Eighth Modification, shall be binding upon the parties hereto, their successors and permitted assigns. This Eighth Modification shall become effective only after the full execution and delivery hereof by Landlord and Tenant.

[Remainder of page intentionally left blank]

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: /s/ Howard W. Lovett

Name: Howard W. Lovett
Title: Vice President, Corporate Leasing

TENANT:

WESTWOOD MANAGEMENT CORPORATION, a New York corporation

By: /s/ Susan M. Byrne

Name: Susan M. Byrne
Title: President

EXHIBIT 10.11

SOFTWARE LICENSE AGREEMENT
MAUI (Multiple Application User Interface)

This Software License Agreement (the "Agreement") made this the 1/st/ day of December, 2001, is by and among INFOVISA ("Licensor"), and Westwood Trust, ("Licensee").

The terms of this Software License Agreement apply to Licensor's software known as MAUI (Multiple Application User Interfaces) which includes ETA (Enhanced Trust Accounting) and ETR (Enhanced Trust Reporting) (Software), which is owned by Unipac Service Corporation ("Unipac"). INFOVISA warrants it has the right to sublicense the Software.

NOW, THEREFORE, in consideration of the mutual promises in this document, the parties agree as follows:

1. Grant. Subject to all the terms and conditions of this Software License Agreement, Licensor hereby grants the Licensee a personal, non-exclusive, non-transferable right and license to use the Software and any documents, manuals or other material provided in support of the software. No transfer of ownership is intended by this Software License Agreement.

2. Term. This Agreement shall be in force beginning on the date accepted by the President of Infovisa and shall continue for a period of three (3) years commencing with the December, 2001 bill for monthly maintenance.

3. Product Provided. Licensor will provide an executable module in machine-readable form for that version of the software licensed to the licensee as described in Attachment A. Licensor will provide installation, training. and maintenance of the software, along with sufficient testing to insure that the software is "up and running," is performing all specified tasks, and is functioning in accordance with Licensor's own specifications. The Licensee is not permitted to modify or re-engineer the Software without the Licensor's written consent, although any additional modifications and services not pertaining to installation of the Software requested by the Licensee may be provided for on a pay for basis by Licensor upon mutually agreeable terms. Licensor shall have a right to a copy of all modifications and all modifications shall be owned by Unipac.

4. Consideration.

   A. Maintenance Fees. In consideration of the services to be performed under paragraph 9 of this Agreement, Licensee shall pay Licensor a maintenance fee (the "Maintenance Fee") for each Software Product, in the amount specified in Attachment A, for each month during the Initial Term and any Renewal Term. The Maintenance Fee shall be billed monthly in advance, and shall become due on the first (01) day of the following month. The initial maintenance fee shall be billed immediately following installation.

   B. License Fee. In consideration of the license granted under paragraph 1 of this Agreement. Licensee shall pay to Licensor a one time license fee (the "License Fee") for each software product in the amount stated in Attachment A. The license fee shall be due with the acceptance of this agreement. Licensee's obligation to pay the License Fee in accordance with such schedule shall be independent of any ongoing maintenance, expenses, taxes, or other obligations of Licensor under this agreement.

   C. Expenses. Licensee shall reimburse Licensor for all shipping and postage charges incurred in performing its obligations under this Agreement. Licensee shall also reimburse Licensor for any telephone charges incurred in providing maintenance services under this

Agreement by means of modem access to Licensee's computer systems. Payment for all expenses to be reimbursed by Licensee under this Agreement shall become due (30) days after receipt of an itemization prepared by Licensor, which itemization shall be prepared monthly or quarterly, at Licensor's option.

D. Taxes. Licensee shall pay to Licensor the amount of any sales, use, ad valorem, excise or other similar taxes, or governmental charges (excluding taxes on Licensor's gross or net income) paid or payable by Licensor as a result of the execution or performance of this Agreement or with respect to the Software Product or its use by Licensee. Such amounts shall become due thirty (30) days after billing of Licensor's invoice therefore.

E. Confidentiality. Licensee shall not, without Licensor's prior written consent, disclose to any third party the amount of any fees or any other charges under this Agreement, or any Schedule hereto, or any other terms of this Agreement or such Schedules, except as required by law. Licensee's obligations under this paragraph shall survive the expiration or earlier termination of this Agreement.

5. Interest. Interest on all past due amounts under this Agreement shall
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accrue from the date due at an annual interest rate equal to the lesser of 18% per annum or the maximum interest rate permitted by law.

6. Acceptance/Notice. Licensee agrees to accept the Software, and use the
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Software according to the instructions supplied by Licensor. Licensee shall notify the Licensor of all instances where the Licensee believes that (1) the program is not functioning, or (2) the program is not functioning in accordance with the documentation and/or manuals. For each such instance, Licensee agrees to provide notice to Licensor. Each such notice shall explain, as well as Licensee can, the step-by-step process leading up to the instance itself, any subsequent actions taken by Licensee, and the results of such action. The notice shall be completed and sent to Licensor in a reasonable time (in most cases within three (3) days after the instance first occurs).

7. Software from Other Vendors. In any other instance in which the Software
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modifies in any way other software licensed from any other vendor, the Licensee shall be responsible for keeping a copy of the unmodified software readily available, and this unmodified

copy shall be the copy of that software which shall be retuned to its vendor if such is required. The Licensor assumes no responsibility with regard to the Licensee's use of any software other than its own.

8. Trade Secrecy. The Licensee recognizes that the Software, Database and
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Documentation are trade secrets and exclusive properties of Unipac; therefore, the Licensee shall take special care to preserve their confidentiality. In particular, the Licensee shall not sell, distribute, allow access to, or transfer, in any manner, any copy of the Software or Documentation in whatever form to any other party without the express written authorization of Licensor. The Licensee shall not allow access to the Software or Documentation by any third parties. The Licensee shall take care that any copies of any materials that it makes for its own use will be clearly labeled as copyrighted materials using the form,

CONFIDENTIAL AND TRADE SECRETS MATERIALS.

Notwithstanding anything in this Agreement to the contrary, it is the express intention of the parties to this Agreement that all right, title and interest of whatever nature in Licensor's users manuals, training materials, all computer programs, routines, structures, layout, report formats, together with all subsequent versions, enhancements, and supplements to said programs, all copyrights (including both source and object code) and all oral or written information relating to the Software conveyed in confidence by Licensor to Licensee pursuant to this Agreement,

and all other forms of intellectual property of whatever nature is and shall remain the sole and exclusive property of the Unipac. During the term of this Agreement and for a period of three years after termination of this Agreement or any renewal thereof, Licensee shall not directly or indirectly engage in acts to development, acquisition. or engagement of a third party to develop (collectively, "Competitive Development") any type of software which performs any function(s) performed by (or any function similar to a function performed by) the Software with an intent to use the same or sell interests in or license the same to third parties. Licensee shall give immediate written notice to Licensor of any intent or discussions on the part of Licensee to engage in Competitive Development.

9. Maintenance Services. Licensor will provide maintenance services for each Software Product during the Initial Term and any Renewal Term under the applicable Schedule in accordance with the following:

A. Enhancements. Licensor will provide Licensee with any updates, corrections and enhancements to the Software Product specified in Attachment A, which Licensor distributes without additional charge, other than expenses described in Paragraph 4, to its maintenance customers generally. If Licensor distributes any option or new product for which it charges an additional fee, Licensor will make such option or new product available to Licensee on the same terms it offers generally to other maintenance customers for the Software Product.

B. Program Corrections. If the Software Program does not perform substantially as described in the Documentation, when installed and used in the operating environment, and in the manner specified in the Documentation, and if Licensee notifies Licensor of the defect, Licensor will use its best efforts to correct the defect by providing Licensee corrected code or an alternative solution. Licensor does not represent or warrant that all defects or errors will be detected or corrected.

C. Telephone Support. Licensor will provide reasonable telephone support to assist Licensee in resolving problems encountered in the use of the Program, which, in Licensor's judgment are attributable to the Program and are not adequately addressed by the Documentation. Such support will be provided during normal business hours, Eastern Time, Monday through Friday, excluding Licensor's regularly scheduled holidays.

D. Cooperation of Licensee. As a condition to Licensor's obligations under paragraphs 9B and 9C above, Licensee shall: (1) install, in accordance with Licensor's instruction, all Program updates and corrections Licensee receives from Licensor under this Agreement; (2) perform such procedures as may be described in the Documentation for the identification and resolution of problems; and (3) provide Licensor with sufficient information and assistance for Licensor to duplicate problems reported by Licensee, to determine that the problem is with the Software Product, and to determine that the problem has been corrected.

10. Licensee's Additional Responsibilities.

A. The Licensee will provide the Licensor a contact person to be the data administrator for the Software;

B. The data administrator should have knowledge of investments and trust operations;

C. The Licensee will supply and input the comparison index information into the Software;

D. The Licensee will make changes to the data that has been downloaded into the Software when necessary;

E. The Licensee will provide at a minimum weekly backups of the software and data;

F. The Licensee will provide computer equipment and software to run the Maui software programs as specified in Attachment B. The Licensee will maintain computer equipment and software compatible with the Licensor's modifications and therefore, agrees to purchase new equipment and software as may reasonably be required by the Licensor.

11. Warranty Terms.

A. Limited Warranty. Licensor warrants that upon installation of the Software to Licensee, the Software will perform substantially as described in the Documentation, when installed and used in the operating environment and in the manner specified in the Documentation, and the Program media and documentation will be free of material physical defects. Licensor's sole obligation with respect to the Software under this warranty shall be to provide maintenance services for correction of the defect in accordance with paragraph 9B of this Agreement. Licensor's sole obligation with respect to the defective Software or Documentation under this warranty shall be to replace the defective item. Licensor does not warrant that the Software will meet Licensee's requirements or that operation of the software will be uninterrupted or error free.

B. Disclaimer. THE FOREGOING WARRANTY IS THE ONLY WARRANTY MADE BY LICENSOR AND IS MADE IN LIEU OF ANY OTHER WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. No employee or agent of Licensor is authorized to make any different or additional warranties to Licensee and Licensor will not be bound by any such purported warranties.

12. Liability for Damages. The Licensee understands that the Licensor will not be in a position to control the use which the Licensee makes of its computer system or the other software and peripherals the Licensee uses thereon. or the procedures the Licensee employs in its computer operation. All claims with regard to the Software by the Licensee against the Licensor must be made within one (1) year of the acceptance of the Software or any updates thereto or forever be barred.

Except for the express warranty set forth in this Agreement, Licensor makes no representations of warranties of any nature, oral or written, express or implied regarding the Software, the documentation, the services provided under this Agreement, or any other matter, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. This Agreement does not constitute a joint account either express or implied between Licensor and Licensee. Licensor is acting as an independent contractor and not as an agent of the Licensee organization. Any liability of Licensor to Licensee, whether for breach of this Agreement, negligence, or otherwise, shall be specifically subject to the limitations of paragraph 13, and in no event shall its liability exceed the actual amount of payments made by Licensee to Licensor during the then-existing term of this Agreement.

13. Limitation of Liability. BECAUSE SOFTWARE IS INHERENTLY COMPLEX AND MAY NOT BE COMPLETELY FREE OF ERRORS, LICENSEE IS ADVISED TO VERIFY LICENSEE'S WORK AND TO MAKE BACKUP COPIES. IN NO EVENT WILL LICENSOR BE LIABLE FOR INDIRECT, SPECIAL, INCIDENTAL, ECONOMIC, COVER, OR CONSEQUENTIAL DAMAGES ARISING OUT OF THE USE OF OR INABILITY TO USE THE SOFTWARE OR USER DOCUMENTATION.

EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. LICENSOR'S LIABILITIES IN TORT CONTRACT OR OTHERWISE SHALL BE LIMITED TO CORRECTION OR REPLACEMENT, IN ACCORDANCE WITH PARAGRAPH 11, OF DEFECTIVE PORTIONS OF THE SOFTWARE PRODUCT. IN NO EVENT WILL LICENSOR BE LIABLE FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES RESULTING FROM ANY BREACH OF THIS AGREEMENT, OR

ARISING OUT OF THE USE OR INABILITY TO USE ANY SOFTWARE PRODUCT OR ANY SERVICES PROVIDED HEREUNDER (INCLUDING BUT NOT LIMITED TO LOST PROFITS OR REVENUES, LOSS OF DATA OR CLAIMS BY THIRD PARTIES), EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

14. Site Specification. The Licensee's use of the Software is restricted to unlimited concurrent user(s) having access to an unlimited number of accounts on the Licensee's existing database, at the site(s) at which Licensee conducts its day-to-day operations, said site(s) being located at 300 Crescent Court, Dallas, Texas or a disaster recovery site designated by Licensee. The Software is to be used by Licensee to process accounts of Licensee only, and acknowledges that Licensor will suffer damage if Licensee permits the Software to be used to process accounts of unrelated third parties not expressly covered by this License Agreement.

Licensee grants to Licensor the right to inspect its computer operations to determine if it is in compliance with this Agreement: however. the Licensor agrees that it will act reasonably in the exercise of this right and cooperate with the Licensee to avoid disruption of its computer operations and to preserve the confidentiality of any of its files. Should Licensee be found to be using the Software in violation of this Agreement, Licensee agrees to pay any and all additional fees Licensor determines due and owing under the current fee schedule, accruing from the original date of this Agreement.

15. Operating System/Database Specification. Licensee recognizes the need to maintain on the microcomputer operating system software compatible with Licensor's enhancements to the Software and therefore Licensee agrees to purchase, install and maintain new versions of the applicable operating system and database application as recommended by Licensor within the time frame specified by Licensor. Licensor shall provide reasonable notice of such upgrades to Licensee.

16. Return of Software Product. On or before the expiration or earlier termination of this Agreement as to a Software Product, Licensee at its expense shall return such Software Product (including the original Program media and all copies of the Documentation) by delivering the same to Licensor, shall destroy or return to Licensor all copies of the Program installed or made by Licensee, and shall certify to Licensor in writing. that no copies of Program or Documentation have been retained.

17. Remedies Cumulative; No Waiver. No remedy of Licensor contained in this Agreement shall be considered exclusive of all other remedy; but rather, each remedy shall be distinct, separate and cumulative, and in addition to any other right or remedy provided in this Agreement or by applicable law. Each such right or remedy may be pursued singularly, successively or together in the sole discretion of Licensor and the failure to exercise any such right or remedy shall in no event be construed as a waiver or

release of the same. Licensor may waive any right or remedy available to it, but any such waiver is not continuing, is limited to the specific act or omission waived and shall not affect any other rights or remedies.

18. Default by Licensee. In the event Licensee fails to perform any of the obligations under this Agreement (with the exception of payment under paragraph 4 with attachments), and this failure continues for a period of ten (10) days from the date when performance should have been rendered, Licensee shall be deemed to be in default of its obligations hereunder. Failure to make any payment required under paragraph 4 of this Agreement and attachments, within 60 days from date of invoice, shall constitute a default under this Agreement.

19. Right to Suspend Performance Without Terminating. In the event of a default in any terms of this Agreement by Licensee, then, in addition to Licensor's right to terminate this Agreement and any other rights and remedies

Licensor may have, Licensor may suspend performance of all services under this Agreement (and deny Licensee access to Software updates) until the default is cured; in such event, Licensee shall remain liable to Licensor under the terms of this Agreement, including all payments required under paragraph 4 until the default is cured.

20. Renewal. This Agreement shall automatically renew itself for additional successive five (5) year terms, unless at least ninety (90) days prior to the end of the original term or any renewal term, Licensee gives Licensor, or Licensor gives Licensee, written notice of its intent to cancel this Agreement at the end of the then current term.

21. Right to Terminate; Damages Upon Termination. In the event a default by either party shall occur hereunder, the other party may, at its option, terminate this Agreement, so long as the terminating party gives the other party written notice, by registered mail, of intent to terminate ninety (90) days prior to the date terminating party intends to terminate this Agreement. The party in default will have the right to cure the default during the 90 day notice period, and by curing said default, maintain and continue the terms of this agreement. Licensee acknowledges that Licensor will incur great initial costs and expertise to install the Software and to provide training and customer support for Licensee's personnel. The recovery of said costs and expenses by Licensor are to take place over the term of this Agreement and any renewal. Therefore, in the event of default of this Agreement by Licensee, Licensee agrees to pay to Licensor an amount equal to the maintenance fees due for the remaining balance of the term of this Agreement or any renewal thereof, so that Licensor may recoup its initial costs and expenses. In addition, all Software, equipment, manuals and other property of Licensor in Licensee's possession shall immediately be returned to Licensor, at Licensee's expense. Notwithstanding the foregoing, nothing herein shall limit Licensor's legal and equitable remedies against Licensee in the event of a breach by Licensee of the terms, conditions and protective covenants contained in this Agreement, including, but not limited to, injunctive relief in the event Unipac or Licensor's proprietary interests in the Software are threatened or infringed.

22. Compensation in Subsequent Years. At any time upon thirty (30) days prior written notice to Licensee, Licensor, at its sole option may increase its Maintenance Fee, without Licensee's specific consent. The Maintenance Fee may not be increased by more than six (6) percent per calendar year from the Maintenance Fee payable the previous calendar year.

23. Binding Effect; Assignability. This Agreement shall be binding upon and shall inure to the benefits of the parties hereto and their respective heirs, representatives, successors and assigns. Licensee may not assign, delegate or otherwise transfer any of its or his rights, duties or obligations hereunder or interest herein without written consent of Licensor. In the event of any such assignment, delegation, or other transfer by Licensee, whether or not Licensor has consented, the Licensee shall remain liable for all amounts due hereunder and all other obligations of Licensee pursuant to this Agreement, whether the Assignor or Transferee is or may also be liable to Licensor.

Licensor may transfer or assign its rights, duties and obligations hereunder or interest herein to any entity related to Licensor by substantially similar ownership or control, or to a successor in interest pursuant to a merger, reorganization, stock sale or other transaction, without consent of user.

24. Governing Law. This agreement shall be governed by the laws of the State of Colorado.

25. Jurisdiction, Venue. The parties hereto agree that. in the event either party elects to pursue legal action against the other for default of any

obligation under this Agreement, such legal action shall be brought in the State of Colorado, unless Licensor. at its sole option, elects to bring action in the county and state of residence of the Licensee.

26. Severability. If any part of this Agreement is held void for any reason, the balance of this Agreement shall continue to be valid and binding.

27. Violation. Licensee agrees to take all reasonable steps necessary to ensure that none of its employees nor any related third party violate the terms of this Agreement.

28. Merger Clause. This Agreement and any appendices or other writings signed by both parties associated herein constitutes the entire Agreement between the parties hereto and supersedes all proposals, prior negotiations, and agreements, whether oral or written.

29. Notices. All notices in connection with this Agreement shall be in writing and shall be sent, in person or by first class mail, postage prepaid, to the address for the recipient set forth by its signature below or such other address as such party may hereafter specify by notice to the other. Such notices shall be deemed given when actually delivered to the other party or, if sooner, three (3) days after mailing if mailed certified or registered mail, postage prepaid.

WITNESS the due execution hereof the day and date first written above.

DATED this the 30/th/ day of November, 2001.

INFOVISA, Inc.
11120 Treynorth Drive
Cornelius, NC 28031

Signed: /s/ Michael S. Dinges

Signed: /s/ Brian Casey

PLEASE PRINT OR TYPE:

Name: Michael S. Dinges
Title: President
Date: December 5, 2001

Name: Brian Casey
Title: President
Date: December 1, 2001

EXHIBIT 10.12

ADVENT SOFTWARE, INC.
SOFTWARE LICENSE AND SUPPORT AGREEMENT

THIS SOFTWARE LICENSE AND SUPPORT AGREEMENT ("Agreement") is entered into by and between ADVENT SOFTWARE, INC. ("Advent"), a corporation organized under the laws of the State of Delaware with a business address at 301 Brannan Street, Sixth Floor, San Francisco, California 94107 and

Company Name: Westwood Management Corporation ("Licensee")

Contact: Marty Yanda/Elizabeth Schadt

Address: 300 Crescent Court, Suite 1320
Dallas, Texas 75201

It is effective as of the date of shipment of the Software ("Effective Date").

