

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from _____ to _____

Commission file number 1-31234

WESTWOOD HOLDINGS GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

75201
(Zip Code)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value on June 30, 2010 of the voting and non-voting common equity held by non-affiliates of the registrant was \$205,895,000. For

purposes of this calculation, the registrant has assumed that stockholders that are not officers or directors of the registrant are not affiliates of the registrant.

The number of shares of registrant's Common Stock, par value \$0.01 per share, outstanding as of February 23, 2011: 7,786,511.

DOCUMENTS INCORPORATED BY REFERENCE

Selected portions of the registrant's definitive Proxy Statement for the 2011 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

WESTWOOD HOLDINGS GROUP, INC.

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PART I

Item 1. Business.

Unless the context otherwise requires, the term “we,” “us,” “our,” “Westwood,” or “Westwood Holdings Group” when used in this Form 10-K (“Report”) and in the Annual Report to the Stockholders refers to Westwood Holdings Group, Inc., a Delaware corporation, and its consolidated subsidiaries and predecessors taken as a whole. This Report contains some forward-looking statements within the meaning of the federal securities laws. Actual results and the timing of some events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including without limitation those set forth under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 1A. Risk Factors”.

General

We manage investment assets and provide services for our clients through our two subsidiaries, Westwood Management Corp. (“Westwood Management”) and Westwood Trust. Westwood Management provides investment advisory services to corporate retirement plans, public retirement plans, endowments and foundations, a family of mutual funds, which we call the WHG Funds, other mutual funds, individuals and clients of Westwood Trust. Westwood Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals. Our revenues are generally derived from fees based on a percentage of assets under management and at December 31, 2010, Westwood Management and Westwood Trust collectively managed assets valued at approximately \$12.5 billion. We have been providing investment advisory services since 1983 and, according to recognized industry sources, including Morningstar, Inc., our principal asset classes rank at or above the median in performance within their peer groups when measured over multi-year periods of ten years and longer.

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

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

One of the priorities on which we have focused since 2002 is building a foundation in terms of personnel and infrastructure to support a potentially much larger business. We have also developed products that we believe will be desirable within our target institutional, private wealth and mutual fund markets. The costs of developing new products and building the organization can result in incurring expenses before material offsetting revenue is realized. We believe that the business foundation and appropriate products are now in place and in recent years we have been taking these products to our served markets. A high level of interest in these products has been demonstrated by investors in our target markets and we hope this increased level of interest will generate new revenue streams.

Available Information

We maintain a website at www.westwoodgroup.com. Information contained on, or connected to, our website is not incorporated by reference into this Form 10-K and should not be considered part of this report or any other filing that we make with the Securities and Exchange Commission (“SEC”). All filings made by us with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website. Additionally, our Code of Business Conduct and Ethics, our Corporate Governance Guidelines and our Audit Committee, Compensation Committee and Governance/Nominating Committee Charters are available without charge on our website. Stockholders also may obtain print copies of these documents free of charge by submitting a written request to William R. Hardcastle, Jr. at the address set forth in the front of this Report. The public may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an internet website that contains reports, proxy and information statements, and other information regarding issuers, including Westwood Holdings Group, Inc. that file electronically with the SEC. The public can obtain any document we file with the SEC at www.sec.gov.

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Westwood Management

General

Westwood Management provides investment advisory services to large institutions, including corporate retirement plans, public retirement plans, endowments and foundations, having at least \$10 – \$25 million in investable assets, depending on the asset class. Westwood Management also provides advisory services to individuals and the WHG Funds and subadvisory services to other mutual funds. Our overall investment philosophy is determined by a team of professionals including our chief investment officer, Susan M. Byrne, and, with respect to the bulk of assets under management, consists of a value-oriented approach focused on achieving a superior, risk-adjusted return by investing in companies generating high levels of free cash flow with strong balance sheets and positioned for growth but not fully recognized as such in the marketplace. This investment approach is designed to preserve capital during unfavorable periods and provide superior real returns over the long term. Ms. Byrne has over 40 years of investment experience. Westwood Management's investment advisory team consists of a number of investment management, research and trading professionals with 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 offer a broad range of investment asset classes allowing us to serve various types of clients and varying investment objectives. Over 40% of our assets under management are invested in our LargeCap Value asset class. The following sets forth the principal asset classes currently managed by Westwood Management:

LargeCap Value: Investments in equity securities of approximately 45-60 well-seasoned companies with market capitalizations generally over \$5 billion. This portfolio is invested in companies where we expect that future profitability, driven by operational improvements, will be higher than expectations reflected in current share prices.