In consideration of the mutual promises and covenants stated below, the parties hereby agree as follows:

I SOFTWARE LICENSE

1. Definitions. The following terms are defined for the purposes of this Agreement as follows:

(a) "Software" means Advent's proprietary computer program(s) ordered by Licensee from time to time and described in Exhibit A. "Software" includes: (i) object code only; (ii) the version indicated in the Exhibit A (if any); (iii) all material provided in connection with said program, including, but not limited to diskettes, tapes, Documentation, and any Updates (as defined in Exhibit B) hereafter furnished to Licensee by Advent under this Agreement.

(b) "Third Party Software" means the proprietary software of certain third parties which is enclosed in a separate envelope with the Software or is embedded in the Software. Licensee understands and acknowledges that Advent is not the owner of the Third Party Software.

(c) "Designated Equipment" means a primary CPU and one back-up CPU.

(d) "Use" means transferring any portion of any Software from storage units or media into Designated Equipment for processing.

(e) "Documentation" means the documentation that accompanies the Software.

2. Term. This Agreement commences on the Effective Date set forth above. It shall remain in force until Licensee discontinues the Use of all Software, or the Agreement is otherwise terminated as provided herein.

3. License Grant. Advent hereby grants, and Licensee hereby accepts, on the terms and conditions stated herein, a nonexclusive, nontransferable and nonassignable (except as expressly provided herein) license to Use the Software on the primary system of Designated Equipment and to use the Documentation in conjunction with the permitted Use of the Software. The Software shall be Used solely by Licensee for processing data for Licensee and Licensee's wholly owned subsidiaries and shall not be used to process data, provide reports, or provide access to other output files for any individual or entity in the investment management or securities transaction business, other than Licensee. No third party other than Licensee's employees may have access to the Software, either at the Licensee's facilities or by any method of remote access, such as by modem. The Software shall be Used only on such primary system if such system is

operating properly. If the primary system is inoperative, the Software maybe Used on one backup system for that primary system. If the network version of the Software is licensed hereunder, then the Licensee is permitted to Use the Software on one server system and the number of permitted concurrent users is limited to the number set forth on Exhibit A. Licensee acknowledges and agrees that the Third Party Software is subject to additional terms and conditions as described on the enclosed envelope that includes such Third Party Software.

4. License Fee.

(a) In consideration for the license granted herein, Licensee shall pay Advent the amount set forth on Exhibit A plus applicable sales tax for the software (the "Fee"). Such Fee will be payable upon Advent's execution of this Agreement or as otherwise stated on Exhibit A and shall be nonrefundable. Advent shall have no obligation to ship any Software or provide any services until the Fee has been received.

(b) In addition Licensee will pay and be responsible for any excise, privilege, sales, use, customs, value added, and any other similar tax (except taxes imposed with respect to net income), assessment, tariff, levy, or surcharge (including penalties and interest attributable thereto), imposed by or under the authority of any foreign, United States, state, or local law with respect to the license of Software as contemplated by this Agreement. When Advent has the legal obligation to collect such taxes, the appropriate amount shall be paid by Licensee to Advent.

5. Copies. No Software or Documentation which is provided by Advent pursuant to this Agreement in human readable form shall be copied in whole or in part by Licensee without Advent's prior written agreement. Additional copies of printed materials may be obtained from Advent at the charge then in effect. No Software in machine readable form may be copied by Licensee in whole or part, except for one copy for Licensee's backup or archival purposes. Licensee agrees to reproduce all copyright and other proprietary notices on all copies of the Software and Documentation in the same form and manner that such copyright and other proprietary notices are included on the Software or Documentation.

6. Proprietary Rights and Nondisclosure.

(a) Licensee recognizes the special value and importance of the protection of proprietary and confidential information in the highly competitive computer software field. The Software and Documentation, although copyrighted, are unpublished and contain proprietary and confidential information of Advent and are considered by Advent to be trade secrets. Licensee agrees to hold the Software and Documentation in confidence. Without limiting the foregoing, Licensee agrees to protect the Software and Documentation at least to the same extent that Licensee protects its own similar confidential information and to take all reasonable precautions consistent with generally accepted standards in the data processing industry to safeguard the confidentiality of the Software and Documentation.

(b) Licensee shall not provide, disclose or otherwise make available the Software or Documentation to any person other than Licensee's on-site employees, contractors and agents having need to Use the Software in conjunction with the Designated Equipment as permitted by the license granted in Section 3 above, except with Advent's prior written consent. Licensee may not use the Software or Documentation except as expressly provided in Section 3.

(c) Licensee agrees that it will not reverse engineer, reverse assemble, decompile, or otherwise attempt to derive source code from the Software, and no rights with respect to Software source code are granted to Licensee.

(d) Title to all Software and any copies of the Software, and portions thereof, and all intellectual property rights (patent, trade secret, copyright, trademark and similar rights) in and to the Software and Documentation

shall remain in Advent.

(e) The obligations with respect to nonuse and nondisclosure shall not apply to information which is or becomes publicly known through no fault of Licensee and is otherwise not in violation of Advent's rights.

7. Intellectual Property Indemnity.

(a) Advent shall defend, or at its option, settle any claims brought against Licensee for infringement of any third party United States copyright, patent, and any other proprietary rights of any third party by the Software and shall reimburse Licensee for any judgments, damages, costs or expenses payable by Licensee to the party bringing such action together with reasonable attorneys' fees relating thereto. Licensee agrees that Advent shall be relieved of its obligations under this Section 7 unless Licensee notifies Advent promptly in writing of and gives Advent the exclusive authority to defend or settle such claim and gives Advent proper and full information and assistance to settle or defend any such claim.

(b) If the Software, or any part thereof, is, or in the opinion of Advent may become, the subject of any claim for infringement of any third party United states copyright, patent, and any other proprietary rights of any third party, or if it is adjudicatively determined that the Software, or any part thereof, infringes any third party United States copyright, patent, and any other proprietary rights of any third party, then Advent may, at its option and expense, either (i) procure for Licensee the right to Use the Software or (ii) replace or modify the

Software or parts thereof, with other suitable and reasonably equivalent technology so that the Software becomes noninfringing or (iii) if it is not commercially reasonable to take the actions specified in items (i) and (ii) immediately preceding, terminate this Agreement.

(c) The provisions of this Section 7 shall not apply to the Third Party Software.

IN NO EVENT SHALL ADVENT'S LIABILITY UNDER THIS SECTION 7 EXCEED THE AMOUNTS PAID BY LICENSEE TO ADVENT PURSUANT TO THIS AGREEMENT UP TO THE TIME OF THE CLAIM. THE FOREGOING PROVISIONS OF THIS SECTION 7 STATE THE ENTIRE LIABILITY AND OBLIGATIONS OF ADVENT TO LICENSEE WITH RESPECT TO ANY ALLEGED INFRINGEMENT OF PATENTS, COPYRIGHTS, OR OTHER INTELLECTUAL PROPERTY RIGHTS BY THE SOFTWARE OR DOCUMENTATION.

8. Termination. In the event Licensee neglects or fails to perform or observe any of its obligations under this Agreement, or if any assignment shall be made of its business for the benefit of creditors, or if a receiver, trustee in bankruptcy or a similar officer is appointed to take charge of all or part of its property, or if Licensee is adjudged as bankrupt, then this Agreement shall terminate immediately and automatically upon notice by Advent. Upon termination of any license, Licensee will, at Advent's option, either return the Software and Documentation to Advent or destroy the original and all copies and parts thereof. Sections 4 (License Fee), 6 (Proprietary Rights and Nondisclosure), 7 (Intellectual Property Indemnity), 9 (Warranty and Disclaimer), 10 (Limitation of Liability), 11 (Licensee Indemnity) and Section II (General) shall survive termination of this Agreement.

9. Warranty and disclaimer.

(a) Advent warrants Software media (i.e., the diskettes or tapes on which the Software is provided) against defects in materials and workmanship for a period of one year from the date of shipment. During the media warranty period, Advent will, at its option, either repair or replace defective Software media. Such repair or replacement shall be the exclusive remedy for any breach of the warranty set forth in this Section 9(a).

(b) Advent warrants that during the one-year period following the date of

shipment, the Software will perform substantially in accordance with Advent's published Documentation. Advent shall use commercially reasonable efforts to remedy or supply a temporary fix, or make an emergency bypass, if the Software yields incorrect results and if Advent reproduces the problem in a current, unaltered release of the Software. such efforts shall be the exclusive remedy for breach of the warranty set forth in this Section 9(b).

(c) THE WARRANTIES STATED ABOVE AND THE REMEDIES STATED FOR BREACH THEREOF ARE THE SOLE AND EXCLUSIVE WARRANTIES AND REMEDIES OFFERED BY ADVENT IN CONNECTION WITH THE SOFTWARE, SOFTWARE MEDIA AND DOCUMENTATION. THERE ARE NO OTHER WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

(d) ADVENT FURTHER PROVIDES THE THIRD PARTY SOFTWARE "AS IS" AND DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

10. Limitation of Liability. Advent's liability arising out of or in connection with this Agreement or any software licensed hereunder (including Software or the Third Party Software) shall not exceed the amounts paid by Licensee for the software giving rise to such liability. IN NO EVENT WILL ADVENT BE LIABLE FOR LOST PROFITS, TRADING OR EXECUTION LOSSES, OR FOR ANY INCIDENTAL, CONSEQUENTIAL, OR SPECIAL DAMAGES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY ARISING OUT OF OR RELATING TO THIS AGREEMENT (INCLUDING ANY LIABILITY ARISING OUT OF OR RELATING TO THE THIRD PARTY SOFTWARE, EVEN IF ADVENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES). THESE LIMITATIONS SHALL APPLY NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY PROVIDED HEREUNDER. The parties acknowledge that the limitations set forth in this Section 11 are integral to the amount of consideration levied under this Agreement.

11. Licensee Indemnity. Licensee shall indemnify and hold Advent harmless from any claims, demands, liabilities, actions, suits or proceedings asserted or claimed by any third party, and agrees to undertake the cost of defending same, including reasonable attorneys' fees, when such claims, demands, liabilities, actions, suits or proceedings arise out of Licensee's use of the Software. Licensee shall be given timely notice of and shall have the option to undertake and conduct the defense of any such claim, demand, liability, action, suit or proceeding.

12. Assignments and Sublicenses. Licensee may assign this Agreement to any successor in interest or other third party only if (a) Advent agrees to such assignment in writing and (b) such successor in interest or other third party agrees in writing to be bound by all the terms and conditions of this Agreement. This Agreement may not otherwise be assigned or otherwise transferred by Licensee without Advent's prior written consent. Licensee shall have no right to sublicense the rights granted hereunder.

13. Precedence. The provisions of any other written communication, purchase order, or verbal representation shall not apply to the license of the Software or to the obligations of Advent as described in this Agreement.

14. Reporting Requirement. Upon request, Licensee agrees to provide Advent with information relating to the cumulative total of the fair market value of assets managed by Licensee (Assets Under Management). Advent may request, not more than once annually, that Licensee provide to Advent Form ADV (if applicable), or some other reporting medium, including any such

functionality contained in the Software that will report the Assets Under Management. Licensee acknowledges that as the total of Licensee's Assets Under Management changes there may be subsequent changes in support services fees or subsequent purchases of Software licenses.

II GENERAL

15. Governing Law. This Agreement shall be governed by the laws of the State of California, including its Uniform Commercial Code.

16. Jurisdiction and Arbitration. If Licensee's location set forth above is within any state, territory, or possession of the United States, any dispute or claim arising out of or in relation to this Agreement, or the interpretation, making, performance, breach or termination thereof shall be resolved by the federal or state courts, as applicable, located in San Francisco, California.

17. English Language. This Agreement is in the English language only, which language shall be controlling in all respects, and all versions hereof in any other language shall be for accommodation only and shall not be binding upon the parties hereto. All communications and notices to be made or given pursuant to this Agreement shall be in the English language.

18. Notices. any notice required or permitted to be given under this Agreement shall be delivered (i) by hand, (ii) by registered or certified mail, postage prepaid, return receipt requested, to the address of the other party first set forth above or to such other address as a party may designate by written notice, (iii) by overnight courier, or (iv) by fax with confirming letter mailed under the conditions described in (ii). Notice so give shall be deemed effective when received, or if not received by reason of fault of addressee, when delivered.

19. No Waiver. the waiver by either party of a breach of any provisions of this Agreement or the failure by either party to exercise any right hereunder shall not operate or be construed as a waiver of any subsequent breach of that right or as a waiver of any other right.

20. Severability. In the event that any provision of provisions shall be held to be unenforceable, those provisions shall in good faith be renegotiated to be enforceable and shall reflect as closely as possible the intent of the original provisions of this Agreement. Such negotiations shall not affect the enforceability of the remainder of the Agreement.

21. Force Majeure. Nonperformance of either party, except for the making of payments, shall be excused to the extent that performance is rendered impossible by strike, fire, flood, earthquake, governmental acts or orders or restrictions, failure of suppliers, or any other reason when failure to perform is beyond the control and not caused by the negligence of the nonperforming party.

22. Amendments. Any amendment or modification to this Agreement shall be effective only if reduced to writing and signed by duly authorized representatives of Advent and Licensee.

23. Entire Agreement. THIS DOCUMENT CONSTITUTES THE WHOLE AND ENTIRE AGREEMENT BETWEEN LICENSEE AND ADVENT WITH RESPECT TO THE SUBJECT MATTER HEREOF AND NO VERBAL OR WRITTEN COMMITMENTS NOT REFERENCED HEREIN SHALL APPLY.

This Agreement does not constitute an offer by Advent and it shall not be effective until signed by both parties.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the Effective Date.

ADVENT SOFTWARE, INC.	LICENSEE (Principal/Officer of Company Only)
By: /s/ PATRICIA VOLL	By: /s/ SUSAN BYRNE
(Signature)	(Signature)
Patricia Voll	Susan Byrne
(Printed Name)	(Printed Name)
VP Finance	President
(Title)	(Title)
as of April 3, 1996	April 3, 1996
(Date)	(Date)

EXHIBIT 21.1

SUBSIDIARIES

(a) Westwood Management Corporation

(b) Westwood Trust

Exhibit 99.1

PRELIMINARY COPY
SUBJECT TO COMPLETION OR AMENDMENT

INFORMATION STATEMENT OF SWS GROUP, INC.

Dear SWS Group, Inc. Stockholder:

On , 2002, the Board of Directors of SWS Group, Inc. ("SWS") approved plans to spin-off its Westwood asset management business to SWS stockholders. SWS will accomplish the spin-off by distributing all of the common stock of Westwood Holdings Group, Inc. ("Westwood") that it holds to SWS stockholders. As a holder of SWS common stock, you will receive one share of Westwood common stock for every four shares of SWS common stock that you own at the close of business on , 2002, the record date for the spin-off. We are sending you this information statement to describe the spin-off of Westwood from SWS. The spin-off is intended to be tax-free to SWS stockholders, except for cash received for any fractional shares. We expect the spin-off to occur on or about , 2002. Immediately after the spin-off is completed, SWS will not own any shares of Westwood common stock, and Westwood will be an independent public company.

A STOCKHOLDER VOTE IS NOT REQUIRED FOR THE SPIN-OFF TO OCCUR. WE ARE NOT ASKING YOU FOR A PROXY, AND WE REQUEST THAT YOU DO NOT SEND US A PROXY. In addition, you do not need to pay any cash or other consideration for the shares of Westwood common stock that you receive in the spin-off, nor will you be required to surrender or exchange shares of SWS common stock, or take any other action in order to receive Westwood common stock. The number of shares of SWS common stock that you currently own will not change as a result of the spin-off.

SWS has contributed 100% of the issued and outstanding capital stock of Westwood Management Corporation ("Westwood Management") and Westwood Trust to Westwood, a newly formed corporation controlled by SWS. Westwood is a holding company and its principal assets consist of all of the outstanding capital stock of Westwood Management and Westwood Trust. Westwood Management and Westwood Trust are continuing to operate as wholly owned subsidiaries of Westwood. Following the spin-off, SWS will continue to own brokerage and banking businesses, including SWS Securities, Inc.; SWS Financial Services, Inc.; Mydiscountbroker.com, Inc.; May Financial Corporation; Southwest Clearing Corp.; O'Connor & Company Securities, Inc.; First Savings Bank, FSB; FSBF, L.L.C.; and FSB Development, L.L.C., as well as other businesses and operations.

There has been no trading market for Westwood common stock. However, we expect that a limited market for Westwood common stock, commonly known as a "when issued" trading market, will develop on or shortly before the record date for the spin-off. Westwood expects to apply to list its common stock on the New York Stock Exchange and expects that its common stock will be traded under the ticker symbol "WHG."

This information statement contains information about the spin-off of Westwood and about its business, management and financial performance. We encourage you to read it in its entirety.

Sincerely,

SWS GROUP, INC.

Don A. Buchholz
Chief Executive Officer

As you review this information statement, you should carefully consider the matters described in "Risk Factors" beginning on page 5 in evaluating the benefits and risks of holding or disposing of shares of Westwood common stock that you will receive in the spin-off.

This information statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this information statement is , 2002, and it is being mailed to SWS stockholders on or about , 2002.

TABLE OF CONTENTS

SUMMARY

This summary highlights selected information from this document but does not contain all details concerning the spin-off of Westwood, including information that may be important to you. To better understand the spin-off and Westwood, you should carefully read this entire document. References in this document to "we," "our," "us" or "Westwood" mean Westwood Holdings Group, Inc. and its subsidiaries, Westwood Management Corporation and Westwood Trust.

Who We Are

We are an institutional asset management company and provide services 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, and investment subadvisory services to 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. As of December 31, 2001, we managed assets valued at approximately $4.1 billion. We have been providing investment advisory services since 1983 and, when measured over multi-year periods, our principal asset classes have consistently ranked above the median in performance within their peer groups.

The Spin-off

SWS will accomplish the spin-off by distributing all of the shares of our common stock that it holds to SWS's stockholders. SWS currently holds 80.18% of our outstanding common stock. On , 2002, the SWS Board of Directors formally approved the spin-off. Each SWS stockholder as of the close of business on , 2002, which is the record date for the spin-off, will receive shares of our common stock. Those SWS stockholders will receive one share of our common stock for every four shares of SWS common stock held as of the record date. SWS and we expect that the spin-off will take place on or about , 2002, although completion of the spin-off is contingent upon the satisfaction of conditions described in a distribution agreement. See "Relationship Between SWS and Westwood After the Spin-off."

As soon as practicable on or about the spin-off date, SWS will deliver to the distribution agent, Computershare Trust Company, Inc., certificates representing the shares of our common stock that it holds. The distribution agent will then mail certificates representing shares of our common stock to each holder of SWS common stock. Where appropriate, distributions will also be made in book-entry form only, without the delivery of any certificates.

Questions and Answers About the Spin-off and Westwood

Q: Why is SWS separating its businesses?

A: SWS's Board of Directors has determined that the separation of its Westwood asset management business from its other businesses, which include brokerage and banking services, is in the best interests of its stockholders. SWS's Board of Directors believes that the Westwood asset management business has distinct financial and operating characteristics from SWS's other businesses and that separating it will:

- provide Westwood's management the ability to focus their efforts and financial resources on its core business, thus enabling it to compete more effectively in its own markets;
- provide Westwood a platform to enhance client service by better aligning Westwood's performance on behalf of its clients with the compensation of its employees;
- provide Westwood the ability to better retain and recruit high quality employees by providing employee compensation and benefit programs more closely tied to its performance, including stock-based and other incentive programs that reward employees based on their contribution to its success;
- provide Westwood the ability to operate independently without the capital resource allocation issues present within the combined SWS, which in the near term will allow Westwood to invest in additional technology, such as an enhanced website and more efficient client reporting systems;
- provide Westwood additional operating flexibility and allow it to achieve improved cost structures and operating efficiencies;
- enable Westwood to avoid any perception that a conflict of interest exists because it is a subsidiary of SWS;
- enable Westwood to attract business from competitors of SWS; and
- enable the financial community and investors to better measure the performance of both SWS and Westwood against comparable companies in

similar businesses and make investment decisions based on the separate operations of the companies.