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

MidCap Value: Investments in equity securities of approximately 50-70 companies with market capitalizations between \$4 billion and \$20 billion. Similar to the LargeCap Value asset class, we seek to discover operational improvements that are driving earnings growth within mid-size companies that can be purchased inexpensively.

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

SMidCap Value: Investments in equity securities of approximately 45-65 companies with market capitalizations between \$100 million and \$10 billion. Similar to our other value-oriented asset classes, we seek to discover operational improvements that are driving earnings growth within small to mid-size companies that can be purchased inexpensively.

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SmallCap Value: Investments in equity securities of approximately 50-70 companies with market capitalizations between \$100 million and \$2.5 billion. Similar to our other value-oriented asset classes, we seek to invest in high quality companies whose earnings growth is driven by operational improvements not yet fully recognized by the market. This asset class reached its asset capacity in 2010 and is now closed to new investors.

AllCap Value: Investments in equity securities of approximately 60-80 well-seasoned companies. The portfolio is generally comprised of the best ideas within all market capitalizations above \$100 million. Similar to our other value-oriented asset classes, we seek to invest in companies across a broad range of market capitalizations where we expect that future profitability, driven by operational improvements, will be higher than expectations currently reflected in share prices.

LargeCap Enhanced: Investments in equity securities of approximately 75-100 long and 20-30 short, well-seasoned companies with market capitalizations above \$3 billion. Using fundamental research with a quantitative screening overlay, this portfolio is invested in companies where we expect that future profitability, driven by operational improvements, will be higher than expectations reflected in current share prices and also shorts companies where we expect that future profitability is below what is reflected in current share prices.

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

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

Master Limited Partnerships (“MLPs”): Investments include MLPs (including limited partnerships, “LPs,” and general partnerships, “GPs”), securities of tanker and other marine shipping companies and other securities. Within these types of securities, the portfolio focuses on companies that, over time, exhibit higher dividend yields, stable and predictable cash flows, low correlations to other asset classes, and growth opportunities.

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

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

We employ a value-oriented approach in managing our equity asset classes. The common thread that permeates our investment strategies is our focus on a disciplined approach to controlling risk and, whenever possible, preserving the core value of our clients’ assets. Our value-oriented asset classes place a greater emphasis on identifying companies where earnings result from actual operational improvements rather than from improvements derived from financial statement adjustments. The overriding objective of this strategy is to prevent the loss of the core value of client assets, even at the cost of potentially higher returns. Through investments in companies that exhibit these characteristics, Westwood Management seeks to demonstrate consistently superior performance relative to our industry peers and relevant benchmark indices.

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More than half of our assets under management are invested in equity securities of companies with large market capitalizations. When measured over multi-year periods of ten years and longer, Westwood Management's principal asset classes have consistently ranked above the median within peer group performance rankings according to recognized industry sources, including Morningstar, Inc.

Our ability to grow assets under management is primarily dependent on our competitive long-term performance record, building strong relationships with investment consulting firms as well as our ability to develop new client relationships. We continually look for opportunities to expand our assets under management by growing our existing asset classes and developing new portfolios focusing on investment areas not part of our current asset classes under management. We primarily intend to grow our asset classes internally but may consider acquiring new asset classes from third parties, as discussed under "—Growth Strategy" below. Our growth strategy provides clients with more investment opportunities and diversifies our assets under management, thereby reducing risk in any one area of investment and increasing our competitive ability to attract new clients.

Advisory and Subadvisory Service Agreements

Westwood Management manages client accounts under investment advisory and subadvisory agreements. Typical within the asset management industry, such agreements are usually terminable upon short notice and provide for compensation based on the market value of the client's assets under management. Westwood Management's advisory fees are paid quarterly in advance based on assets under management on the last day of the preceding quarter, quarterly in arrears based on assets under management on the last day of the previous quarter, or are based on a daily or monthly analysis of assets under management for the stated period. A limited number of our clients have a performance-based fee component in their contract, which generates additional revenues if we outperform a specified index over a specific period of time. We record revenue for performance-based fees at the end of the measurement period. Revenue from advance payments is deferred and recognized over the period that services are performed. Pursuant to these agreements, Westwood Management provides overall investment management services, including directing investments in conformity with the investment objectives and restrictions established by clients. Unless otherwise directed in writing by clients, Westwood Management has the authority to vote all proxies with respect to client assets.

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

Under our subadvisory agreement with Teton Advisors, Inc. (formerly Gabelli Advisers, Inc.), Westwood Management provides investment advisory services to the GAMCO Westwood Funds family of mutual funds. Westwood Management owns shares of Class A Common Stock representing a 15.3% economic interest in Teton Advisors, Inc., an affiliate of GAMCO Investors, Inc. Based on SEC filings, we believe that GAMCO Investors, Inc. owned 13.2% of our common stock as of December 31, 2010. Westwood Management received subadvisory payments from Teton Advisors, Inc. of \$573,000, \$617,000 and \$784,000 for the twelve months ended December 31, 2010, 2009 and 2008, respectively.

While Westwood Management provides subadvisory services with respect to the Westwood Funds family of funds, Westwood Management provides investment advisory services directly to the WHG Funds family of mutual funds, which includes the WHG SMidCap Fund, the WHG Income Opportunity Fund, the WHG LargeCap Value Fund, the WHG Balanced Fund and the WHG SmallCap Value Fund. As of December 31, 2010, the WHG Funds had assets under management of \$902 million. Effective February 7, 2011, the McCarthy Multi-Cap Stock Fund, which had assets under management of \$68 million as of December 31, 2010, was reorganized into the WHG Dividend Growth Fund. "WHG Funds" represent the family of institutional mutual funds for which Westwood Management serves as advisor. "Westwood Funds" represent the family of mutual funds for which Westwood Management serves as subadvisor.

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One of our largest clients in terms of assets paid us both asset-based and performance-based advisory fees in 2008. Due to a significant performance fee earned in 2008, this client accounted for 19.5% of our fee revenues in 2008; however, this client did not pay us a performance fee in 2010 or 2009 and accounted for less than 1% of our revenues for the years ended December 31, 2010 and 2009. Our four largest clients accounted for approximately 12.2% of our fee revenues for the year ended December 31, 2010. The loss of some or all of these large clients or failure to deliver the investment performance necessary to earn a performance fee could have a material adverse affect on our business and our results of operations.

Westwood Trust

General

Westwood Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals generally having at least \$1 million in assets under management. 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 provides back office services to its clients, including tax reporting, distribution of income to beneficiaries, preparation of account statements and attending to the special needs of particular trusts, and also serves as trustee for tax and estate-planning purposes and for special needs trusts. Westwood Trust is chartered and regulated by the Texas Department of Banking.

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

Services

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

Common Trust Funds

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

Enhanced Balanced Portfolios

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

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Distribution Channels

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

Institutional Investment Consultants

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

Subadvisory Relationships

Our subadvisory relationships allow us to extend the reach of our investment management services to clients of other investment companies with broad, established distribution capabilities. In subadvisory arrangements, our client is typically the investment company through which our services are offered to investors. In these subadvisory arrangements, our investment advisory services are typically made available through mutual fund offerings. The investment company that sponsors the mutual fund is responsible for marketing, distribution, operations and accounting related to these funds.

Managed Accounts

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

Growth Strategy

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

- generate growth from new and existing clients and consultant relationships
- attract and retain key employees
- grow assets in our additional asset classes
- foster continued growth of the Westwood Trust platform
- foster expanded distribution via mutual funds
- pursue strategic acquisitions and alliances
- continue to strengthen our brand name.

Generate growth from new and existing clients and consultant relationships. As our primary business objective, we intend to maintain and enhance existing relationships with clients and investment consultants by continuing to provide solid investment performance and high quality customer service to existing relationships. Additionally, we intend to pursue growth through targeted sales and marketing efforts that emphasize our investment performance and superior client service. New institutional client accounts are generally derived through investment consultants and we have been successful in developing solid long-term relationships with many national and regional investment consultants. We believe that the familiarity with our firm, our people and our processes that we have built in consultant and client relationships is a key factor in being considered for new client investment mandates.