Q: Why is the separation of the two companies structured as a spin-off?

A: SWS's Board of Directors believes that a tax-free distribution of its shares of Westwood offers SWS and its stockholders the greatest long-term value and is the most tax efficient way to separate the companies.

Q: Should I send in my SWS stock certificates for exchange?

A: No. Holders of SWS common stock should not send stock certificates to SWS, Westwood or the distribution agent.

Q: How will fractional shares be treated?

A: On or after the spin-off date, our distribution agent will aggregate all fractional shares, sell them on the open market at prevailing market prices and distribute the aggregate proceeds ratably to those SWS stockholders otherwise entitled to those fractional shares. As a result, each holder of SWS common stock who would otherwise be entitled to receive a fractional share will receive cash for those fractional shares less applicable taxes and a pro rata portion of the aggregate brokerage commission payable in connection with the sale of the fractional shares.

Q: What do stockholders need to do to participate in the spin-off?

A: Nothing. On the spin-off date, SWS will provide for the distribution of the shares of our common stock that it holds by the distribution agent.

Q: Will the spin-off change the number of shares I own in SWS?

A: No. The spin-off will not change the number of SWS common shares that you own. Immediately after the spin-off, SWS's stockholders will continue to own their respective proportionate interests in SWS and Westwood. However, stockholders will now own their interests in these businesses through their ownership of stock in each of two independent public companies.

Q: Are there risks to continuing to own Westwood common stock?

A: Yes. Our business is subject to both general and specific business risks relating to our operations. In addition, our separation from SWS presents risks relating to our being an independent public company for the first time, as well as risks relating to the nature of the spin-off transaction itself. Many of these risks are described in the "Risk Factors" section beginning on page 5. We encourage you to read that section carefully.

Q: Will Westwood common stock be publicly traded?

A: We expect to apply for the listing of our common stock with the New York Stock Exchange. We expect that our common stock will be approved for listing on the NYSE under the ticker symbol "WHG" and that regular trading will begin on or about the spin-off date.

Before regular trading begins, we expect that a limited market for shares of our common stock, commonly known as a "when issued" trading market, will develop on or shortly before the record date for the spin-off. The term "when-issued" means that shares can be traded prior to the time certificates are actually available or issued. Even though when-issued trading may develop, none of these trades will settle prior to the effective date of the spin-off, and if the spin-off does not occur, all when-issued trading will be null and void.

Q. Will the spin-off affect the trading price of my SWS common stock?

A: Probably. After the spin-off, SWS common stock will continue to be listed on the NYSE under the symbol "SWS," and the trading price of SWS common stock will likely be lower than the trading price immediately prior to the spin-off. Moreover, until the market has evaluated the operations of SWS without our operations, the trading price of SWS common stock may fluctuate significantly.

Q: What if I want to sell my SWS common stock or Westwood common stock?

A: Unless you are an affiliate of SWS or Westwood, you are free to sell your shares of SWS common stock or Westwood common stock. However, you should consult with your financial and tax advisors as to the implications of any sales. Neither SWS nor Westwood are making any recommendations on the purchase, retention or sale of shares of SWS common stock or Westwood common stock. If you do decide to sell any shares, you should make sure your broker, bank or other nominee understands whether you want to sell your SWS common stock, your Westwood common stock or both.

Q: Will SWS And Westwood be related in any way after the spin-off?

A: Immediately following the spin-off, SWS's significant stockholders will be significant Westwood stockholders. However, SWS will not own any shares of our common stock after the spin-off, and we will not own any shares of SWS common stock after the spin-off. Although SWS will no longer have any ownership interest in us after the spin-off, SWS and Westwood will have two common Board members, Frederick R. Meyer and Jon L. Mosle, Jr. Based on the number of shares of SWS common stock owned by SWS executive officers and directors as of the record date, they will directly or indirectly own approximately (or %) of our outstanding shares immediately following the spin-off. Further, as of the record date, our executive officers and directors will directly or indirectly own approximately (or %) of the outstanding shares of SWS common stock. The common Board members' holdings are included in the foregoing SWS common stock and Westwood common stock figures. Additionally, SWS and we have entered into various agreements to define our continuing business relationships. See "Relationship Between SWS and Westwood After the Spin-off."

Q: What are the conditions to the spin-off becoming effective?

A: The completion of the spin-off depends upon satisfaction of a number of conditions, including:

- the Securities and Exchange Commission must have declared our registration statement on Form 10 effective under the Securities Exchange Act of 1934;
- the NYSE must have approved the listing of our common stock, subject to official notice of issuance;
- SWS's Board of Directors must be satisfied that the spin-off will be made out of surplus within the meaning of Section 170 of the General Corporation Law of the State of Delaware;

- SWS's Board of Directors must have approved the spin-off and must not have abandoned, deferred or modified the spin-off at any time before the completion of the spin-off;
- our Certificate of Incorporation and Bylaws, in substantially the forms filed as exhibits to the Form 10 and as described in this information statement, must be in effect;
- we must receive approval of the change of control of Westwood Trust from the Texas Banking Commissioner or confirmation that a change of control of Westwood Trust has not occurred as a result of the spin-off; and
- SWS and we must have executed and delivered the various ancillary agreements described in this information statement.

Q: Can SWS decide not to go through with the spin-off?

A: Yes. SWS can cancel the spin-off for any reason at any time before it is completed.

Q: Will SWS or I be taxed on the spin-off under U.S. federal tax laws?

A: SWS expects that the spin-off will qualify as tax-free to SWS and its stockholders for federal income tax purposes, except for cash received in lieu of fractional shares. However, you should consult your tax advisor as to the particular tax consequences to you of the spin-off. You should also review the

discussion of the risks relating to the tax-free qualification of the spin-off that begins on page 6 of this document and the discussion under "The Spin-Off -- Material U.S. Federal Income Tax Consequences of the Spin-off" that begins on page 14 of this document.

Q: Who is acting as the distribution agent?

A: Computershare Trust Company, Inc.
12039 West Alameda Parkway, Suite Z-2
Lakewood, Colorado 80228
Telephone: 303-986-5400

Q: Where can SWS stockholders get more information?

A: You may direct questions to SWS's Investor Relations Department, 1201 Elm Street, Suite 3500, Dallas, Texas 75270, telephone number: 214-859-1800; or you may contact the distribution agent for the spin-off at 303-986-5400.

RISK FACTORS

You should carefully consider each of the following risks, which we believe are the principal risks that we face, and all of the other information in this information statement. Some of the following risks relate to our spin-off from SWS. Other risks relate to our business, the securities markets and ownership of our common stock. Our business may also be adversely affected by risks and uncertainties not presently known to us or that we currently believe are immaterial. If any of the following risks and uncertainties develop into actual events, this could have a material adverse effect on our business, financial condition or results of operations. If this occurs, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to the Spin-Off

We have no operating history as an independent public company and may be unable to operate profitably as a stand-alone company.

While our business has generally been profitable as part of SWS, there can be no assurance that, as an independent company, we will continue to be profitable following the spin-off. SWS has owned our business for many years and has operated that business as a part of its overall financial services business. As part of SWS's business, we have been 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, which we will continue to manage for at least one year following the spin-off. Following the spin-off, we will need to obtain from third parties those resources previously provided by SWS, although SWS has agreed to provide to us for a limited time certain equipment and human resources services. See "Relationship Between SWS and Westwood After the Spin-off" and "Business." The terms extended to us by third parties may not be as favorable as the terms provided by SWS.

Our historical financial information may not be indicative of our future performance because, in part, we expect to have higher expenses.

Our historical financial information included in this information statement may not be indicative of our future performance and does not necessarily reflect our financial position, results of operations and cash flows had we operated as an independent public company during each of the periods presented. Our expenses have been allocated from 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. Had we been an independent public company in 2001, we estimate that our total expenses would have been approximately $800,000 higher than those reflected in the consolidated financial statements. The increase in expenses includes, without limitation, increased public company compliance costs, employee compensation, insurance costs, legal expenses, and accounting and payroll costs. The foregoing estimate of higher expenses is not necessarily an accurate measure of what our stand-alone expenses would have been in 2001 or will be in the future, and our expenses could be higher. The costs we actually incur in the future will depend on the market for these services when they are

actually purchased and the size and nature of our future operations. The financial information included herein does not reflect any changes that may occur in our financial condition and operations as a result of the spin-off. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements.

There has been no prior market for our common stock, and it is difficult to predict the prices at which our common stock might trade.

There has been no established trading market for our common stock, and there can be no reliable prediction as to the prices at which it will trade after completion of the spin-off. While it is expected that a "when-issued" trading market will develop near the record date, until our common stock is fully distributed and an orderly trading market develops, the prices at which trading in our common stock occurs may fluctuate significantly. Trading in our common stock on a "when-issued" basis exposes traders to a risk of loss if the spin-off does not occur. See "The Spin-off -- Listing and Trading of Weswood Common Stock." The prices at which shares of our

common stock trade will be determined by the marketplace and may be influenced by many factors, including, among others, our performance and prospects, the depth and liquidity of the market for our common stock, investor perception of us, our business and the industry in which we operate, our dividend policy, general financial and other market conditions, domestic and international economic conditions, and the impact of factors described in this "Risk Factors" section. See "The Spin-off -- Listing and Trading of Westwood Common Stock."

If the spin-off is taxable, you could be required to pay tax on the fair market value of the shares of Westwood common stock you receive in the spin-off, and SWS could incur a corporate tax liability for which Westwood could be responsible under some circumstances.

SWS expects that the spin-off will qualify as tax-free to SWS and its stockholders for U.S. federal income tax purposes, except for cash received in lieu of fractional shares. Whether a spin-off qualifies as tax-free depends in part upon the reasons for the spin-off and satisfaction of numerous other fact-based requirements. If the spin-off fails to qualify as a tax-free distribution for U.S. federal income tax purposes, SWS stockholders who receive shares of our common stock in the spin-off would be treated as if they had received a taxable distribution in an amount equal to the fair market value of our common stock received. The amount of the taxable distribution would be taxed as a dividend. If the spin-off fails to qualify as a tax-free distribution for U.S. federal income tax purposes to SWS stockholders, then, in general, a corporate income tax could also be payable on the difference between the fair market value of the stock and SWS's adjusted tax basis in the stock at the time of the spin-off by the combined tax group of which SWS is the common parent. Even if the spin-off qualifies as a tax-free distribution to SWS stockholders, it may be subject to corporate income tax under Section 355(e) of the Internal Revenue Code, as amended, if one or more persons acquire a 50% or greater interest in SWS or Westwood as part of a plan or series of related transactions that included the spin-off. 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 Westwood, 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. Even if the application of Section 355(e) resulted in the imposition of corporate income tax liability, this alone would not affect the tax-free nature of the distribution to SWS stockholders. See "The Spin-off -- Material U.S. Federal Income Tax Consequences of the Spin-off" and "Relationship Between SWS and Westwood After the Spin-off -- Tax Separation Agreement."

The trading price of SWS common stock may decline after the spin-off.

After the spin-off, SWS common stock will continue to be listed for trading on the NYSE under the symbol "SWS." As a result of the spin-off, absent other action, the trading price of SWS common stock immediately following the spin-off is expected to be lower than the trading price of SWS common stock immediately prior to the spin-off.

We will not be able to rely on SWS to fund future capital requirements.

In the past, some of our capital needs have been satisfied or guaranteed by SWS. However, following the spin-off, SWS will no longer provide funds to finance our working capital or other cash requirements. We cannot be certain that financing, if needed, will be available on favorable terms, if at all. We believe that 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 after the spin-off 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 with interest rates as favorable as those historically enjoyed by SWS, 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.

Substantial sales of our common stock following the spin-off, or the perception that such sales might occur, could depress the market price of our common stock.

All of the shares of our common stock distributed in the spin-off will be eligible for immediate resale in the public market, except for shares held by our affiliates. Any sales of substantial amounts of our common stock in the public market, or the perception that such sales might occur, whether as a result of the spin-off or otherwise,

could depress the market price of our common stock. We are unable to predict whether substantial amounts of our common stock will be sold in the open market following the spin-off. See "The Spin-off -- Listing and Trading of Westwood Common Stock."

The distribution agreement and the tax separation agreement 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 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 ourselves. 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. Additionally, the distribution agreement provides that SWS will indemnify us for any liabilities or expenses in excess of $500,000 that relate to our representation as the corporate trustee for the Richard A. Boykin, Jr. Family Trust. 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. 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. See "Relationship Between SWS and Westwood After the Spin-off."

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. See "Description of Capital Stock -- Provisions That May Have an Anti-Takeover Effect."

Various factors may hinder the declaration and payment of dividends following the spin-off.

Our payment of dividends is subject to the discretion of our Board of Directors, and various factors may prevent us from paying dividends. Such factors include our financial position, capital requirements and liquidity, the existence of a stock repurchase program, 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 "Dividend Policy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Risks Related to our Business

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 and results of operations. Favorable performance by the securities markets prior to 2001 attracted a substantial increase in investments in these markets. Partly as a result of this financial environment, the assets under our management increased significantly and levels of profitability grew. The growth rate of our assets under management has varied from year to year, and the high average growth rates sustained in the recent past may not continue and could decline

significantly. In addition, in periods of slowing growth or declining revenues, profits and profit margins are adversely affected because certain expenses remain relatively fixed.

For example, a substantial portion of our assets under management is 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 would likely have a significant negative impact on our revenues and 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. While a number of the asset classes that we manage have on a long-term basis performed above the median within their peer groups, during 2001 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. Any termination of or failure to renew these agreements could have a material adverse impact on us. In general, either party may terminate these agreements upon 30-days notice. Investment advisory and subadvisory agreements are terminated in the event of an "assignment" (as defined in the Investment Company Act of 1940, as amended). Generally, any change of control would constitute an "assignment" under the 1940 Act. The spin-off is not expected to result in a change of control and therefore under the applicable rules of the SEC would not constitute such an assignment.

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 four clients accounted for 22.2% of total revenues for the twelve months ended December 31, 2001. A significant portion of our current revenues is derived from clients who were major clients in prior years, 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 continued growth of the asset management industry, which experienced significant growth prior to 2001.

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 asset class's performance results, the timing of the offering and our marketing strategies. Once an asset class is developed, whether through acquisition or development internally, 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 costs related to doing road shows, sponsoring conferences and attending trade shows. 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 affect 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 "Business -- 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 are 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 intend to consider acquisitions of similar or complementary businesses. See "Business -- 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, the occurrence of amortization expenses 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.

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.

Members of our Board of Directors and executive management may have conflicts of interest after the spin-off 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, all of the members of our Board of Directors and executive management will own shares of both SWS and Westwood common stock after the spin-off. 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 governing the relationship between SWS and Westwood following 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 following the spin-off. See "Relationship Between SWS and Westwood After the Spin-Off."

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this information statement including, without limitation, in the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," that are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include the information concerning our possible or assumed future results of operations, business strategies, need for financing, competitive position, potential growth opportunities, potential operating performance improvements, ability to retain and recruit personnel, benefits resulting from our spin-off from SWS, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "continue," "may," "will," "should" or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements. Except as required under the federal securities laws and the rules and regulations of the SEC, we do not have any intention or obligation to update publicly any forward-looking statements after we distribute this information statement.

The risk factors discussed in "Risk Factors" could cause our results to differ materially from those expressed in forward-looking statements. There may also be other risks and uncertainties that we are unable to predict at this time or which we do not now expect to have a material adverse impact on our business.

THE SPIN-OFF

Background and Reasons for the Spin-Off

The SWS Board of Directors has determined that the spin-off is in the best interests of SWS and its stockholders because following the spin-off the two independent companies will be better positioned to adopt strategies and pursue objectives appropriate to their respective needs. SWS's brokerage and banking businesses and our business each have different operating objectives and growth opportunities. By separating the operations, SWS and Westwood can focus their attention and financial resources on their own core business and on exploring and implementing the most appropriate business opportunities. While SWS will continue to focus on the brokerage and banking businesses, we will focus on providing our customers with quality, innovative asset management and related services.

The expected benefits of the spin-off include:

- provide our management the ability to focus their efforts and financial resources on our core business, thus enabling us to compete more effectively in our own markets;
- provide us a platform to enhance client service by better aligning our performance on behalf of our clients with the compensation of our employees;
- provide us the ability to better retain and recruit high quality employees by providing employee compensation and benefit programs more closely tied to our performance, including stock-based and other incentive programs that reward employees based on their contribution to our success;
- provide us the ability to operate independently without the capital resource allocation issues present within the combined SWS, which in the near term will allow us to invest in additional technology, such as an enhanced website and more efficient client reporting systems;

- provide us additional operating flexibility and allow us to achieve improved cost structures and operating efficiencies;

- enable us to avoid any perception that a conflict of interest exists because we are a subsidiary of SWS;

- enable us to attract business from competitors of SWS; and

- enable the financial community and investors to better measure the performance of both SWS and Westwood against comparable companies in similar businesses and make investment decisions based on the separate operations of the companies.

Description of the Spin-off

SWS will accomplish the spin-off by distributing all of the shares of our common stock that it holds to SWS's stockholders. SWS currently holds 80.18% of our outstanding common stock. On , 2002, the SWS Board of Directors formally approved the spin-off. Each SWS stockholder as of the close of business on , 2002, which is the record date for the spin-off, will receive shares of our common stock. Those SWS stockholders will receive one share of our common stock for every four shares of SWS common stock held as of the record date. SWS and Westwood expect that the spin-off will take place on or about , 2002, although completion of the spin-off is contingent upon the satisfaction of conditions described in the distribution agreement. See "Relationship Between SWS and Westwood After the Spin-off."

As soon as practicable on or about the spin-off date, SWS will deliver to the distribution agent, Computershare Trust Company, Inc., certificates representing the shares of Westwood common stock that it holds. The distribution agent will then mail certificates representing shares of our common stock to each holder of SWS common stock. Where appropriate, distributions will be made in book-entry form only, without the delivery of any certificates. SWS's shares of our common stock are duly authorized, validly issued, fully paid and nonassessable, and the holders of these shares will not be entitled to preemptive rights. See "Description of Capital Stock."

We will not issue any fractional shares as part of the spin-off. Instead, each holder of SWS common stock who would otherwise be entitled to receive a fractional share will receive cash for those fractional shares less applicable taxes and a pro rata portion of the aggregate brokerage commission payable in connection with the sale of the fractional shares. On or after the spin-off date, the distribution agent will aggregate all fractional shares, sell them on the open market at prevailing market prices and distribute the aggregate proceeds ratably to those SWS stockholders otherwise entitled to those fractional shares. See "--Material U.S. Federal Income Tax Consequences of the Spin-off" for a discussion of the United States federal income tax treatment of proceeds from fractional share interests. The distribution agent will act in its sole discretion, without influence from SWS or Westwood, in effecting these sales. The distribution agent will independently determine all aspects of the sales. Neither the distribution agent nor the broker-dealers it uses are affiliates of SWS or Westwood. None of SWS, Westwood or the distribution agent can guarantee any minimum sale price for the fractional shares of our common stock. Neither SWS or Westwood will pay any interest on the proceeds from the sale of aggregated fractional shares.

No vote of SWS stockholders is required or sought in connection with the spin-off, and SWS stockholders will have no appraisal rights in connection with the spin-off.

Options granted to Westwood employees under the SWS Securities, Inc. Stock Option Plan and the SWS Securities, Inc. 1997 Stock Plan will become fully vested as of the date of the spin-off, and Westwood will be substituted for SWS as the employer of these employees. In addition, to the extent that SWS makes any adjustments to its outstanding options as a result of the spin-off, similar adjustments will be made to the SWS options held by Westwood employees.

No SWS stockholder will be required to pay cash or other consideration for any shares of our common stock received in the spin-off, or to surrender or exchange shares of SWS common stock to receive our common stock.