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

Grow assets in our additional asset classes. LargeCap Value is our flagship product and we believe it has significant capacity to attract additional assets; however, we continue to develop additional asset classes in response to client needs and the opportunities we identify in the marketplace. We believe these additional asset classes provide opportunities for us to grow our assets under management. For instance, we have achieved meaningful growth in assets in our SMidCap Value product since we began marketing this asset class to institutions in 2004. As a result of this growth, the SMidCap Value asset class was closed to new investors in 2010. The WHG SMidCap mutual fund remains open to existing shareholders only. In July 2010 we launched the SMidCap Plus+ product, which is managed by the same team responsible for the SMidCap product. We believe SMidCap Plus+ will be an attractive investment alternative to clients looking to invest in small to mid size companies. We are also marketing other asset classes that we have developed in recent years. We began marketing SmallCap Value to institutions in 2007 and it has completed the approval process at many investment consulting firms, winning several institutional mandates. Our AllCap product has been receiving increased interest and has been awarded several institutional mandates in the last two years. Assets in our Income Opportunity product grew substantially in 2010 with strong interest from our private wealth and mutual fund channels. In 2007, we launched an MLP portfolio in response to the needs of an existing client. We believe that we have the team in place to support these products in our target institutional, private wealth and mutual fund markets. If we continue to deliver strong performance, we believe that demand for these asset classes can provide meaningful growth in our assets under management.

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

Foster expanded distribution via mutual funds. The WHG Funds consist of WHG SMidCap (WHGMX), WHG Income Opportunity (WHGIX), WHG LargeCap Value (WHGLX), WHG Balanced (WHGBX) and WHG SmallCap Value (WHGSX), which were launched from 2005 through 2007. In addition, the WHG Dividend Growth Fund (WHGDG) was launched in February 2011 subsequent to the reorganization of the McCarthy Multi-Cap Stock Fund. The WHG SMidCap Fund was closed to new investors in January 2011. Also in January 2011, we filed a registration statement for the WHG SMidCap Plus+ Fund, which we expect to be available later in 2011. The WHG Funds, which mirror our institutional strategies, offer capped expense ratios and are available in an institutional share class for all funds. In December 2007 we launched an A share for WHG LargeCap Value and WHG Income Opportunity in order to target No Transaction Fee (“NTF”) mutual fund supermarket platforms and the broker/dealer marketplace. In 2009 we reduced the expense cap for WHG Income Opportunity and WHG Balanced in order to increase their appeal to investors. We believe that access to our asset classes via an institutional mutual fund vehicle will present an attractive offering for certain segments of institutional investors, including 401(k) plans.

Pursue strategic acquisitions and alliances. We will carefully evaluate strategic acquisition, joint venture and alliance opportunities. We may express an interest in pursuing acquisitions of asset management firms, mutual funds, or trust companies having assets where we have expertise or that appear appropriate as a means of expanding our range of asset classes or services or expanding our distribution capabilities. By acquiring investment firms that successfully manage asset classes beyond our current expertise we can increase opportunities to attract new clients and provide existing clients with an even more diversified range of asset classes. We may also consider entering into alliances with other financial services firms to allow us to leverage our core competency of developing superior investment products in combination with alliance partners that could provide us with enhanced distribution capabilities or provide our clients with access to additional service offerings.

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Continue strengthening our brand name. We believe that the strength of our brand name has been a key component to our successful long-term participation 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 investment publications and electronic media. A number of our investment professionals, including Susan Byrne, David Spika, Mark Freeman and Ragen Stienke, are visible in print and electronic media, which we believe enhances our brand name. We will continue to look for creative ways to strengthen our brand name and reputation in our target client markets.

Competition

We are subject to substantial and growing competition in all aspects of our business. Barriers to entry to the asset management business are relatively low, and we believe 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 our company.

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 offer more asset classes and services and have substantially greater assets under management.

We compete against numerous investment dealers, banks, insurance companies and others that sell equity funds, taxable income funds, tax-free investments and other investment products. In addition, the allocation of assets by many investors from active equity investment to index funds, fixed income or similar asset classes has enhanced the ability of firms offering non-equity asset classes and passive equity management to compete with us effectively. In short, our competitive landscape is 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 high degree of success in competing successfully for new clients, it is a process to which we must continue to dedicate significant resources over an extended period, with no certainty of success.