Results of the Spin-off

After the spin-off, we will be a separate public company, independent from SWS. Except with respect to shares currently held by some members of our management, which represent 19.82% of our outstanding common stock prior to the spin-off, the number and identity of our stockholders immediately after the spin-off generally will be the same as the number and identity of stockholders of SWS immediately prior to the spin-off. As a result of the spin-off, we expect to have approximately 150 holders of record and approximately shares of our common stock outstanding, based on the number of SWS record stockholders and the distribution ratio, an assumed stock split ratio for our common stock, and the number of outstanding shares of SWS common stock as of the close of business on , 2002. The actual number of shares of our common stock to be distributed will be determined as of the record date. The spin-off will not affect the number of outstanding shares of SWS common stock or the rights of SWS stockholders.

Material U.S. Federal Income Tax Consequences of the Spin-off

General

The following is a summary description of the material federal income tax consequences of the spin-off. This summary is not intended as a complete description of all of the tax consequences of the spin-off and does not discuss tax consequences under the laws of state, local or foreign governments or any other jurisdiction. Moreover, the following discussion may not apply to particular categories of holders subject to special tax treatment under the federal income tax laws, including, without limitation, insurance companies, financial institutions, broker-dealers, estates, trusts, tax-exempt organizations, real estate investment trusts, regulated investment companies, non-United States holders, or persons that will hold their shares of our common stock as a position in a straddle, as part of a synthetic security or hedge, or as part of a conversion transaction or other integrated investment, other than a capital asset. This summary does not address the tax consequences to

stockholders, partners or beneficiaries of a holder of shares of our common stock. Further, it does not include a description of any alternative minimum tax consequences that may be applicable to the receipt of our shares pursuant to the spin-off. This summary assumes that you hold your shares of our common stock as a capital asset within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended, or the "Code." In this regard, special rules not discussed in this summary may apply to some of SWS's stockholders.

The following discussion is based on currently existing provisions of the Code, existing, proposed and temporary Treasury Department regulations promulgated under the Code and current administrative rulings and court decisions. All of the foregoing are subject to change, which may or may not be retroactive, and any of these changes could affect the validity of the following discussion.

We urge you to consult your tax advisor as to the particular tax consequences to you of the spin-off described herein, including the applicability and effect of any state, local or foreign tax laws, and the possible effects of changes in applicable tax laws.

Consequences if the Spin-off is Tax-free

SWS will receive an opinion from Gardere Wynne Sewell LLP to the effect that, among other things, the spin-off will qualify as a tax-free distribution under Section 355 of the Code. The opinion of Gardere Wynne Sewell LLP will rely on representations made by SWS and us and factual assumptions. If any of the factual assumptions or representations relied upon in the opinion are inaccurate, the opinion may not accurately describe the tax treatment to you as a result of the receipt of our common stock pursuant to the spin-off. In addition, a tax opinion is not binding on the Internal Revenue Service, and we do not intend to request a ruling from the Internal Revenue Services with respect to these matters. Furthermore, there is no assurance that the Internal Revenue Service would agree with the conclusions set forth in the opinion or this discussion.

Assuming that the spin-off qualifies as a tax-free distribution:

- except in connection with cash received in lieu of fractional shares, as described below, no stockholder of SWS will recognize any income, gain or loss as a result of the receipt of shares of our common stock;

- each stockholder of SWS have an aggregate tax basis in the shares of our common stock received in the spin-off and the shares of SWS common stock held immediately following the spin-off equal to the tax basis in the shares SWS common stock held immediately prior to the spin-off. This aggregate tax basis will be allocated between the shares of our common stock and SWS common stock in proportion to each of their fair market values on the date of the spin-off. Each stockholder will assign tax basis to each share of our common stock on a pro-rata basis. If a stockholder has multiple blocks of SWS common stock, the stockholder will then allocate the SWS tax basis (as determined above) back to a specific block of SWS common stock in the amount of the total basis attributable to SWS common stock multiplied by a fraction, the numerator of which is the pre-spin-off tax basis attributable to that block of SWS common stock and the denominator of which is the pre-spin-off tax basis of all of the stockholder's SWS common stock. After the total tax basis for each block has been determined, the stockholder will assign tax basis to the shares within each block on a pro-rata basis;

- the holding period for each stockholder of SWS for shares of our common stock received in the spin-off will include the holding period for the shares of SWS common stock held at the time of the spin-off (assuming the stockholder held the SWS common stock as a capital asset on the date of the spin-off). If a stockholder has multiple blocks of SWS common stock, the stockholder will take multiple holding periods for each share of our common stock, allocated on the basis of the fair market value of the SWS common stock in each block (assuming the stockholder held the SWS common stock as a capital asset on the date of the spin-off);

- each stockholder who receives cash as a result of the sale of fractional shares of our stock by the distribution agent will be treated as if such fractional share had been received by the stockholder as part

of the distribution and then sold by the stockholder. Accordingly, the stockholder will recognize gain or loss equal to the difference between the cash so received and the portion of the tax basis in our stock that is allocable to the fractional share. This gain or loss will be capital gain or loss, provided that the fractional share was held by the stockholder as a capital asset at the time of the distribution; and

- SWS will not recognize any gain or loss on its distribution of our common stock to SWS stockholders pursuant to the spin-off.

Current Treasury Department regulations require each stockholder of SWS who receives a distribution of our common stock in the spin-off to attach to his, her or its federal income tax return for the year in which the distribution occurs a statement setting forth information as may be appropriate in order to show the applicability of Section 355 of the Code to the spin-off. Such statement shall include a description of the stock received and the names and addresses of all the corporations involved in the transaction. SWS has agreed it will provide each SWS stockholder as of the record date the information necessary to comply with this requirement.

Consequences if the Spin-off is Taxable

If the spin-off fails to qualify as a tax-free distribution under Section 355 of the Code, then each stockholder of SWS receiving shares of our common stock in the spin-off generally would be treated as if the stockholder received a taxable distribution in an amount equal to the fair market value of our common stock received, which would result in:

(a) a dividend taxable at ordinary income rates to the extent paid out of SWS's current and accumulated earnings and profits; then

(b) a reduction in the stockholder's adjusted tax basis in his, her or its SWS common stock to the extent the amount received exceeds the amount

referenced in clause (a) and does not exceed the stockholder's adjusted tax basis in the stock; and then

(c) gain from the sale or exchange of the stockholder's SWS common stock to the extent the amount received exceeds the sum of the amounts referenced in clauses (a) and (b).

Each stockholder's initial tax basis in the Westwood common stock received by the stockholder would be equal to the fair market value of such stock at the time of the spin-off.

If the spin-off fails to qualify as a tax-free distribution under Section 355 of the Code, then the consolidated group of which SWS is the common parent would be required to recognize taxable gain or loss equal to the difference between the fair market value of the our common stock at the time of the distribution and SWS's adjusted tax basis in such stock.

Consequences of Certain Ownership Changes after the Spin-off

Even if the spin-off otherwise qualifies as a tax-free distribution under Section 355 of the Code, a corporate level federal income tax would be payable by SWS if either SWS or Westwood experiences a prohibited change-in-control as determined under Section 355(e) of the Code.

Section 355(e) of the Code generally provides that a corporation that distributes shares of a subsidiary in a spin-off that is otherwise tax-free will incur federal income tax liability if 50% or more, by vote or value, of the capital stock of either the corporation making the distribution or the spun-off subsidiary is acquired by one or more persons pursuant to a plan or series of related transactions that includes the spin-off. This provision can be triggered by certain reorganizations involving the acquisition of the assets or stock of the corporation making the distribution or of the spun-off subsidiary, or by issuances or redemptions of the stock of the distributing corporation or of the spun-off subsidiary. There is a presumption that any acquisition or issuance that occurs within two years before or after the spin-off is part of a plan relating to the spin-off and one or more of such

stock acquisitions or issuances could produce a prohibited 50% acquisition. However, the presumption may be rebutted by establishing that the spin-off and the acquisitions are not part of a plan or series of related transactions.

In August 2001, temporary Treasury Department regulations were issued that clarify when a spin-off is part of a plan, or series of related transactions, where one or more persons acquire stock of the distributing or spun-off subsidiary resulting in a 50% acquisition. The regulations rely on a variety of factors to determine the existence of such a plan or series of related transactions, including the following:

- the business purpose or purposes for the distribution;
- the intentions of the parties;
- the existence of agreements, understandings, arrangements or negotiations relating to acquisitions;
- the timing of transactions or acquisitions; and
- the causal connection or relationship between the spin-off and the acquisitions.

These temporary Treasury Department regulations apply to this spin-off. The Treasury Department has stated that it will continue to devote significant resources towards developing additional guidance regarding what facts and arrangements result in a prohibited 50% acquisition and that it will publish more guidance on this issue in the near future. It is not known whether future rules and regulations would apply to the spin-off.

If the spin-off is taxable solely under Section 355(e) of the Code, SWS will recognize gain equal to the difference between the fair market value of our common stock at the time of the distribution and SWS's adjusted tax basis in the stock. However, holders of SWS common stock who receive our common stock in

the spin-off would not recognize any income, gain or loss as a result of the receipt of shares of our common stock if the spin-off is taxable solely by reason of Section 355(e) of the Code.

The tax separation agreement between SWS and us allocates responsibility for the possible corporate tax burden resulting from the spin-off, as well as other tax items. For example, if the spin-off is taxable under Section 355(e) of the Code as a result of a 50% acquisition of either SWS or Westwood, then the resulting tax burden imposed on SWS will be borne by the party responsible for triggering the change-in-control. See "Relationship Between SWS and Westwood After the Spin-off -- Tax Separation Agreement."

Back-up Withholding Requirements

United States information reporting requirements and backup withholding may apply to our stockholders with respect to dividends paid on, and proceeds from the taxable sale, exchange or other disposition of, our common stock unless the stockholder:

- is a corporation or comes within certain other exempt categories, and, when required, demonstrates these facts; or

- provides a correct taxpayer identification number, certifies that there has been no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules.

You may be subject to penalties imposed by the IRS if you do not supply SWS with your correct taxpayer identification number. Any amount withheld under these rules will be creditable against your federal income tax liability. You should consult your tax advisor as to your qualification for exemption from backup withholding and the procedure for obtaining such an exemption. If information-reporting requirements apply to you, the amount of dividends paid with respect to your shares will be reported annually to the IRS and to you.

Listing and Trading of Westwood Common Stock

There has been no public market for our common stock. An active trading market may not develop or be sustained in the future. However, we expect that a limited market for shares of our common stock, commonly known as a "when issued" trading market, will develop on or shortly before the record date for the spin-off. The term "when-issued" means that shares can be traded prior to the time certificates are actually available or issued. Even though when-issued trading may develop, none of these trades would settle prior to the effective date of the spin-off, and if the spin-off does not occur, all when-issued trading will be null and void. We expect to apply to list our common stock on the NYSE under the ticker symbol "WHG" and believe that our common stock will be acceptable to the NYSE for listing. Beginning on the first NYSE trading day after the spin-off, we expect that our common stock will trade on a "regular" basis. The term "regular" refers to trading after a security has been issued and typically involves a transaction that settles on the third full business day following the date of a transaction.

We cannot predict the prices at which our common stock may trade before the spin-off on a "when issued" basis or after the spin-off on a "regular" basis. These prices will be determined by the marketplace and may be significantly below the book value per share of our common stock. Until our common stock is fully distributed, an orderly trading market develops, and the market has fully analyzed our operations, prices at which trading in shares of our common stock occurs may fluctuate significantly. These prices may be influenced by many factors, including quarter to quarter variations in our actual or anticipated financial results or those of other companies in the industries or the markets that we serve, investor perception of our company and the asset management industry, and general economic and market conditions. In addition, the stock market in general has experienced extreme price and volume fluctuations that have affected the market price of many stocks and that have often been unrelated or disproportionate to the operating performance of these companies. These are just some factors that may adversely affect the market price of our common stock. See "Risk Factors--There has been no prior market for our common stock, and it is difficult to predict the prices at which our common stock might trade."

Substantially all of the shares of our common stock that will be distributed in the spin-off will be eligible for immediate resale. In transactions similar to the spin-off, it is not unusual for a significant redistribution of shares to occur during the first few weeks or even months following completion of the transaction because of the differing objectives and strategies of investors who acquire shares of our common stock in the transaction. We are not able to predict whether substantial amounts of our common stock will be sold in the open market following the spin-off or what effect these sales may have on prices at which our common stock may trade. Sales of substantial amounts of our common stock in the public market during this period, the perception that any redistribution has not been completed or the prospect of our having to undertake a public offering of our common stock following the spin-off could materially affect the market price of our common stock.

Shares of our common stock received in the spin-off by "affiliates" (as defined under Rule 144 under the Securities Act of 1933, as amended) will not be freely transferable. Persons who can be considered our affiliates after the spin-off generally include individuals or entities that directly, or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, us, and include some of our officers and directors. Our affiliates may only sell common stock received in the spin-off:

- under a registration statement that the SEC has declared effective under the Securities Act; or

- under an exemption from registration under the Securities Act, such as the exemption afforded by Rule 144, which limit sales by affiliates based on the average four-week trading volume or 1% of the outstanding common stock.

Similarly, the shares of our common stock purchased by our executive officers from SWS in December 2001 cannot be resold unless the resale is registered with the SEC or an exemption from registration is available, such as the exemption pursuant to Rule 144. In the event these executive officers were to seek to sell the shares that they purchased from SWS pursuant to Rule 144, the one-year holding period requirement would apply.

It is expected that immediately following the completion of the spin-off that the compensation committee of our Board of Directors will award options covering approximately shares of our common stock at an exercise price equal to the closing price per share as reported by the NYSE on the first day regular trading in our common stock begins. These options will vest over four years with the initial portion of such options vesting one year after the date of grant. These options will be granted under the Westwood Holdings Group, Inc. Stock Incentive Plan. See "Management--Compensation of Executive Officers--Compensatory Plans and Arrangements--Westwood Stock Incentive Plan." Shares of our common stock issued upon exercise of these options will be registered on Form S-8 under the Securities Act and will, therefore, be freely transferable under the securities laws, except by affiliates as described above.

SWS expects that its common stock will meet the continued listing standards of the NYSE and that its common stock will continue to trade on a regular basis under the symbol "SWS" following the spin-off. SWS common stock may also trade on a when-issued basis, reflecting an assumed post-spin-off value for SWS common stock. When-issued trading in SWS common stock, if available, could last from on or about the record date through the effective date of the spin-off. If when-issued trading in SWS common stock is available, SWS stockholders may trade their existing SWS common stock prior to the effective date of the spin-off in either the when-issued market or in the regular market for SWS common stock. If a stockholder trades in the when-issued market, he will have no obligation to transfer to a purchaser of SWS common stock the Westwood common stock such stockholder receives in the spin-off. If a stockholder trades in the regular market, the shares of SWS common stock traded will be accompanied by due bills representing the Westwood common stock to be distributed in the spin-off. If when-issued trading in SWS common stock is not available, neither the SWS common stock nor the due bills may be purchased or sold separately during the period from the record date through the effective date of the spin-off.

If a when-issued market for SWS common stock develops, an additional listing for SWS common stock will appear on the NYSE. Differences may exist between the combined value of when-issued Westwood common stock plus when-issued SWS common

stock and the price of SWS common stock during this period. Until the market has fully analyzed the operations of SWS without the operations of Westwood, the prices at which SWS common stock trades may fluctuate significantly.

You should consider consulting your financial and tax advisors prior to making any decisions with respect to the purchase, retention or sale of shares of SWS common stock or Westwood common stock. Neither SWS nor Westwood makes recommendations on the purchase, retention or sale of your shares of SWS common stock or Westwood common stock.

RELATIONSHIP BETWEEN SWS AND WESTWOOD AFTER THE SPIN-OFF

This section of the information statement summarizes material agreements, including certain transition services, indemnification, tax and other matters, relating to the spin-off between SWS and us that will govern the ongoing relationships between the two companies after the spin-off and will provide for an orderly transition to our status as a separate, independent company. Additional or modified agreements, arrangements and transactions, which will be negotiated at arm's length, may be entered into between SWS and us after the spin-off. Our business consists of the businesses previously conducted by the Westwood asset management business of SWS. On an overall basis, our business will constitute substantially the same business as that previously conducted by the Westwood asset management business of SWS. You should also read the agreements, forms of which have been filed as exhibits to the registration statement on Form 10 of which this information statement forms a part.

Distribution Agreement

The distribution agreement provides for:

- the principal corporate transactions and procedures required to effect the spin-off; and
- certain other agreements relating to the continuing relationship between SWS and us after the spin-off, as described below.

Conditions to the Spin-Off

The distribution agreement provides that the following conditions must be satisfied or waived before or as of the date of the spin-off for the spin-off to occur:

- the SEC must have declared our registration statement on Form 10 effective under the Securities Exchange Act;
- the NYSE must have approved the listing of our common stock, subject to official notice of issuance;
- SWS's Board of Directors must be satisfied that the spin-off will be made out of surplus within the meaning of Section 170 of the General Corporation Law of the State of Delaware;
- SWS's Board of Directors must have approved the spin-off and must not have abandoned, deferred or modified the spin-off at any time before the completion of the spin-off;
- our Certificate of Incorporation and Bylaws, in substantially the forms filed as exhibits to the Form 10 and as described in this information statement, must be in effect;
- we must receive approval of the change of control of Westwood Trust from the Texas Banking Commissioner or confirmation that a change of control of Westwood Trust has not occurred as a result of the spin-off; and
- SWS and we must have executed and delivered the various ancillary agreements described in this section.

Cross-Indemnification

We and SWS have agreed to indemnify each other against certain liabilities with respect to which a claim is made within two years of the spin-off date. We

have agreed to indemnify SWS and parties related to SWS from and against:

- any and all damage, loss, liability and expense arising out of, or due to, our failure to discharge any of our obligations under the distribution agreement;

- any and all damage, loss, liability and expense expressly assumed by us in the distribution agreement;

- any and all damage, loss, liability and expense, whether arising before, on or after the spin-off, relating to us or arising from or in connection with the conduct of our business or the ownership or use of our assets in connection with our business;

- any and all past and future liabilities or expenses up to $500,000 arising from or in connection with the Richard A. Boykin, Jr. Family Trust, for which we currently serve as trustee (such expenses to include unpaid trustee fees owed to us at the time of the spin-off but not thereafter); and

- any and all damage, loss, liability and expense caused by any untrue statement or alleged untrue statement contained in this information statement or the registration statement of which it is a part or caused by any omission or alleged omission to state a material fact necessary to make the statements therein not misleading, if, and only to the extent that, such untrue statement or omission arises out of information provided by us for inclusion in this information statement or registration statement.

SWS has agreed to indemnify us and parties related to us from and against:

- any and all damage, loss, liability and expense arising out of, or due to, SWS's failure to discharge any of its obligations under the distribution agreement;

- any and all damage, loss, liability and expense, whether arising before, on or after the spin-off, relating to SWS or arising from or in connection with the conduct of its business or the ownership or use of its assets in connection with its business (other than the business of Westwood);

- any and all damage, loss, liability and expense arising out of, or due to, SWS's failure to discharge any of its obligations under the distribution agreement and the transition services agreement;

- any and all past and future liabilities or expenses in excess of $500,000 arising from or in connection with the Richard A. Boykin, Jr. Family Trust, for which we currently serve as trustee (such expenses to include unpaid trustee fees owed to us at the time of the spin-off but not thereafter); and

- any and all damage, loss, liability and expense caused by any untrue statement or alleged untrue statement contained in this information statement or the registration statement of which it is a part or caused by any omission or alleged omission to state a material fact necessary to make the statements therein not misleading, if, and only to the extent that, such untrue statement or omission arises out of information provided by SWS for inclusion in this information statement or registration statement.

We have acted as corporate trustee for the Boykin Trust for several years. As corporate trustee, we recently filed a petition for bankruptcy on behalf of the Boykin Trust because it is subject to various pending legal actions, outstanding judgments and owes money to numerous creditors, including trustee fees and other amounts advanced by us that are owed to us in connection with our representation. The Boykin Trust's only asset with value is a large block of land that has been listed with a real estate broker. If we are successful in selling the land, it is uncertain whether such sale will provide enough proceeds to pay off the creditors of the Boykin Trust. If we acted with gross negligence or in bad faith while serving as the corporate trustee of the Boykin Trust, those creditors or other persons could assert actions against us.

None of these indemnities applies to indemnification for income tax liabilities, which are addressed in the tax separation agreement described below under "Tax Separation Agreement." The distribution agreement also includes procedures for notice and payment of indemnification claims and generally provides that the indemnifying party may assume the defense of a claim or suit brought by a third party. Any indemnification amount paid under the indemnities will be paid net of the amount of any insurance or other amounts that would be payable by any third party to the indemnified party in the absence of the indemnity. In addition, the distribution agreement provides that if indemnification is unavailable or insufficient to hold the indemnified party harmless, the indemnifying party will contribute to the amount paid or payable in a manner appropriate to reflect all relevant equitable considerations.

Employee Benefits

The distribution agreement includes the following provisions relating to employee matters:

Treatment of Employees and Plans in General. At the time of completion of the spin-off, SWS will retain responsibility for all its current employees (other than Westwood employees), whom we refer to as SWS employees, and we will retain responsibility for all of our employees (including persons absent from active service by reason of disability or otherwise), whom we collectively refer to as our employees or Westwood employees. At the time of completion of the spin-off, our employees will no longer be deemed employees of SWS. In connection with the spin-off, we will adopt employee benefit plans that will be substantially similar to certain plans provided to our employees by SWS, such as the SWS 401(k), medical, dental, disability and life insurance plans. Since the SWS plans provided to our employees will terminate as to those employees as of the spin-off, we expect our plans to be effective as of the date of the spin-off.

Our active employees who participate in the SWS 401(k) Profit Sharing Plan (the "SWS 401(k) Plan") will cease active participation in that plan on the date of the spin-off and will be given the opportunity to participate in the new Westwood 401(k) Profit Sharing Plan (the "Westwood 401(k) Plan"). At the time of the spin-off, Westwood employees will become 100% vested in their accounts in the SWS 401(k) Plan, and as soon as practicable following the spin-off, trustees for the SWS 401(k) Plan will transfer account balances under the SWS 401(k) Plan to the Westwood 401(k) Plan without forfeiture of any portion of the Westwood employees' account balances.

Additionally, our active employees who participate in the SWS Deferred Compensation Plan will cease active participation in that plan on the date of the spin-off and will be given the opportunity to participate in the new Westwood Deferred Compensation Plan. As soon as practicable following the spin-off, the trustee of the SWS Deferred Compensation Plan will transfer the accounts of the Westwood employees to the trustee of the Westwood Deferred Compensation Plan. Contemporaneously with the transfers of the assets to the Westwood Deferred Compensation Plan, SWS will transfer the related liability and unrealized holding gain accounts.

Equity-Based Compensation. In connection with the spin-off and effective as of the completion of the spin-off, options granted to Westwood employees under the SWS Securities, Inc. Stock Option Plan and the SWS Securities, Inc. 1997 Stock Option Plan will become fully vested as of the date of the spin-off, and Westwood will be substituted for SWS as the employer of these employees. In addition, to the extent that SWS makes any adjustments to its outstanding options as a result of the spin-off, similar adjustments will be made to the SWS options held by Westwood employees.

Restriction on Solicitation or Employment of Employees

For a period of one year after the spin-off, we and SWS will agree not to, and to cause our subsidiaries not to, directly or indirectly:

- solicit or otherwise attempt to induce or influence any employee of the other party or a subsidiary to leave employment with his or her then-current employer; or

- employ any employee of the other party or a subsidiary of the other party, in each case without the consent of the other party.

However, if an employee of SWS or Westwood is terminated or terminates employment within such one year period, the terminated employee shall be eligible to be hired by SWS or Westwood, as the case may be, at any time after 90 days following such employee's termination; provided that such solicitation or hiring is for a bona fide reason not intended to circumvent the non-solicitation provisions noted above.

Access to Information; Provision of Witnesses; Confidentiality

Under the distribution agreement, we and SWS will allow the other party and their specified representatives reasonable access to all records in our or its possession relating to the business and affairs of the other party as reasonably required. Access will be allowed for such purposes as audit, accounting, litigation, disclosure reporting and regulatory compliance. Each party will also use reasonable efforts to make available to the other party and its accountants, counsel and other designated representatives, upon written request, its directors, officers, employees and representatives as witnesses and will otherwise cooperate with the other party in connection with any proceeding arising out of its or the other party's business and operations before the spin-off. Subject to limited exceptions, we, SWS and our respective directors, officers, employees, agents, consultants and advisors will hold in strict confidence all information in our, its or their possession concerning the other party.

Transaction Expenses

The distribution agreement provides for each of SWS and us to pay our own expenses in connection with the spin-off.

Transition Services Agreement

The transition services agreement provides for the continued provision of certain services by SWS to us, on a transitional basis, consistent with the historical provision of these services and the other terms of the transition services agreement, including terms relating to fees. These services will include information technology and equipment services and human resources services. In each case, SWS will provide such services effective as of the spin-off date to the extent that they are identified or described in the transition services agreement. SWS has agreed to provide the information technology and equipment services for the lesser of one year or until the expiration of the lease relating to such equipment and the human resources services for six months following the spin-off. We may terminate SWS's provision of any or all services under the transition services agreement upon 30 days' prior written notice to SWS.

The transition services agreement also provides that SWS will retain us for a term of not less than one year to provide investment management and custodial services with respect to the SWS cash reserve funds. Following such one-year period, SWS may, at its option, upon no less than 30 days' prior written notice to Westwood, terminate such services.

Tax Separation Agreement

We will be included in SWS's U.S. federal consolidated income tax group and any other consolidated, combined or unitary foreign, state and local tax group of SWS for all tax periods preceding the spin-off. Pursuant to a tax separation agreement with SWS, we are required to pay to SWS the portion of any taxes reported on the consolidated, combined or unitary tax returns filed by SWS for the 2002 tax year that are attributable to our business. For this purpose, the tax attributable to our business will be determined using SWS's historical method of computations as if we were not, and never were, a part of any consolidated group of SWS. We shall also be responsible for any increase (and will receive the benefit of any decrease) in any tax reported on these consolidated, combined or unitary tax returns that results from an audit by a tax authority (or other tax adjustment) of a tax attribute of us.

SWS will be responsible for the preparation and filing of all non-consolidated tax returns relating to us, and the payment of any taxes

relating to these returns, for all tax periods ending on or before the spin-off. With respect to any non-consolidated tax returns relating to us for tax periods that begin on or before, but end after, the spin-off ("straddle periods"), elections will be made to close the tax periods on the date of the spin-off if permissible under applicable law. With respect to any straddle period for which an election cannot be made, we shall be responsible for the preparation and filing of all non-consolidated returns relating to us, and the

remittance of any taxes relating to these returns. SWS will indemnify us for the portion of any of these non-consolidated taxes that relate to the portion of the straddle period prior to the spin-off.

We will be responsible for the preparation and filing of all tax returns (both consolidated and non-consolidated) relating to us, and the payment of any taxes relating to these returns, for all tax periods beginning after the spin-off.

The tax separation agreement 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. The party responsible for triggering a change-in-control will bear any taxes that arise from the application of Section 355(e) of the Code in connection with the spin-off.

DIVIDEND POLICY

The declaration and payment of dividends is subject to the discretion of our Board of Directors. Any determination as to the payment of dividends, as well as the type and amount of such dividends, will depend on, among other things, general economic and business conditions, our strategic plans, our financial results and condition, and contractual, legal and regulatory restrictions on the payment of dividends by us. We are a holding company and, as such, our ability to pay dividends is subject to the ability of our subsidiaries to provide us with cash. We cannot provide any assurance that dividends will be declared and paid in the future.

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 resolutions. At December 31, 2001, Westwood Trust had undivided profits of approximately $385,000.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth the selected consolidated financial data of Westwood, which with respect to each of the three years in the period ended December 31, 2001, and as of December 31, 2001 and 2000, is derived from the audited consolidated financial statements of Westwood and should be read in conjunction with those statements, which are included in this information statement. The selected consolidated financial data for each of the two years in the period ended December 31, 1998, and as of December 1999, 1998 and 1997, is derived from the unaudited consolidated financial statements of Westwood. The data 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 future performance as an independent company following the spin-off. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this information statement.

	Years ended December 31, (in thousands, except per share amounts)				
	2001(1)	2000	1999	1998	1997

Statements of Income Data:					
Total revenues	$19,587	$16,136	$11,336	$10,085	$ 6,585
Total expenses	15,229	9,524	7,933	7,000	5,582
Income before income taxes	4,358	6,612	3,403	3,085	1,003
Provision for income tax expense	3,097	2,628	1,469	1,294	452
Net income	$ 1,261	$ 3,984	$ 1,934	$ 1,791	$ 551
Earnings per share	$234.68	$741.45	$359.90	$333.34	$102.51

	As of December 31, (in thousands, except per share amounts)				
	2001	2000	1999	1998	1997
Balance Sheet Data:					
Cash and money market accounts	$12,097	$ 9,572	$ 2,148	$ 3,264	$ 864
Total assets	21,053	18,100	11,711	10,227	7,133
Stockholders' equity	14,032	12,802	8,590	6,681	4,889
Tangible book value per share (2)	$ 2,183	$ 1,940	$ 1,143	$ 774	$ 427
Assets Under Management (in millions):	$ 4,120	$ 3,601	$ 2,373	$ 2,083	$1,688

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(1) 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. Total expenses would have been approximately $11,253,000 and net income would have been approximately $5,027,000 without the compensation charge.

(2) Calculated by dividing, at period end, stockholders' equity less goodwill by the number of common shares outstanding.

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 "Risk Factors," elsewhere in this information statement. You should read the following discussion and analysis in conjunction with our consolidated financial statements and related notes thereto appearing elsewhere in this document.

Overview

We are an institutional asset management company and provide services through our two subsidiaries, Westwood Management and Westwood Trust. Westwood Management provides investment advisory services to corporate pension funds, public retirement plans, endowments, foundations and mutual funds, and investment subadvisory services to most 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. As of December 31, 2001, we managed assets valued at approximately $4.1 billion. We have been providing investment advisory services since 1983 and, 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 a daily or monthly analysis of 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 and investment income. We invest most of our cash in money market funds, although we do invest smaller amounts in bonds and equity instruments. Our most significant investment income is derived from dividends paid on shares of Class A Common Stock of Gabelli Advisers, Inc., that we own, which represent a 20% economic interest in the company. Gabelli Advisers, Inc. has declared and paid dividends on its Class A Common Stock in each of the past several years.

Assets Under Management

Assets under management increased $511 million, or 14.4%, to $4.1 billion at December 31, 2001, compared with $3.6 billion at December 31, 2000. The growth in assets under management was principally attributable to assets from new clients. Assets under management increased $1.2 billion, or 51.8%, to $3.6 billion at December 31, 2000, compared with $2.4 billion at December 31, 1999. The growth in assets under management was principally attributable to additional assets from new and existing clients, as well as market appreciation of assets under management.

	As of December 31,(1) (in millions)			% Change	
	2001	2000	1999	2001 vs. 2000	2000 vs. 1999
Westwood Management Corporation					
Separate Accounts	$2,185	$1,776	$1,295	23.0%	37.2%
Subadvisory	678	825	316	(17.8)	161.6
Gabelli Westwood Funds	501	429	377	16.7	13.8
Managed Accounts	119	91	--	31.9	N/A
Total	3,483	3,121	1,988	11.6	57.0
Westwood Trust					
Commingled Funds	477	353	261	35.1	35.2
Private Accounts	77	59	58	30.5	1.7
Agency/Custody Accounts	83	68	66	22.1	3.0
Total	637	480	385	32.7	24.7
Total Assets Under Management	$4,120	$3,601	$2,373	14.4%	51.8%

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(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 $500 million, $263 million and $187 million as of December 31, 2001, 2000 and 1999, respectively. This account is noted separately due to its unique nature in our business and because it 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. After the spin-off, we will be an independent public company, with SWS having no continuing ownership interest in us. We will enter 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. See "Relationship Between SWS and Westwood After the Spin-off."

On December 14, 2001, SWS sold 1,065 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 after applying appropriate valuation discounts.

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, and reflect our historical financial position, results of operations and cash flows as a part of SWS. The financial information included in this information statement 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 the periods presented, nor is it necessarily indicative of our future performance as an independent public company. Our expenses have been allocated from 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. Had we been an independent public company in 2001, we estimate that our total expenses would have been approximately $800,000 higher than those reflected in the consolidated financial statements. The increase in expenses includes, without limitation, increased public company compliance costs, employee compensation, insurance costs, legal expenses, and accounting and payroll costs. The foregoing estimate of higher expenses is not necessarily an accurate measure of what our stand-alone expenses would have been in 2001 or will be in the future, and our expenses could be higher. The costs we actually incur in the future will depend on the market for these services when they are actually purchased and the size and nature of our future operations.

Results of Operations

The following table and discussion of our results of operations for the fiscal years ended December 31, 2001, 2000 and 1999 is based upon data derived from the consolidated statements of income contained in the audited consolidated financial statements and should be read in conjunction with these statements, which are included elsewhere in this information statement.

	Years ended December 31, (in thousands)			% Change	
	2001	2000	1999	2001 vs. 2000	2000 vs. 1999
Revenues					
Advisory fees	$14,918	$12,038	$ 8,650	23.9%	39.2%
Trust fees	3,755	3,079	2,282	22.0	34.9
Other revenues	914	1,019	404	(10.3)	152.2
Total revenues	19,587	16,136	11,336	21.4	42.3
Expenses					
Employee compensation and benefits	8,042	6,890	5,345	16.7	28.9
Equity based compensation charge	3,976	--	--	N/A	N/A
Sales and marketing	485	452	425	7.3	6.4
Information technology	818	730	748	12.1	(2.4)
Professional services	702	281	239	149.8	17.6
General and administrative	1,206	1,171	1,176	3.0	(0.4)
Total expenses	15,229	9,524	7,933	59.9	20.1
Income before income taxes	4,358	6,612	3,403	(34.1)	94.3
Provision for income tax expense	3,097	2,628	1,469	17.8	78.9
Net income	$ 1,261	$ 3,984	$ 1,934	(68.3)%	106.0%

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Total Revenues. Our total revenues increased by 21.4% to $19.6 million in 2001 from $16.1 million in 2000. Advisory fees increased by 23.9% to $14.9 million in 2001 from $12.0 million in 2000 primarily as a result of increased assets under management derived from new clients. Trust fees increased by 22% to $3.8 million in 2001 from $3.1 million in 2000 primarily due to increased trust assets under management. Other revenues, which generally consists of interest and investment income and consulting fees, decreased by 10.3% to $914,000 in 2001 from $1.0 million in 2000. Other revenues decreased primarily as a result of mark-to-market losses on investments.

Employee Compensation and Benefits. Employee compensation and benefits costs generally consist of salaries, benefits and incentive compensation. Employee compensation and benefits increased by 16.7% to $8.0 million in 2001 from $6.9 million in 2000. This increase resulted primarily from increased incentive compensation, which increase was largely based on growth in income before income taxes (excluding the equity based compensation charge) and also an increase in the number of investment professionals and other personnel.

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.

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 7.3% to $485,000 in 2001 from $452,000 in 2000. The increase in these expenses is the primarily the result of expanded business development activities.

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 increased by 12.1% to

$818,000 in 2001 from $730,000 in 2000. The increase in these expenses is primarily due to additional expenditures for new proprietary investment research tools, as well as a dedicated effort to enhance the automation and efficiency of our back office operations.

Professional Services. Professional services expenses generally consist of costs associated with legal, audit and other professional services. Professional services expenses increased by 149.8% to $702,000 in 2001 from $281,000 in 2000. The increase in these expenses is primarily the result of legal and accounting costs associated with the spin-off from SWS, as well as legal expenses associated with the Boykin litigation and bankruptcy proceedings. See "Relationship Between SWS and Westwood After the Spin-off -- Distribution Agreement."

General and Administrative. General and administrative expenses generally consist of costs associated with the lease of our office space, depreciation and amortization, insurance, office supplies and other miscellaneous expenses. General and administrative expenses increased by 3.0% to $1.2 million in 2001. The increase in these expenses is primarily the result of increased usage of office supplies and higher custody fees related to our international fund.

Provision for Income Tax Expense. Provision for income tax expense increased by 17.8% to $3.1 million in 2001 from $2.6 million in 2000, reflecting an effective tax rate of 71.1% and 39.7% for 2001 and 2000, respectively. The increase in the effective tax rate resulted from the non-deductibility of most of the equity based compensation charge incurred in 2001.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Total Revenues. Our total revenues increased by 42.3% to $16.1 million in 2000 from $11.3 million in 1999. Advisory fees increased by 39.2% to $12.0 million in 2000 from $8.7 million in 1999 primarily as a result of increased assets under management, which in turn was attributable to new assets from new and existing clients as well as market appreciation in assets under management. Trust fees increased by 34.9% to $3.1 million in 2000 from $2.3 million in 1999 as a result of increased trust assets under management. Other revenues increased by 152.2% to $1.0 million in 2000 from $404,000 in 1999. Other revenues increased primarily as a result of higher interest income and mark-to-market gains on investments.

Employee Compensation and Benefits. Employee compensation and benefits costs increased by 28.9% to $6.9 million in 2000 from $5.3 million in 1999. This increase resulted primarily from increased incentive compensation, which increase was largely based on growth in income before income taxes as well as an increase in the number of personnel.

Sales and Marketing. Sales and marketing costs increased by 6.4% to $452,000 in 2000 from $425,000 in 1999. The increase in these expenses is the result of expanded business development activities.

Information Technology. Information technology expenses decreased by 2.4% to $730,000 in 2000 from $748,000 in 1999. These expenses remained relatively constant year to year.

Professional Services. Professional services expenses increased by 17.6% to $281,000 in 2000 from $239,000 in 1999. The increase in these expenses is primarily a function of a higher need for professional services commensurate with the growth in our assets under management and new accounts.

General and Administrative. General and administrative expenses decreased by 0.4% to $1.2 million in 2000. These expenses remained relatively constant from year to year.

Provision for Income Tax Expense. Provision for income tax expense increased by 78.9% to $2.6 million in 2000 from $1.5 million in 1999, reflecting an effective tax rate of 39.7% and 43.2% for 2000 and 1999, respectively. A decrease in the effective tax rate is due to the fact that we were no longer subject to New York state and city income taxes in 2000.

Liquidity and Capital Resources

We have funded our operations and cash requirements with cash generated from operating activities. As of December 31, 2001, 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 2001, we generated cash flow from operating activities, principally our investment advisory business, of $7.3 million. During 2000, we generated $5.5 million of cash flow from operating activities. At December 31, 2001 and 2000, we had working capital of $11.2 million and $10.1 million, respectively.

Cash used in investing activities during 2001 was $7.4 million, and was primarily related to the investment of excess cash balances. Cash used in investing activities during 2000 was $1.8 million, and was primarily related to the investment of excess cash balances.

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. The loans bear interest at the rate of 3.93% per annum, payable annually, with the principal payable at maturity on the ninth anniversary of the date of the loans. There were no financing activities during 2000.

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.

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 Rate

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. However, the value of assets under management is affected by changes in interest rates. 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.

Inflation

Most of our revenues are based on the value of assets under management. There is no predictable relationship between the rate of inflation and the value of assets under management, except that inflation may affect interest rates. We do not believe inflation will significantly affect our compensation costs as they are substantially variable in nature. However, inflation may affect our expenses, such as information technology and occupancy costs. To the extent inflation results in rising interest rates and has other effects upon the securities markets, it may adversely affect our results of operations by reducing our assets under management.

BUSINESS

General

We are an institutional asset management company and provide services 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, and investment subadvisory services to 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. As of December 31, 2001, we managed assets valued at approximately $4.1 billion. We have been providing investment advisory services since 1983 and, when measured over multi-year periods, our principal asset classes have consistently ranked 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.

We expect to apply to be listed on the NYSE and expect to be listed by the distribution date under the trading symbol "WHG." We maintain a website at www.westwoodgroup.com. Information found on our website is not a part of this information statement.