Regulation

Westwood Management

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

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

Westwood Trust

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

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

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

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

Employee Retirement Income Security Act of 1974

We are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and to the related regulations, insofar as we are a "fiduciary" under ERISA with respect to some clients. ERISA and applicable provisions of the Internal Revenue Code impose certain duties on 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.

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Employees

At December 31, 2010, we had 77 full-time employees, including 29 investment management, research and trading professionals, 26 marketing and client service professionals, and 22 operations and business management professionals. No employees are represented by a labor union and we believe our employee relations to be good.

Segment information

For information about our operating segments, Westwood Management and Westwood Trust, please see footnote 13 “Segment Reporting” in the financial statements accompanying this Report.

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Item 1A. Risk Factors

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

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

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

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

We believe that our future success will depend to a significant extent upon the services of our executive officers, particularly Susan M. Byrne, our Chairman of the Board and Chief Investment Officer, and Brian O. Casey, our President and Chief Executive Officer. As with other asset management businesses, our future performance depends to a significant degree upon the continued contributions of these and other key officers, investment professionals, marketing, client service and management personnel. There is substantial competition for skilled personnel and the loss of key employees or our failure to attract, retain and motivate qualified personnel, could negatively impact our business, financial condition, results of operations and future prospects.

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

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

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

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

We have incurred significant costs during the last several years to develop new asset classes, including SmallCap Value, AllCap Value, Income Opportunity, MidCap, LargeCap Enhanced (130/30), Global Strategic Diversification, an MLP portfolio and SMidCap Plus+, to launch new mutual funds under the WHG Funds name, and to upgrade our business infrastructure. Some costs associated with these improvements will continue to be incurred in future periods and are relatively fixed. We may not realize the benefits of these investments and in the event we are unable to do so our results of operations and growth opportunities may be adversely affected.

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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 requires a substantial amount of time and financial resources. Our ability to market and sell a new asset class successfully depends on our financial resources, the performance results of the specific asset class, the timing of the offering and our marketing strategies. Once an asset class is developed, whether through acquisition or internal development, we must effectively market the asset class to our existing and prospective clients. This entails incurring substantial financial costs related to research on the target assets and the demand for such asset class in the market, as well as sales and marketing costs associated with attracting assets to the new asset class. In addition, our ability to sell new asset classes to our existing and prospective 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 manage the assets within a given asset class profitably. Moreover, it may take years before we are able to produce the level of results that will enable us to attract clients. If we are unable to realize the benefits of the costs and expenses incurred in developing new 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.

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

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

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

One of our largest clients in terms of assets paid us both asset-based and performance-based advisory fees in 2008. Due to a significant performance fee earned in 2008, this client accounted for 19.5% of our fee revenues for the year ended December 31, 2008; this client did not pay a performance fee in 2009 or 2010 and accounted for less than 1% of our revenues for the years ended December 31, 2009 and 2010. Our four largest clients accounted for approximately 12.2% of fee revenues for the year ended December 31, 2010. We are dependent to a significant degree on our ability to maintain existing relationships with these clients. There can be no assurance that we will be successful in maintaining these existing client relationships, securing additional clients or achieving the superior investment performance necessary to earn performance-based advisory fees. Any failure by us to retain one or more of these large clients or establish profitable relationships with additional clients could have a material adverse effect on our business, financial condition and results of operations.

Competitive fee pressures could reduce revenues and profit margins.

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

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

We have performance fee agreements with a small number of our clients, which would pay us a fee if we outperform a specified index over predetermined periods of time. There can be no assurance that we will outperform relative to such indexes and the failure to do so would cause us to earn none or only part of those potential revenues, which would have a material adverse effect on our revenues and results of operations. Our revenues from performance-based fees could fluctuate significantly from one measurement period to the next, depending on how we perform relative to the indexes specified in these agreements. For example, we earned a significant performance fee in 2008, but did not earn performance fees in 2009 or 2010.