Westwood Management Corporation

General

Westwood Management provides investment advisory services to large institutions, including corporate pension funds, public retirement plans, endowments, foundations and mutual funds, having at least $25 million in assets.

Our overall investment philosophy is determined by 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 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 worked in the investment arena for more than 30 years. Westwood Management's investment advisory team also includes 15 additional portfolio managers, trading and research professionals, all of whom have substantial investment management experience. 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 objective through the use of one management advisor. More than half of our assets under management are invested in our Large Cap Equity asset class, although the portion of assets under management in other asset classes has been growing. The following sets forth the various asset classes currently managed by Westwood Management:

LargeCap Equity: Investments in equity securities of approximately 40 well-seasoned companies with market capitalizations generally over $10 billion. Our strategy for this portfolio is to focus on investing in companies that provide earnings through operational improvements and can be purchased inexpensively.

SMidCap Equity: Investments in equity securities of approximately 35-45 companies with market capitalizations of $250 million to $7.5 billion.

Similar to the LargeCap Equity asset class, we seek to discover the same kinds of operational improvements but within mid-size companies, which offer attractive risk/return profiles.

SmallCap Equity: Investments in approximately 65 growth companies with market capitalizations between $100 million and $1.5 billion at the time of purchase. Our approach to growth investing is more conservative than many managers of growth portfolios. We focus on small companies whose earnings are accelerating and are positioned for sustainable future growth.

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.

Real Estate Investment Trusts (or REITs): Investments in the publicly traded equity securities of approximately 50 real estate investment trusts. Our investment process incorporates a quantitative ranking system where each real estate sector and related stocks are evaluated. Westwood Management then makes investment selection based on qualitative research of the top-ranked REITS within our proprietary ranking system.

Fourth Wave: Investments in equity securities of approximately 30-50 companies with varying market capitalizations. The fund focuses on identifying innovative companies with the highest potential for revenue and earnings growth. The fund invests in the higher growth segments of the economy, including the technology, healthcare and capital equipment sectors.

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 employ various strategies, including a value-oriented approach as well as others that are more closely correlated to growth investing, in managing our asset classes. 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. The LargeCap Equity asset class has 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 earnings. 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 steady and 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.

A substantial portion of our assets under management is 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 would likely have a significant negative impact on our business.

When measured over multi-year periods, Westwood Management's principal asset classes have consistently ranked above the median within their peer groups in performance according to universe comparisons available in Mobius Universe and other commercially available databases. For the ten-year period ending on December 31, 2001, our LargeCap Equity, Balanced and Fixed Income asset classes have ranked in the top quartile in their peer groups. However, it should be noted that when considering the results of 2001 alone, the asset classes comprising the bulk of assets under management performed below the median within their peer groups.

Our assets under management have grown 73.3% from December 31, 1999 through December 31, 2001. Our ability to obtain such growth is a result of our competitive long-term performance record and our strong relationship with 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 Strategies" 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 SWS cash reserve funds. The SWS cash reserve funds totaled $500 million at December 31, 2001. Westwood Management charges a fee based on the total amount of cash assets under management. Following the spin-off, Westwood Management will continue to provide cash management and custodial services with respect to the SWS cash reserve funds for a term of not less than one year for a fee mutually agreed to by the parties. See "Relationship Between SWS and Westwood After the Spin-off -- Transition Services Agreement."

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. 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 posed by the clients. Unless otherwise directed in writing by our client, Westwood Management has the authority to vote all proxies with respect to 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 fees are computed daily 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 $291 million as of December 31, 2001. As of that date, Morningstar, Inc. awarded the Gabelli Westwood Equity Fund a four star rating.

Our four largest clients accounted for approximately 22.2% of total revenues for the twelve months ended December 31, 2001. A significant portion of our current revenues is derived from clients who were major clients in prior years, 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.

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 Banking Commissioner.

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 financial affairs and utilizes a consultative asset allocation approach. This approach involves Westwood Trust examining the client's financial affairs, 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, which includes advising clients on the investment and reinvestment of their assets, and providing 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.

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. As our primary business objective, we intend to maintain and enhance existing client relationships by continuing to provide solid investment performance results and a high level of quality service to existing clients. Additionally, we will pursue growth from new clients through targeted sales and marketing efforts that emphasize our performance results and client services.

Attract and retain key employees. In order to achieve our 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 intense, client-oriented individuals thrive. Following the completion of the spin-off, we will be able to offer to our key employees a

compensation program that includes strong equity incentives so that the success of our clients will be closely tied to the success of our key employees. We believe this is a critical ingredient to continuing to build a stable, client-focused environment.

Pursue strategic acquisitions and alliances. While we will not initially seek new alliances, we will evaluate strategic acquisition, joint venture and alliance opportunities over time. 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.

Continue strengthening our brand name. We believe that the strength of our brand name has been a key ingredient 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 find creative ways to strengthen our brand name, as well as continue our successful marketing practices.

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 us.

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 clients 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 Commission 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 and the National Association of Securities Dealers, Inc. 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. In addition, the NASD, as a self-regulatory organization, is authorized to institute proceedings and impose sanctions against members for violations of its rules and guidelines, which may include censure, suspension, expulsion, limitation of activities, functions and operations, or any other appropriate sanction. The failure of Westwood Management to comply with the requirements of the SEC or the NASD 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 and with the rules and guidelines established by the NASD.

We derive a substantial amount of our revenues from investment advisory services through our investment management agreements. Under the Investment Advisers Act, our investment management agreements terminate automatically if assigned without the client's consent. Under the Investment Company Act, advisory agreements with registered investment companies, such as the mutual funds for which we act as subadvisor, terminate automatically upon assignment. The term "assignment" is broadly defined and includes direct assignments as well as assignments that may be deemed to occur, under certain circumstances, upon the transfer, directly or indirectly, of a controlling interest in us or Westwood Management. We do not believe that the spin-off will constitute an assignment under any such investment management or advisory agreements.

Various regulations also cover certain investment strategies that may be used by Westwood Management for hedging purposes. To the extent that Westwood Management purchases futures contracts, Westwood Management may be subject to the commodities and futures regulations of the Commodity Futures Trading Commission.

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 rules and regulations promulgated under that act and supervision by the Texas Banking Commissioner. 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 Commissioner;
- furnishing periodic financial statements to the Commissioner;
- fiduciary record-keeping requirements;

- bonding requirements for the protection of clients; 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 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, which exceed five times its restricted capital. At December 31, 2001, Westwood Trust had total liabilities of approximately $552,000.

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, 2001, Westwood Trust had undivided profits of approximately $385,000.

We are subject to the Employee Retirement Income Security Act of 1974, as amended, and to the related regulations, insofar 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, 2001, we had 42 full-time employees, 16 of whom are portfolio managers, trading and research professionals, 13 of whom are marketing and client service professionals and 13 of whom are administrative and reporting personnel. None of our employees are represented by a labor union, and we consider our employee relations to be good.

Properties

We conduct our principal operations through a leased property with approximately 13,500 square feet located in Dallas, Texas. The lease agreement expires in July 2004. We believe that our facilities are adequate to serve our currently anticipated business needs.

Legal Proceedings

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

MANAGEMENT

The following table sets forth information regarding our current executive officers and directors. We currently have five directors. Each of the directors below has been elected to serve until the next annual meeting of stockholders and his or her successor has been elected and has been qualified, or until the director's earlier death, resignation or removal.

Name	Age	Principal Position
Susan M. Byrne.....	55	Chairman of the Board of Directors, Chief Executive Officer, Treasurer and Director

Brian O. Casey.....	38	President, Chief Operating Officer, Secretary and Director
Patricia R. Fraze.....	58	Executive Vice President and Director of Westwood Management and Director of Westwood Trust
Lynda J. Calkin.....	50	Senior Vice President and Director of Westwood Management
Joyce A. Schaer.....	36	Senior Vice President and Director of Westwood Management
Frederick R. Meyer (1)(2).....	74	Director
Jon L. Mosle, Jr. (1)(2).....	72	Director
Raymond E. Wooldridge (1).....	63	Director

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(1) Audit committee member.
(2) Compensation committee member; it is expected that Mr. Wooldridge will become a member of the compensation committee after the spin-off.

Susan M. Byrne has served as Chairman of the Board of Directors, Chief Executive Officer and director of Westwood since its inception in December 2001. Ms. Byrne is the founder of Westwood Management and has served as its Chairman of the Board, President and Chief Investment Officer since 1983. She served as a director of Westwood Trust from 1996 to 1999. Ms. Byrne serves as a member of the Board of the University of Texas Investment Management Company. She also serves as the Vice-chair of the Board of Trustees for the City of Dallas Employees Retirement Fund and Chair of the Investment Committee for The First Presbyterian Church of Dallas Foundation.

Brian O. Casey has served as President, Chief Operating Officer and director of Westwood since its inception in December 2001. Mr. Casey has served as Executive Vice President and Chief Operating Officer of Westwood Management since 2000 and as the President and as a director of Westwood Trust since 1996. Prior to his appointment to those positions, Mr. Casey served as the Vice President of Marketing and Client Services of Westwood Management from 1992 to 1996.

Patricia R. Fraze has served as Executive Vice President of Westwood Management since 1995 and as Director, Client Services, since 2000. Ms. Fraze serves as a director of Westwood Management and Westwood Trust. Ms. Fraze joined Westwood in 1990 as Vice President and fixed income analyst and subsequently served as Portfolio Manager for fixed income and balanced portfolios. Prior to joining Westwood, Ms. Fraze was Vice President, Portfolio Strategies and Fixed Income Research at Drexel Burnham Lambert and also spent twenty-two years in mathematics education at both the secondary and graduate level.

Lynda J. Calkin, CFA, has served as Senior Vice President and Portfolio Manager for Westwood Management since 1993. Ms. Calkin serves as a director of Westwood Management. Prior to joining Westwood, Ms. Calkin was a Vice President and Portfolio Manager at Hourglass Capital Management from 1989 to 1993. Ms. Calkin also served as an equity analyst at MSecurities from 1984 to 1989.

Joyce A. Schaer has served as Director of Marketing for Westwood Management since 1997 and was promoted to Senior Vice President in 2000. Ms. Schaer serves as a director of Westwood Management. Ms. Schaer has held other marketing positions at Westwood including Vice President-Marketing for the Eastern Region of the United States from 1994 to 1996. Ms. Schaer joined the firm in 1989 and has held various positions in the trading, portfolio management and client services areas.

Frederick R. Meyer has served as a director of Westwood since its inception in December 2001. He has served as a director of SWS since 1991. Since 1985, he has served as the Chairman of the Board of Aladdin Industries, LLC, a diversified company. He served as Aladdin Industries, LLC's President between

1987 and 1994 and as its Chief Executive Officer from 1995 to January 1999. He also served as President and Chief Operating Officer of Tyler Corporation, a diversified manufacturing corporation, from 1983 to 1986 and acted as a consultant to Tyler Corporation from 1986 to 1989. He currently serves as a director of Aladdin Industries, LLC and Palm Harbor Homes, Inc., a marketer of manufactured homes.

Jon L. Mosle, Jr. has served as a director of Westwood since its inception in December 2001. He has served as director of SWS since 1991. He served as Director of Private Capital Management for Ameritrust Texas Corporation from 1984 to 1992. From 1954 to 1984, he was affiliated with Rotan Mosle, Inc., a regional NYSE member firm, which was acquired by PaineWebber Incorporated in 1983. His roles at Rotan Mosle, Inc. included supervisory responsibility for both over-the-counter trading and municipal departments, as well as participating in corporate finance activities. He served as branch manager, regional manager, Vice Chairman of the Board and member of Rotan Mosle, Inc.'s operating committee.

Raymond E. Wooldridge has served as a director of Westwood since its inception in December 2001. He is a director of CEC Entertainment, Inc., a Dallas-based NYSE company that operates a chain of pizza and children's entertainment restaurants, D. A. Davidson & Company, Inc., an investment firm located in the Pacific Northwest, and its subsidiary Davidson Trust Company, and Security Bank, a Texas-based regional bank. From 1986 to 1999, he was a director of SWS; from 1996 to 1999, he served as the Vice Chairman and Chairman of the Executive Committee of SWS; from 1993 to 1996, he served as Chief Executive Officer of SWS; and from 1986 to 1993, he served as President and Chief Operating Officer of SWS. He is a past Chairman of the National Securities Clearing Corporation, a national clearing agency registered with the SEC and past Vice Chairman of the Board of Governors of the National Association of Securities Dealers.

Board Committees

We have established two committees of the Board of Directors--an audit committee and a compensation committee. The Board of Directors may also establish such other committees as it deems appropriate, in accordance with applicable Delaware law and our Bylaws.

Audit Committee. The audit committee operates pursuant to a charter approved by our Board of Directors, which the audit committee reviews annually to determine if revisions are necessary or appropriate. The audit committee oversees the preparation of our financial statements and our independent auditors. The audit committee considers and recommends the employment of an independent accounting firm to conduct the annual audit, determines the independence of our independent accountants and recommends actions to our Board of Directors to ensure their independence. The audit committee is responsible for reviewing reports from our management and internal auditors relating to our financial condition and other matters that may have a material impact on our financial statements and compliance policies. The audit committee is also responsible for inquiring of our management and independent auditors regarding the appropriateness of the accounting principles we

follow, changes in accounting principles and their impact on our financial statements and reviewing the internal audit program in terms of scope of audits conducted or scheduled to be conducted. The audit committee is responsible for preparing a report stating among other things whether our audited financial statements be included in our Annual Report.

Compensation Committee. The compensation committee authorizes and determines all salaries for our officers and supervisory employees, administers our incentive compensation plans in accordance with the powers and authority granted in such plans, determines any incentive allowances to be made to our officers and staff, administers all of our stock option plans and other equity ownership, compensation, retirement and benefit plans, approves the performance-based compensation of individuals pursuant to Code Section 162(m) and administers other matters relating to compensation or benefits.

Director Compensation

Each non-employee member of our Board of Directors shall receive $1,500 for

each meeting of the Board of Directors attended by the member, up to a maximum of $6,000 per year. Each non-employee member of our Board of Directors shall receive an additional $2,500 per year if the member serves on one or more committees of our Board of Directors. Additionally, on the date of the spin-off and upon each date of election or reelection as a member of our Board of Directors, each non-employee director shall be awarded non-statutory stock options for shares of our common stock, which shall vest at the expiration of twelve months from the date of grant and shall have a term of ten years. See "Compensation of Executive Officers--Westwood Stock Incentive Plan--Options to Non-Employee Directors." We will review our compensation arrangement for directors from time to time.

Compensation of Executive Officers

The following compensation table sets forth the compensation paid by SWS to our Chief Executive Officer and our four mostly highly compensated executive officers during the year ending December 31, 2001. References to "restricted stock" and "stock options" mean restricted shares of SWS common stock and options to purchase SWS common stock.

The compensation described below does not reflect the compensation such executive officers will receive following the spin-off. After the spin-off, our compensation committee will determine the annual base salaries of, and annual and long-term incentive opportunities for, our executive officers.

Summary Compensation Table

		Annual Compensation		Long-Term Compensation Awards	
Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Securities Underlying Options (#)	All Other Compensation ($)(2)
Susan M. Byrne..... Chief Executive Officer and Treasurer	2001	496,000	1,500,000	8,000	22,100
Brian O. Casey..... President, Chief Operating Officer and Secretary	2001	236,500	550,000	7,000	22,100
Patricia R. Fraze..... Executive Vice President of Westwood Management and Director of Westwood Trust	2001	192,500	275,000	2,000	22,100
Lynda J. Calkin..... Senior Vice President of Westwood Management	2001	215,000	300,000	1,500	22,100
Joyce A. Schaer..... Senior Vice President of Westwood Management	2001	180,000	315,000	3,000	17,000

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(1) The bonuses reflect amounts accrued in 2001, but actually paid to each executive officer in 2002.
(2) Includes SWS's annual profit sharing contributions and 401(k) matching contributions to the SWS 401(k) Plan.

Stock Options

Options Granted in Last Year. The following table sets forth information regarding options to acquire SWS common stock that SWS granted to the executive officers for the year ended December 31, 2001.

Name	Number of Securities Underlying Options/ SARs Granted (#)	% of Total Options/ SARs Granted to Employees in Year	Exercise Price ($/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1) 5%	10%
Susan M. Byrne.....	8,000	2.0%	$18.99	9/10/11	$95,542	$242,121
Brian O. Casey.....	7,000	1.8%	$18.99	9/10/11	$83,599	$211,856
Patricia R. Fraze...	2,000	*	$18.99	9/10/11	$23,885	$ 60,530
Lynda J. Calkin.....	1,500	*	$18.99	9/10/11	$17,914	$ 45,398
Joyce A. Schaer.....	3,000	*	$18.99	9/10/11	$35,828	$ 90,796

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* Less than 1%

(1) Pursuant to the rules promulgated by the SEC, the amounts under these columns reflect calculations at assumed 5% and 10% appreciation rates and, therefore, are not intended to forecast further appreciation, if any, of the respective underlying common stock. The potential realizable value to the optionees was computed as the difference between the appreciated value at the expiration date of the stock options of the applicable underlying common stock obtainable upon exercise of such stock options over the aggregate exercise price of such stock options.

Aggregated Option Exercises in Last Year and Year End Option Values. The following table sets forth information concerning the exercise of SWS stock options during the year ended December 31, 2001 by the executive officers and the number and aggregate value of unexercised in-the-money options for SWS's stock options at December 31, 2001. The actual amount, if any, realized on exercise of stock options will depend on the amount by which the market price of our common stock on the date of exercise exceeds the exercise price, as adjusted. The actual value realized on the exercise of unexercised in-the-money stock options (whether exercisable or unexercisable) may be higher or lower than the values reflected in this table. In connection with the spin-off, these options will become fully vested at the time of the spin-off, and Westwood will be substituted for SWS as the employer. In addition, to the extent that SWS makes any adjustments to its outstanding options as a result of the spin-off, similar adjustments will be made to the SWS options held by Westwood employees. See "Relationship Between SWS and Westwood After the Spin-off--Distribution Agreement--Employee Benefits."

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/ SARs at Year End Exercisable	Number of Securities Underlying Unexercised Options/ SARs at Year End Unexercisable	Value of Unexercised In-The-Money Options/SARs at Year-End ($)(1) Exercisable	Value of Unexercised In-The-Money Options/SARs at Year-End ($)(1) Unexercisable
Susan M. Byrne...	--	--	11,601	14,582	$77,832	$63,545
Brian O. Casey...	--	--	8,391	12,701	$52,886	$55,399
Patricia R. Fraze	--	--	4,981	4,850	$33,155	$18,004
Lynda J. Calkin..	--	--	6,689	5,438	$44,227	$16,471
Joyce A. Schaer..	--	--	5,989	6,938	$38,245	$16,471

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(1) Values are stated based upon the closing price of $25.45 per share of SWS common stock on the NYSE on December 31, 2001, the last trading day of 2001.

Compensatory Plans and Arrangements

Prior to and in connection with the spin-off, we will enter into a distribution agreement with SWS, which will include provisions relating to employee matters as summarized above in "Relationship between SWS and Westwood After the Spin-off--Distribution Agreement--Employee Benefits." Summarized

below are certain benefit arrangements, other than arrangements applicable to all employees generally, that have been established for the benefit of our directors, executive officers and employees following the spin-off.

Westwood Stock Incentive Plan. We recently adopted the Westwood Holdings Group, Inc. Stock Incentive Plan. We believe that the stock incentive plan will encourage eligible participants, through their individual efforts, to improve our overall performance and to promote profitability by providing them an opportunity to participate in the increased value they help create. There are shares of our common stock reserved for issuance under the stock incentive plan. Our officers, directors, employees and consultants are eligible to receive awards under the stock incentive plan, which is administered by the compensation committee of our Board of Directors. Our Board of Directors may terminate or amend the stock incentive plan at any time without stockholder approval, provided that no termination or amendment of the stock incentive plan shall adversely affect any then outstanding option, purchase right or other award without the consent of the holder, unless such termination or amendment is required to enable an option designated as an incentive stock option to qualify as an incentive stock option or is necessary to comply with any applicable law, regulation or rule. The stock incentive plan will terminate in 2011 unless terminated earlier by our Board of Directors.