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

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

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

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

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

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

Our investment professionals handle a significant amount of assets along with financial and personal information for our clients. Although we have implemented a system of controls to minimize the risk of a fraudulent taking or misuse of assets and information, there can be no assurance that our controls will be adequate to prevent such fraudulent actions 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, distract management from our operations, and could also result in regulatory sanctions. Additionally, any such fraudulent actions could adversely affect some clients in other ways, and these clients could seek redress against us.

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

As part of our long-term business strategy, we may consider acquisitions of similar or complementary businesses. See “— Growth Strategy.” If we are not correct when we assess the value, strengths, weaknesses, liabilities and potential profitability of acquisition candidates or if we are unsuccessful in integrating the operations of the acquired businesses, the success of the combined business could be compromised. Any future acquisitions will be accompanied by the risks commonly associated with acquisitions. These risks include, among others, potential exposure to unknown liabilities of acquired companies and to acquisition costs and expenses, the difficulty and expense of integrating the operations and personnel of the acquired companies, the potential disruption to the business of the combined company and potential diversion of management’s time and attention, the impairment of relationships with and the possible loss of key employees and clients as a result of the changes in management, potential future write-downs related to goodwill impairment in connection with acquisitions, and dilution to the stockholders of the combined company if the acquisition is made for stock of the combined company. In addition, asset classes, technologies or businesses of acquired companies may not be effectively assimilated into our business or have a positive effect on the combined company’s revenues or earnings. The combined company may also incur significant expense to complete acquisitions and to support 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.

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Acquisitions executed by us were forecasted to add revenues, expenses and earnings to our business. The failure to realize these revenues and earnings could adversely impact our results of operations.

We have made two business acquisitions in the last two years. There is no guarantee that these acquisitions will yield the benefits that we forecasted due to a variety of factors, including retention of acquired clients. If these acquisitions do not yield expected benefits, our revenues and results of operations could be negatively impacted and we could be required to record an impairment against earnings for the intangible assets and goodwill acquired in these transactions.

Various factors may hinder the declaration and payment of dividends.

We have historically paid a quarterly dividend. However, payment of future dividends is subject to the discretion of our Board of Directors and various factors may prevent us from paying dividends. Such factors include our financial position, capital requirements and liquidity, the existence of a stock repurchase program, state corporate and banking law restrictions, results of operations and such other factors as our Board of Directors may consider relevant. In addition, as a holding company, our ability to pay dividends is dependent on the dividends and income we receive from our subsidiaries. Currently, our primary source of cash consists of dividends that may be received from Westwood Management or Westwood Trust. The payment of dividends by Westwood Management or Westwood Trust is subject to the discretion of their Boards of Directors and compliance with applicable laws, including, in particular, the provisions of the Texas Finance Code applicable to Westwood Trust. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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

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

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

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

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

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

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

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

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

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

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

Item 2. Properties.

Westwood, Westwood Management and Westwood Trust conduct their principal operations through leased office space with approximately 21,600 square feet, expanding to 25,555 square feet in the third quarter of 2011, located in Dallas, Texas. The initial term of the lease agreement expires in November 2021. In addition, we lease office space with approximately 5,045 square feet located in Omaha, Nebraska pursuant to a lease with an initial term that expires in July 2014. We believe these facilities will be adequate to serve our currently anticipated business needs.

Item 3. Legal Proceedings.

We are subject from time to time to certain claims and legal proceedings arising in the ordinary course of our business. We do not believe the outcome of these proceedings will have a material impact on our financial position, operations or cash flow.

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

Our common stock has traded on the New York Stock Exchange (the "NYSE") under the symbol "WHG" since July 1, 2002. At December 31, 2010, there were approximately 177 record holders of our common stock, although we believe that the number of beneficial owners of our common stock is substantially greater. The table below sets forth the high and low sale prices for the common stock, as reported by the NYSE for the periods indicated.