Options. Options granted under the stock incentive plan may be in the form of incentive stock options (as defined under Section 422 of the Code) or non-statutory stock options. Only our employees are eligible to receive incentive stock options. In general, all options granted under the stock incentive plan will lapse no more than ten years from the date of grant (five years in the case of an incentive stock option granted to a 10% stockholder of us or one of our subsidiaries). The exercise price of any option will be determined by the compensation committee at the time the option is granted and will not be less than 100% of the fair market value per share of our common stock on the date the option is granted (110% in the case of an incentive stock option granted to a 10% stockholder of us or one of our subsidiaries). The aggregate fair market value on the date of grant of the common stock for which incentive stock options are exercisable by an optionee during any calendar year may not exceed $100,000. Any options granted pursuant to the terms of the stock incentive plan shall be evidenced by an option agreement specifying the number of shares of our stock covered thereby and other terms and conditions as are determined by the compensation committee.

It is expected that immediately following the completion of the spin-off that the compensation committee of our Board of Directors will award options covering approximately shares of our common stock at an exercise price equal to the closing price per share as reported by the NYSE on the first day regular trading in our common stock begins. These options will vest over four years with the initial portion of such options vesting one year after the date of grant.

Options to Non-Employee Directors. Pursuant to the stock incentive plan, each of our non-employee directors shall, on the date of the spin-off and on the date of election or re-election as a member of our Board of Directors, be granted a non-statutory stock option for shares of our common stock at an exercise price equal to the closing price per share as reported by the NYSE on the date of the spin-off, in the case of the initial directors, and on the date of election or reelection, in the case of any new or reelected director subsequent to the spin-off. Each non-statutory stock option granted to our non-employee directors shall vest at the expiration of twelve months from the date of the grant and shall have a term of ten years. Expiration of a non-employee director's term of office shall not affect a non-employee director's right to exercise its option to the extent such option is vested at any time prior to the expiration of the director's term.

Restricted Stock Awards. The compensation committee of our Board of Directors may also make awards of restricted shares of our stock. The vesting and number of restricted shares of our stock may be conditioned upon the lapse of time or the satisfaction of other factors determined by the compensation

committee. The recipient of restricted shares will generally have the rights and privileges of a stockholder with respect to the right to receive dividends and the right to vote the shares. None of the restricted shares may be sold, transferred or pledged during the restricted period, and all restricted shares

shall be forfeited, and all rights to the shares will terminate, if the recipient ceases to be an employee, consultant or director of us or any of our subsidiaries before the expiration or termination of the restricted period and satisfaction of any other conditions prescribed by us with respect to the shares.

Purchase Rights. The compensation committee of our Board of Directors may also make awards of stock purchase rights, which entitle the holder to purchase a specified number of shares of our common stock during the period of time, and subject to the terms and conditions, as the compensation committee determines. Each award of purchase rights may have a different exercise period or periods, shall specify the method of payment (which may include promissory notes) to purchase our stock and shall set forth any repurchase rights or calls applicable to the purchased stock.

Annual Incentive Awards. The compensation committee of our Board of Directors may also grant annual incentive awards of stock, cash or any combination of stock and cash, to our employees, in such amounts and subject to such terms and conditions as the compensation committee may determine. The compensation committee shall establish the maximum level of annual incentive awards that may be granted for each year. Within 90 days after the commencement of each year, the compensation committee shall determine which employees shall be eligible to receive an annual incentive award for such year and determine an objective formula for computing the annual incentive award for such year based upon the attainment of various performance goals. The committee may, in its sole discretion, reduce, but not increase, the annual incentive award payable to any participating employee during a year.

Performance-Based Awards. The compensation committee of our Board of Directors may also grant performance-based awards of the right, expressed in units, to receive stock, cash or any combination of stock and cash, to eligible officers or other key employees as determined by the compensation committee in its sole discretion. At the time of each grant of a performance-based award, the compensation committee shall establish an objective formula for computing the award based upon the attainment of various performance goals over a performance cycle of at least one year. Performance goals may include minimum, maximum and target levels of performance, with the size of the award based on the level of performance attained. The number of shares of stock and/or the amount of cash payable in settlement of a performance-based award shall be determined by the committee at the end of the performance cycle. The compensation committee may, in its discretion, eliminate or reduce the amount of any performance-based award that otherwise would be payable to a participating officer or other employee unless the participant has a vested right under applicable employment law to receive the full performance-based award. Performance-based awards may be made alone, or in addition to, other grants and awards under the stock incentive plan.

Westwood Deferred Compensation Plan. Recently, we adopted the Westwood Holdings Group, Inc. Deferred Compensation Plan. We believe that the deferred compensation plan will increase retention of our executive officers and senior management as well as increase stock ownership among participants in the deferred compensation plan. Under its terms, the deferred compensation plan allows eligible employees to defer a certain portion of each bonus and to invest such amounts in various investment alternatives including our stock. We match a portion of the deferrals in cash, which will equal 25% of the eligible employee's annual deferral amount, but will not exceed $10,000. Our compensation committee believes that programs such as the deferred compensation plan will further align the executive officers' long-term financial and strategic interests with those of our stockholders. Our employees who participate in the SWS Deferred Compensation Plan will cease active participation in the SWS Deferred Compensation Plan on the date of the spin-off and will have their account balances under the SWS Deferred Compensation Plan transferred to the Westwood Deferred Compensation Plan without forfeiting any portion of their existing account balance.

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee is a current or former officer or employee of Westwood or its subsidiaries or has had a relationship requiring disclosure by Westwood under applicable federal securities regulations. No executive officer of Westwood served as a director or member of the

compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or compensation committee.

PRINCIPAL STOCKHOLDERS

On December 14, 2001, we issued to SWS 5,374 shares of our common stock, and on that same date SWS sold 1,065 shares of our common stock to our executive officers. To the extent our executive officers or directors own shares of SWS common stock at the time of the spin-off, they will share in the spin-off on the same terms as other holders of SWS common stock.

The following table sets forth the number of shares of SWS common stock and Westwood common stock that is beneficially owned as of December 31, 2001 and the number and percentage of shares of Westwood common stock that will be beneficially owned immediately following the spin-off date, based on the number of outstanding shares of SWS common stock on that date, an assumed -for-one stock split of our common stock and a distribution of one share of our common stock for every four shares of SWS common stock as of the record date, by each of our executive officers and directors, individually and as a group. As a result of the application of the foregoing assumptions, we would expect to have approximately shares of our common stock outstanding immediately after completion of the spin-off, although the actual number of shares that will be outstanding will not be determinable until the record date. Except as otherwise noted, each person and entity named in the tables below has sole voting and investment power with respect to all shares of our common stock beneficially owned.

Name	Number of Shares of SWS Common Stock Owned on December 31, 2001(1)	Number of Shares of Westwood Common Stock Owned on December 31, 2001	Number of Shares of Westwood Common Stock Owned After the Spin-off(1)	Percentage of Westwood Common Stock Owned After the Spin-off
Susan M. Byrne.....	166,895(2)	720		%
Brian O. Casey.....	22,542(3)	240		%
Patricia R. Fraze.....	24,332(4)	25		*
Lynda J. Calkin.....	14,497(5)	40		*
Joyce A. Schaer.....	13,229(6)	40		*
Frederick R. Meyer....	78,999(7)	--		*
Jon L. Mosle, Jr.....	28,038(8)	--		*
Raymond E. Wooldridge.	69,616	--		*
Executive officers and directors as a group (8 persons).....	418,148(9)	1,065		%

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* less than 1%

(1) Includes shares subject to options that may be acquired within 60 days after completion of the spin-off. Such shares are deemed to be outstanding and to be beneficially owned by the person or group holding the options for the purpose of computing the percentage ownership of such person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

(2) Includes 26,183 shares of SWS common stock issuable upon exercise of stock options.

(3) Includes 21,092 shares of SWS common stock issuable upon exercise of stock options.

(4) Includes 9,831 shares of SWS common stock issuable upon exercise of stock options.

(5) Includes 12,127 shares of SWS common stock issuable upon exercise of stock options.

(6) Includes 12,927 shares of SWS common stock issuable upon exercise of stock options.

(7) Includes 10,077 shares of SWS common stock issuable upon exercise of stock options.

(8) Includes 10,077 shares of SWS common stock issuable upon exercise of stock options.

(9) Includes 102,314 shares of SWS common stock issuable upon exercise of stock options.

The following table sets forth, to our knowledge, based on their current reported ownership of SWS common stock, the number and percentage of shares of Westwood common stock that will be owned immediately following the spin-off date by each person (other than executive officers and directors) who will beneficially own 5% or more of Westwood common stock, based on the number of shares of SWS common stock currently outstanding, an assumed -for-one stock split of our common stock and a distribution of one share of our common stock for every four shares of SWS common stock as of the record date.

Name	Number of Shares of SWS Common Stock Owned on December 31, 2001	Number of Shares of Westwood Common Stock Owned After the Spin-off	Percentage of Westwood Common Stock Owned After the Spin-off
Don A. Buchholz(1)..... 1201 Elm Street, Suite 3500 Dallas, Texas 75270	1,655,957		%
Martin J. Whitman(2)..... 767 Third Avenue New York, NY 10017-2023	1,346,654		%
EQSF Advisers, Inc.(2)..... 767 Third Avenue New York, NY 10017-2023	1,235,050		%

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(1) Includes 999,247 shares held by Buchholz Arlington Banshares, Ltd. and 550,000 shares owned by Buchholz Family Holdings, Ltd. Excludes 64,409 shares held by Buchholz Investments, which is a general partnership, the partners of which are Don A. Buchholz, his wife, adult son and adult daughter. Pursuant to the terms of the partnership agreement governing Buchholz Investments, Mr. Buchholz's adult son has voting power and investment power with regard to the shares owned by the partnership. The partnership agreement also provides that any partner may withdraw from the partnership upon 30 days' notice and, unless the partnership is liquidated, that partner shall receive the value of his or her capital account. Don A. Buchholz and his wife own one-third of Buchholz Investments.

(2) This information is based on a Schedule 13G filing made with the SEC on January 17, 2002. Includes 1,235,050 shares owned by EQSF Advisers, Inc. and 111,604 shares owned by M. J. Whitman Advisers, Inc., both of which are controlled by Martin J. Whitman. Mr. Whitman is the Chief Executive Officer of EQSF Advisers, Inc. and the Chief Investment Officer of M. J. Whitman Advisers, Inc. Mr. Whitman disclaims beneficial ownership of all shares.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On December 14, 2001, we issued to SWS 5,374 shares of our common stock, and on that same date, SWS sold 1,065 shares of the Westwood common stock to our executive officers pursuant to a stock purchase agreement. The issuance of shares to SWS and the resale of those shares to the executive officers were effected in reliance on private placement exemptions from the registration requirements of the Securities Act.

Each executive officer received a loan from us pursuant to a promissory note to pay for their shares of our common stock purchased from SWS. The loans totalled $4.1 million and are full recourse loans, secured by a pledge of the shares purchased by each executive officer. The loans can be fully or partially prepaid, and in the event of a partial prepayment, the number of shares subject to the related pledge would be released on a pro rata basis. The loans bear interest at the rate of 3.93% per annum, payable annually, with the principal payable at maturity on the ninth anniversary of the date of the loans. If an executive officer's employment is terminated for cause, or an executive officer

terminates his or her employment without good reason, his or her loan will accelerate and become payable in full within 90 days following termination of employment.

We have managed the SWS cash reserve funds since 1993 and have served as trustee of the SWS Deferred Compensation Plan since 1999. We charge SWS a fee based on assets under management. In the years ended December 31, 2001, 2000 and 1999, SWS has paid to us advisory and trustee fees in the amount of approximately $675,000, $496,000 and $378,000, respectively. Following the spin-off, we will continue to manage the cash reserve funds for SWS for a period of at least one year. In addition, SWS will provide us with certain transitional services on a limited basis pursuant to various agreements. See "Relationship Between SWS and Westwood After the Spin-off."

All future material transactions involving affiliated parties will be subject to approval by a majority of Westwood's disinterested directors.

DESCRIPTION OF CAPITAL STOCK

Introduction

Currently, our authorized capital stock consists of 20,000 shares of common stock, $0.01 par value per share, of which 5,374 shares are issued and outstanding. SWS owns 4,309 shares of our common stock, and our executive officers own the remainder. Prior to the spin-off, we will amend and restate our Certificate of Incorporation and Bylaws, and the following descriptions of our common stock assume that such Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Amended and Restated Bylaws (the "Bylaws") are in effect.

Our authorized capital stock consists of million shares of common stock, $0.01 par value per share, and million shares of preferred stock, $0.01 par value per share. On or about the record date for the spin-off, we will effect a stock split in the form of a stock dividend of our common stock. The dividend rate will be based on the distribution ratio and the number of SWS shares outstanding on the record date. On the spin-off date and following the distribution of our common stock held by SWS to its stockholders, we will have approximately million shares of our common stock outstanding and approximately 150 holders of record. No shares of our preferred stock are currently outstanding.

The following description of our capital stock is intended as a summary and is qualified in its entirety by reference to the forms of our Certificate of Incorporation and Bylaws filed as exhibits to the registration statement on Form 10, of which this information statement forms a part, and to Delaware corporate law.

Common Stock

Voting Rights

The holders of our common stock are entitled to one vote per share on all matters to be voted on by stockholders. Holders of our common stock are not entitled to cumulate their votes in the election of directors. Generally, all matters on which stockholders vote must be approved by a majority of the votes entitled to be cast by all shares of common stock present in person or represented by proxy, subject to any voting rights granted to holders of any preferred stock. Except as otherwise provided by law, and subject to any voting rights granted to holders of any outstanding preferred stock, amendments to our Certificate of Incorporation must be approved by holders of a majority of all outstanding shares of common stock.

Dividends

Holders of common stock will share ratably in any dividend declared by our Board of Directors, subject to any preferential rights of any outstanding preferred stock.

Other Rights

In the event of any merger or consolidation of Westwood with or into another

company in connection with which shares of common stock are converted into or exchangeable for shares of stock, other securities or property (including cash), all holders of common stock will be entitled to receive the same kind and amount of shares of stock and other securities and property (including cash).

If we are liquidated, dissolved or wound up, we will pay the full amounts required to be paid to holders of shares of any outstanding preferred stock before we make any payments to holders of shares of our common stock. All holders of shares of our common stock are entitled to share ratably in any assets available for distribution to these holders, after all of our other creditors have been satisfied.

No shares of our common stock may be redeemed. Holders of shares of our common stock do not have any preemptive rights to purchase additional shares of our common stock.

Preferred Stock

We may issue up to shares of preferred stock in one or more classes or series and with the terms of each class or series stated in our Board of Director's resolutions providing for the designation and issue of that class or series. Our Certificate of Incorporation authorizes our Board of Directors to determine the dividend, voting, conversion, redemption and liquidation preferences, rights, privileges and limitations pertaining to each class or series of preferred stock that we issue.

We believe that the ability of our Board of Directors to issue one or more series of our preferred stock will provide us with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs which might arise. The authorized shares of our preferred stock, as well as authorized shares of our common stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. The NYSE currently requires stockholder approval in several instances, including where the present or potential issuance of shares could result in an increase in the number of shares of common stock, or in the amount of voting securities, outstanding of at least 20%. If the approval of our stockholders is not required for the issuance of shares of our preferred stock or our common stock, our Board of Directors may determine not to seek stockholder approval.

Provisions That May Have an Anti-Takeover Effect

Some provisions of our Certificate of Incorporation, Bylaws and the tax separation agreement summarized below may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that some, or a majority, of our stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then-current market price of such stock.

Board of Directors. Our Bylaws provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors of Westwood shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the Board of Directors or pursuant to the action of the stockholders and shall not be less than three nor more than eleven. In addition, our Certificate of Incorporation and Bylaws provide that newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, disqualification or removal may be filled only by a majority vote of the directors then in office. Our Certificate of Incorporation provides that directors may be removed only for cause upon the vote of at least two-thirds of the securities entitled to vote in the election of directors.

No Stockholder Action by Written Consent; Limitations on Calling Special Meetings. Our Certificate of Incorporation and Bylaws also provide that all actions taken by stockholders must be taken at an annual or special meeting of stockholders and that stockholders may not take actions by written consent. Special meetings of stockholders may be called only by specified officers of Westwood or by the Board of Directors.

Amendments to the Certificate of Incorporation and Bylaws. Our Certificate of Incorporation generally provides that the Bylaws and certain provisions of our Certificate of Incorporation may be altered, amended or repealed by the affirmative vote of the holders of at least two-thirds of our securities entitled to vote in the election of directors. However, our Bylaws may be altered, amended or repealed by a majority vote of our Board of Directors.

Preferred Stock. Our Board of Directors could issue a series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a change in control of Westwood. Our Board of Directors will make any determination to issue such shares based on its judgment as to the best interests of Westwood and its stockholders. Our Board of Directors, in so acting, could issue preferred stock having terms that could discourage an acquisition attempt through which an acquiror may be able to change the composition of our Board of

Directors, including a tender offer or other transaction that some, or a majority, of our stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then-current market price of such stock.

Delaware Business Combination Statute. Section 203 of the Delaware General Corporation Law applies to us. Section 203 provides that, except for transactions specified in Section 203, a corporation will not engage in any "business combination" with any "interested stockholder" for a three-year period after the date that the stockholder became an interested stockholder unless:

- before the date that the stockholder became an interested stockholder, the Board approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon completion of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding, shares owned by:

  --persons who are both directors and officers; or

  --employee stock plans in some circumstances; or

- on or after the date that the stockholder became an interested stockholder, the business combination is approved by the Board of the corporation and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

A "business combination" includes a merger, consolidation, asset sale or other transaction resulting in a financial benefit to an interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of a corporation's outstanding voting stock.

Section 203 makes it more difficult under some circumstances for an interested stockholder to effect a business combination with us for a three-year period, although our stockholders may elect to exclude us from the restrictions imposed under Section 203.

The restrictions imposed by Section 203 will not apply to a corporation in some circumstances, including if:

- the corporation's original certificate of incorporation contains a provision expressly electing not to be governed by Section 203; or

- twelve months have passed after the corporation, by action of its stockholders holding a majority of the shares entitled to vote, amends its certificate of incorporation expressly electing not to be governed by Section 203.

We have not elected to opt out of Section 203. Thus, the restrictions imposed by Section 203 will apply to us.

Tax Indemnification Exposure. The tax separation agreement between SWS and us provides that if, as a result of our actions, a change-in-control of 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. This provision may have an anti-takeover effect. See "Relationship Between SWS and Westwood After the Spin-off -- Tax Separation Agreement."

Liability and Indemnification of Directors and Officers

Delaware General Corporation Law, our Certificate of Incorporation and our Bylaws contain provisions relating to the limitation of liability and indemnification of our directors and officers.

Our Certificate of Incorporation provides that our directors are not personally liable to us or our stockholders for monetary damages for breach of their fiduciary duties as directors to the fullest extent permitted

by Delaware law. Existing Delaware law permits the elimination or limitation of directors' personal liability to us or our stockholders for monetary damages for breach of their fiduciary duties as directors, except liability for:

- any breach of a director's duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law;
- any transaction from which a director derived improper personal benefit;
- the unlawful payment of dividends; and
- unlawful stock repurchases or redemptions.

Because of these exculpation provisions, stockholders may be unable to recover monetary damages against directors for actions taken by them that constitute negligence or that otherwise violate their fiduciary duties as directors, although it may be possible to obtain injunctive or other equitable relief with respect to such actions. If equitable remedies are not available to stockholders, stockholders may not have an effective remedy against a director in connection with the director's conduct.

Our Certificate of Incorporation also provides that we will indemnify and hold harmless any person who was or is a party or is threatened to be made a party to, or is involved in, any threatened, pending or completed civil, criminal, administrative or investigative action, suit or proceeding to the fullest extent permitted by Delaware law by reason of the fact that the person is or was (i) one of our directors or officers or (ii) serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. We may also pay the expenses incurred in connection with any such proceeding in advance of its final disposition to the fullest extent authorized by Delaware law.

Additionally, we will seek to obtain directors and officers liability insurance prior to the spin-off.

Transfer Agent

The transfer agent and registrar for our common stock is Computershare Trust Company, Inc. The contact information for the transfer agent and registrar is:

12039 West Alameda Parkway, Suite Z-2
Lakewood, Colorado 80228
Telephone: 303-986-5400

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a Form 10 with respect to the shares of our common stock that SWS's stockholders will receive in the spin-off. This information statement does not contain all of the information contained in the Form 10 and the exhibits and schedules to the Form 10. Some items are omitted in accordance with the rules and regulations of the SEC. For additional information relating to us and the spin-off, reference is made to the Form 10 and the exhibits to the Form 10, which are on file at the offices of the SEC. Statements contained in this information statement as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if the contract or document is filed as an exhibit, reference is made to the copy of the contract or other documents filed as an exhibit to the Form 10. Each statement is qualified in all respects by the relevant reference.

You may inspect and copy the Form 10 and the exhibits to the Form 10 that we have filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, DC 20549, as well as at the Regional Offices of the SEC at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and 233 Broadway, New York, New York 10279. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. In addition, the SEC maintains an Internet site at http://www.sec.gov, from which you can electronically access the Form 10, including the exhibits and schedules to the Form 10.

After the spin-off, we will be required to comply with the reporting requirements of the Exchange Act and to file with the SEC reports, proxy statements and other information as required by the Exchange Act. Additionally, we will be required to provide annual reports containing audited financial statements to our stockholders in connection with our annual meetings of stockholders. After the spin-off, these reports, proxy statements and other information will be available to be inspected and copied at the public reference facilities of the SEC or obtained by mail or over the Internet from the SEC, as described above. We expect to receive approval, subject to official notice of issuance, to have our common stock listed on the NYSE under the symbol "WHG." When our common stock commences trading on the NYSE, such reports, proxy statements and other information will be available for inspection at the offices of the NYSE, 11 Wall Street, New York, New York 10005.

INDEX TO FINANCIAL STATEMENTS

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, 2001 and 2000
(in thousands, except par values and share amounts)

	2001	2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 149	$ 4,283
Accounts receivable	2,397	2,760
Investments, at market value	15,571	8,236
Total current assets	18,117	15,279
Goodwill, net of accumulated amortization of $640 in 2001 and $567 in 2000	2,302	2,375
Other Assets, net	634	446
Total assets	$21,053	$18,100
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 876	$ 532
Compensation and benefits payable	3,986	3,162
Income taxes payable	2,028	1,479
Total current liabilities	6,890	5,173
Other Liabilities	131	125
Total liabilities	7,021	5,298
Stockholders' Equity:		
Common stock of Westwood Holdings Group, Inc. $0.01 par value, authorized 20,000 shares, issued and outstanding 5,374 shares at December 31, 2001	--	--
Common stock of Westwood Management Corporation, $0.10 par value, authorized 100,000 shares, issued and outstanding 6,862 shares at December 31, 2000	--	1
Common stock of Westwood Trust, $0.10 par value, authorized 1,700,000 shares, issued and outstanding 1,655,500 shares at December 31, 2000	--	165
Additional paid-in capital	9,469	5,798

Notes receivable from stockholders	(3,536)	--
Retained earnings	8,099	6,838
Total stockholders' equity	14,032	12,802
	$21,053	$18,100

The accompanying notes are an integral part of these consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2001, 2000, and 1999
(in thousands, except per share amounts)

	2001	2000	1999
Advisory fees	$14,918	$12,038	$ 8,650
Trust fees	3,755	3,079	2,282
Other revenues	914	1,019	404
Total revenues	19,587	16,136	11,336
Employee compensation and benefits	8,042	6,890	5,345
Equity based compensation charge	3,976	--	--
Sales and marketing	485	452	425
Information technology	818	730	748
Professional services	702	281	239
General and administrative	1,206	1,171	1,176
Total expenses	15,229	9,524	7,933
Income before income taxes	4,358	6,612	3,403
Provision for income tax expense	3,097	2,628	1,469
Net income	$ 1,261	$ 3,984	$ 1,934
Earnings per share:			
Earnings per share--basic	$234.68	$741.45	$359.90
Earnings per share--diluted	$234.68	$741.45	$359.90

The accompanying notes are an integral part of these consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2001, 2000, and 1999
(in thousands)

	Westwood Holdings Group, Inc. Common Stock, PAR	Westwood Management Corporation Common Stock, PAR	Westwood Trust Common Stock, PAR	Additional Paid-In Capital	Notes Receivable from Shareholders	Retained Earnings	Stockholders' Equity
BALANCE, December 31, 1998	$ --	$ 1	$ 165	$5,386	$ --	$ 920	$ 6,472
Net income	--	--	--	--	--	1,934	1,934
Noncash contributions	--	--	--	184	--	--	184
BALANCE, December 31, 1999	--	1	165	5,570	--	2,854	8,590
Net income	--	--	--	--	--	3,984	3,984
Noncash contributions	--	--	--	228	--	--	228
BALANCE, December 31, 2000	--	1	165	5,798		6,838	12,802
Formation of Westwood Holdings Group, Inc.	--	(1)	(165)	166	--	--	--
Net income	--	--	--	--	--	1,261	1,261
Notes issued to shareholders (Note 12)	--	--	--	--	(3,536)	--	(3,536)
Noncash contributions (Note 12)	--	--	--	3,505	--	--	3,505
BALANCE, December 31, 2001	$ --	$ --	$ --	$9,469	$(3,536)	$8,099	$14,032

The accompanying notes are an integral part of these consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2001, 2000, and 1999
(in thousands)

	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 1,261	$ 3,984	$ 1,934
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	157	167	175
SWS expense allocations not reimbursed by the Company	85	228	184
Equity based compensation charge	3,976	--	--
Change in operating assets and liabilities--			
Increase in accounts receivable	(37)	(1,088)	(245)
Decrease in other assets	181	68	247
Increase (decrease) in accounts payable and accrued liabilities	344	223	(316)
Increase in compensation and benefits payable	824	1,120	136
Increase (decrease) in income taxes payable	549	876	(430)
Increase (decrease) in other liabilities	6	(41)	(71)
Net cash provided by operating activities	7,346	5,537	1,614
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net purchases and sales of investments	(7,335)	(1,830)	(2,675)
Purchase of fixed assets	(52)	(6)	(67)
Net cash used in investing activities	(7,387)	(1,836)	(2,742)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Note receivable	(4,093)	--	--
Net cash used in financing activities	(4,093)	--	--
NET INCREASE (DECREASE) IN CASH	(4,134)	3,701	(1,128)
Cash, beginning of year	4,283	582	1,710
Cash, end of year	$ 149	$ 4,283	$ 582

The accompanying notes are an integral part of these consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE BUSINESS:

Formation of Westwood Holdings Group, Inc. (the "Company")

On December 12, 2001, the Company was formed by SWS Group, Inc. ("SWS") to be a holding company for two of the businesses that substantially comprised the asset management segment of SWS. Prior to December 14, 2001, the Company had no assets or operations. On December 14, 2001, SWS contributed all of the issued and outstanding common stock of two wholly owned subsidiaries, Westwood Management Corporation ("Management") and Westwood Trust ("Trust") to the Company and announced its intention to spin the Company off to SWS's shareholders. For financial statement purposes, the Company accounted for the contribution of Management and Trust to the Company as a reorganization of entities under common control at historical cost.

Accordingly, 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 and on a consolidated basis for the period on and after their contribution to the Company.

On December 14, 2001, five of the Company's executive officers acquired from SWS 19.82% of the Company's issued and outstanding common stock (Note 12).

Nature of Operations

The Company is an institutional asset management company providing services through two subsidiaries, Management and Trust. Management provides investment advisory services to corporate pension funds, public retirement plans, endowments and foundations, and investment sub-advisory services to mutual funds and 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 Advisors Act of 1940. Trust is chartered and regulated by the Texas Banking Commissioner.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying consolidated financial statements are presented using the accrual basis of accounting. All significant intercompany balances and transactions have been eliminated.

Since the Company was operated as a part of SWS during the periods presented, 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 those periods. 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 requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Investment advisory and trust fees are recognized as services are provided. These fees are determined in accordance with contracts between the Company's subsidiaries and their clients and are generally based on a percentage of AUM.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with maturities of three months or less at acquisition and are recorded at cost, which approximates market value.

Investments

Marketable securities are classified as "trading" and carried at quoted market value. Net unrealized holding gains or losses on these investments are reflected as a component of other revenues.

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, which ends in 2004, using the straight-line method.

Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets acquired when SWS purchased Management and Trust in 1993, is amortized on a straight-line basis over forty years. In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives will no longer be amortized, but will be tested for impairment at least annually. The statement also provides specific guidance for impairment testing. Provisions of this statement are required to be applied starting with fiscal years beginning after December 15, 2001. SFAS No. 142 is required to be applied at the beginning of an entity's fiscal year to all goodwill and other intangible assets recognized in the financial statements at that date. Therefore, the Company will apply the provisions of SFAS No. 142 in the first quarter of fiscal 2002. Under the new standard, the Company will cease amortizing its goodwill, and will review the remaining goodwill for impairment in accordance with guidelines set forth in the standard. Amortization expense was approximately $73,000 in each of 2001, 2000 and 1999.

The Company estimates that the adoption of SFAS No 142 will not have a material impact on the consolidated financial statements.

Federal Income Taxes

Prior to the Spin-off, the Company was and will join 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. Upon completion of the Spin-off, the Company will cease to be a member of the SWS consolidated affiliated group and, as a result, will discontinue filing a consolidated Federal income tax return with 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-Based Compensation

Prior to the Spin-off, employees of the Company were granted options to acquire SWS common stock by SWS. At Spin-off, these options will become fully vested. The Company accounts for employee stock-based compensation using the intrinsic value method of accounting prescribed by Accounting Principles Bulletin ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees". In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," the Company provides pro forma disclosures of net income and earnings per share for stock option grants as if the fair value based method had been applied (Note 7).

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" equals their fair value which is equal to prices quoted in active markets.

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, 1999 through 2001. The majority of the balances are advisory and trust fees receivable from customers.

4. INVESTMENTS:

Investments held as trading securities and carried at market value are as follows (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Gross Market Value
December 31, 2001:				
U.S. Government and Government agency obligations.	$ 1,550	$26	$ --	$ 1,576
Funds:				
Money market	11,948	--	--	11,948
Equity	901	--	106	795
Bond	1,210	42	--	1,252
Marketable securities	$15,609	$68	$106	$15,571
December 31, 2000:				
U.S. Government and Government agency obligations.	$ 1,151	$ 8	$ --	$ 1,159
Funds:				

Money market	5,289	--	--	5,289
Equity	400	--	--	400
Bond	1,153	14	--	1,167
Real estate investment trusts ("REIT")	200	21	--	221
Marketable securities	$ 8,193	$43	$ --	$ 8,236

5. INCOME TAXES:

Income tax expense for the years ended December 31, 2001, 2000 and 1999 (effective rate of 71.1% in 2001, 39.7% in 2000 and 43.2% in 1999) differs from the amount that would otherwise have been calculated by applying the Federal corporate tax rate (34% in 2001, 2000 and 1999) to income before income taxes. The Company's tax expense was calculated based on SWS's federal corporate tax rate of 35% in 2001, 2000 and 1999. The difference between the Federal corporate tax rate of 34% and the effective tax rate is comprised of the following (in thousands):

	2001	2000	1999
Income tax expense at the statutory rate	$1,482	$2,248	$1,157
State franchise and income taxes	336	274	237
Nondeductible equity-based compensation	1,197	--	--
Other, net	82	106	75
	$3,097	$2,628	$1,469

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

	2001	2000	1999
State - current	$ 490	$ 425	$ 363
State - deferred	27	(4)	1
Federal - current	2,369	2,235	1,097
Federal - deferred	211	(28)	8
Provision for income tax expense	$3,097	$2,628	$1,469

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities as of December 31, 2001 and 2000 are presented below (in thousands):

	2001	2000
Difference between tax basis and value of note receivable from stockholders	$214	$ --
Depreciation at rates different for tax than for financial reporting	34	19
Other	10	1
Total deferred tax assets - included in other assets on the consolidated		

balance sheets	$258	$ 20

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.

Cash paid for income taxes was approximately $2,270,000, $1,643,000, and $1,964,000 in 2001, 2000, and 1999, respectively.

6. REGULATORY CAPITAL REQUIREMENTS:

Trust is subject to the capital requirements of the Texas Banking Commissioner, and has a minimum capital requirement of $1 million. Trust had total stockholders' equity of approximately $3.7 million, which is $2.7 million in excess of its minimum capital requirement at December 31, 2001.

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, 2001, Trust had undivided profits of approximately $385,000.

7. EMPLOYEE BENEFITS:

Stock Option Plan

At December 31, 2001, 2000 and 1999, the Company's employees participated in the SWS Stock Option Plan (the "1996 Plan"). The 1996 Plan reserves shares of the 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.

A summary of the status of SWS's outstanding stock options issued to employees of the Company as of December 31, 2001, 2000 and 1999 is presented below:

	2001		2000		1999	
	Underlying Shares	Weighted Average Exercise Price	Underlying Shares	Weighted Average Exercise Price	Underlying Shares	Weighted Average Exercise Price
Outstanding, beginning of period	83,033	$24.41	56,854	$24.49	33,200	$19.35
Granted	31,000	18.99	30,950	28.75	22,350	32.02
Exercised	(1,103)	15.26	(2,065)	15.99	(1,842)	18.46
Forfeited	(3,472)	29.40	(8,149)	26.89	--	--
Adjustment for stock dividends	8,132	--	5,443	--	3,146	--
Outstanding, end of period	117,590	$22.92	83,033	$24.41	56,854	$24.49
Exercisable, end of period	49,283		25,717		12,199	
Weighted-average fair value of options granted during fiscal year	$ 10.52		$ 23.08		$ 26.31	

The following table summarizes information for the stock options outstanding at December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$15.26 - 18.99	66,677	7.8 years	$17.38	30,516	$16.11
28.75 - 32.02	50,913	8.2	30.17	18,767	30.72
$15.26 - 32.02	117,590	8.0	$22.92	49,283	$21.67

The Company applies APB 25 and related interpretations in accounting for its option plans. Accordingly, no compensation cost has been recognized for its stock options. Had compensation cost been determined valuing the options using the Black-Scholes option pricing model as provided in SFAS No. 123, the Company's net income and earnings per share would have been the pro forma amounts indicated below for the years ended December 31, 2001, 2000 and 1999:

	2001	2000	1999
Net income (in thousands)-			
As reported	$ 1,261	$ 3,984	$ 1,934
Pro forma	852	3,712	1,819
Earnings per share-			
As reported - basic	234.68	741.45	359.90
As reported - diluted	234.68	741.45	359.90
Pro forma - basic	158.53	690.68	338.44
Pro forma - diluted	158.53	690.68	338.44

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, 2000 and 1999:

	2001	2000	1999
Expected volatility	56%	81%	100%
Risk-free interest rate	4.85%	5.72%	5.82%
Expected dividend yield	1.77%	0.89%	0.68%
Expected life	5 to 10 years	5 to 10 years	5 to 10 years

As of December 31, 2001, there have been no options granted to acquire the common stock of the Company or either of its subsidiaries.

Profit Sharing/401(k) Plan

SWS has a defined contribution profit sharing/401(k) plan that covers substantially all of the Company's employees. SWS provided profit sharing plan benefits become fully vested after six years of service by the participant. Profit sharing contributions were accrued and funded at SWS's discretion.

Profit sharing expense related to the Company's employees for 2001, 2000 and 1999 was approximately $38,000, $251,000 and $353,000, respectively. The 401(k) portion of the plan began in January 2000, and SWS provides a match of up to 4% of eligible compensation. SWS's matching contributions vest immediately and the expense totaled approximately $127,000 in 2001 and $117,000 in 2000.

8. EARNINGS PER SHARE:

A reconciliation between the weighted average shares outstanding used in the basic and diluted EPS Computations is as follows (in thousands, except share and per share amounts):

	2001	2000	1999
Net income	$ 1,261	$ 3,984	$ 1,934
Weighted average shares outstanding - basic and diluted	5,374	5,374	5,374
Earnings per share - basic	234.68	741.45	359.90
Earnings per share - diluted	234.68	741.45	359.90

9. COMMITMENTS AND CONTINGENCIES:

The Company leases its offices under noncancelable operating lease agreements. Rental expense for facilities and equipment leases for fiscal years 2001, 2000 and 1999 aggregated approximately $591,000, $601,000 and $645,000, respectively, and is included in General and Administrative expenses in the accompanying consolidated statements of income.

At December 31, 2001, the future rental payments for the noncancelable operating leases for each of the following three years and thereafter follow (in thousands):

Year ending:	
2002	$ 498
2003	477
2004	264
Thereafter	--
Total payments due	$1,239

In the normal course of business, the Company has been named as a defendant in a lawsuit. Management believes that resolution of this claim will not result in any material adverse effect on the Company's consolidated financial position or results of operations.

10. AFFILIATE TRANSACTIONS:

SWS, through its principal subsidiary, SWS Securities, Inc., provided accounting, technology and administrative services for the Company in 2001, 2000 and 1999. 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.

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

	2001	2000	1999
Advisory fees	$441	$329	$263
Trust fees	234	167	115

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

	2001	2000	1999
Employee benefits	$190	$169	$169
Information technology	269	232	228
Professional services	34	35	34
General and administrative	62	55	52
	$555	$491	$483

These expenses have been 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 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.

Had the Company been an independent public company in 2001, management estimates that total expenses would have been approximately $800,000 higher than those reflected in these consolidated financial statements. The principal reasons for the increase in expenses are increased public company compliance costs, employee compensation, insurance costs, legal expenses, and accounting and payroll costs.

The foregoing estimate of higher expenses is not necessarily an accurate measure of what the Company's stand-alone expenses would have been in 2001 or will be in the future, and the Company's expenses could be higher. The costs incurred by the Company in the future will depend on the market for these services when they are actually purchased and the size and nature of the Company's future operations. Following a transition period, the Company expects to stop acquiring services from SWS and to independently purchase all services currently being provided by SWS.

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. 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.

Management

The Management segment is composed of Management, which 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 is composed of Trust, which provides to institutions and high net worth individuals trust and custodial services and participation in common trust funds that Trust sponsors.

Corporate

Westwood Holdings Group, Inc. has no operations.

All 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	Corporate	Eliminations	Consolidated
			(in thousands)		
December 31, 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
December 31, 2000					
Net revenues from external sources.	$12,832	$3,304	$ --	$ --	$16,136
Net intersegment revenues.....	921	--	--	(921)	--
Net interest revenue.....	341	149	--	--	490
Depreciation and amortization.....	137	30	--	--	167
Income (loss) before income taxes..	6,073	539	--	--	6,612
Segment assets.....	14,934	3,692	--	(526)	18,100
Expenditures for long-lived assets.	4	2	--	--	6
December 31, 1999					
Net revenues from external sources.	$ 9,030	$2,306	$ --	$ --	$11,336
Net intersegment revenues.....	578	--	--	(578)	--
Net interest revenue.....	103	120	--	--	223
Depreciation and amortization.....	145	30	--	--	175
Income (loss) before income taxes..	3,229	174	--	--	3,403
Segment assets.....	9,041	3,153	--	(483)	11,711
Expenditures for long-lived assets.	67	--	--	--	67

12. EQUITY-BASED COMPENSATION:

On December 14, 2001, SWS sold 1,065 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.

13. CONCENTRATION:

During the year ended December 31, 1999, one customer accounted for approximately 10% of the Company's revenues.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At December 31, 2001 and 2000, Accounts Payable and Accrued Liabilities included accrued franchise taxes of approximately $492,000 and $371,000, respectively.