	<u>High</u>	<u>Low</u>
2010		
Fourth Quarter	\$40.65	\$33.19
Third Quarter	39.00	28.49
Second Quarter	40.56	33.84
First Quarter	40.48	34.10
2009		
Fourth Quarter	\$40.60	\$33.35
Third Quarter	42.28	33.50
Second Quarter	44.44	37.28
First Quarter	42.92	24.12

Dividends

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

	<u>Dividend per share of common stock</u>	
	<u>Regular</u>	<u>Special</u>
2010		
Fourth Quarter	\$ 0.33	\$ 0.33
Third Quarter	0.33	
Second Quarter	0.33	
First Quarter	0.33	
2009		
Fourth Quarter	\$ 0.33	
Third Quarter	0.30	
Second Quarter	0.30	
First Quarter	0.30	

In addition, on February 3, 2011 we declared a quarterly cash dividend of \$0.35 per share on our common stock payable on April 1, 2011 to stockholders of record on March 15, 2011. We currently intend to continue paying cash dividends in such amounts as our Board of Directors determines are appropriate. Any future payment of cash dividends will be at the discretion of the Board of Directors and subject to limitations under the Delaware General Corporation Law.

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

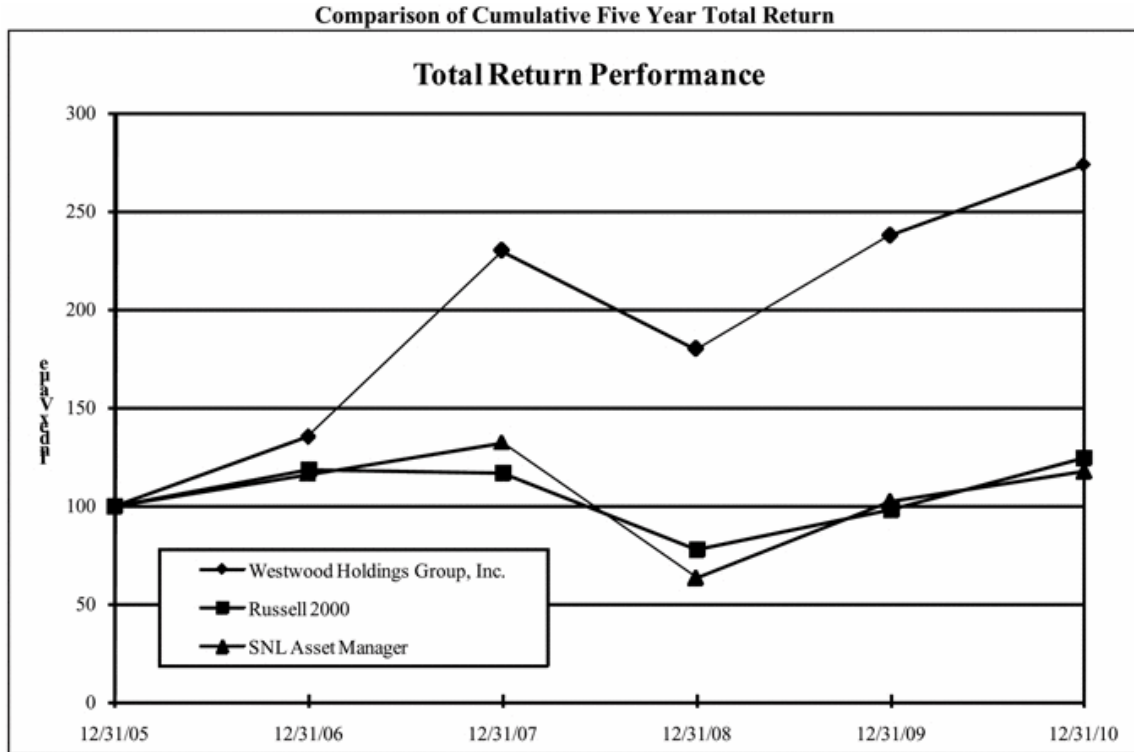
EQUITY COMPENSATION PLAN INFORMATION

The following table gives information as of December 31, 2010 about shares of our common stock that may be issued upon the exercise of options, warrants and rights under the Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan, our only equity compensation plan in effect at that time. The material terms of this plan were approved by our stockholders at our 2009 Annual Meeting and are discussed in note 9 of the financial statements included in this Form 10-K.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	38,400	\$ 12.90	331,000
Equity compensation plans not approved by security holders	—	—	—
Total	38,400	\$ 12.90	331,000

PERFORMANCE GRAPH

The following graph compares total stockholder returns of Westwood since December 31, 2005 with the total return of the Russell 2000 Index and the SNL Asset Manager Index. The SNL Asset Manager Index is a composite of 31 publicly-traded asset management companies.



<i>Index</i>	Period ended						Cumulative Five-Year Total Return
	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	
Westwood Holdings Group, Inc.	\$100.00	\$135.10	\$229.47	\$179.52	\$237.33	\$272.99	172.99%
Russell 2000 Index	100.00	118.37	116.51	77.15	98.11	124.46	24.46
SNL Asset Manager Index	100.00	115.97	132.01	62.74	101.78	117.15	17.15

The total return for our stock and for each index assumes \$100 invested on December 31, 2005 in our common stock, the Russell 2000 Index, and the SNL Asset Manager Index, including reinvestment of dividends. Our common stock is traded on the NYSE under the ticker symbol “WHG.”

The closing price of our common stock on the last trading day of the year ended December 31, 2010 was \$39.96 per share. Historical stock price performance is not necessarily indicative of future price performance.

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Item 6. Selected Consolidated Financial Data.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below for the five years ended December 31, 2010, except Assets Under Management, is derived from our consolidated financial statements as audited by Grant Thornton LLP, independent registered public accounting firm as of and for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, and should be read in conjunction with those statements. The earnings per share amounts set forth below for the years ended December 31, 2009, 2008, 2007 and 2006 were retrospectively adjusted in order to conform to the current year presentation, which uses the two-class method. For a further discussion of the two-class method please see “Note 10. EARNINGS PER SHARE” in the financial statements included in this Report. The information set forth below should be read in conjunction with “Item 1. Business” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Report.

	Year ended December 31, (in thousands, except per share amounts)				
	2010	2009	2008	2007	2006
Consolidated Statements of Income Data:					
Total revenues	\$55,313	\$42,553	\$46,456	\$36,292	\$27,364
Total expenses	37,592	30,235	29,921	24,085	20,110
Income before income taxes	17,721	12,318	16,535	12,207	7,254
Provision for income taxes	6,441	4,423	5,992	4,263	2,785
Income before cumulative effect of accounting change	11,280	7,895	10,543	7,944	4,469
Net income	11,280	7,895	10,543	7,944	4,508
Earnings per share before cumulative effect of change in accounting principle – basic	\$ 1.62	\$ 1.10	\$ 1.53	\$ 1.19	\$ 0.58
Earnings per share before cumulative effect of change in accounting principle – diluted	\$ 1.58	\$ 1.09	\$ 1.52	\$ 1.18	\$ 0.58
Earnings per share – basic	\$ 1.62	\$ 1.10	\$ 1.53	\$ 1.19	\$ 0.59
Earnings per share – diluted	\$ 1.58	\$ 1.09	\$ 1.52	\$ 1.18	\$ 0.59
Cash dividends declared per common share	\$ 1.65	\$ 1.23	\$ 1.20	\$ 1.15	\$ 1.33
	As of December 31, (in thousands)				
	2010	2009	2008	2007	2006
Consolidated Balance Sheet Data:					
Cash and investments	\$45,044	\$45,125	\$31,650	\$26,704	\$20,110
Total assets	72,628	59,886	50,847	39,024	28,722
Stockholders’ equity	60,677	47,218	38,794	29,346	22,735
Assets Under Management (in millions)	\$12,477	\$10,174	\$ 7,185	\$ 7,853	\$ 5,927

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

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

Forward-Looking Statements

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

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

Additional factors that could cause our actual results to differ materially from our expectations are discussed under the section entitled “Risk Factors” and elsewhere in this Report. You should not rely unduly on these forward-looking statements, which speak only as of the date of this Report. Other unknown or unpredictable factors may cause actual results to differ materially from those projected by the forward-looking statements. Most of these factors are difficult to anticipate and may be beyond our control. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this Report or to reflect the occurrence of unanticipated events.

Overview

We manage investment assets and provide services for our clients through our two subsidiaries, Westwood Management and Westwood Trust. Westwood Management provides investment advisory services to corporate retirement plans, public retirement plans, endowments and foundations, the WHG Funds, other mutual funds, individuals and clients of Westwood Trust. Westwood Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals. Our revenues are generally derived from fees based on a percentage of assets under management and at December 31, 2010 Westwood Management and Westwood Trust collectively managed assets valued at approximately \$12.5 billion. We have been providing investment advisory services since 1983 and, according to recognized industry sources including Morningstar, Inc., our principal asset classes have consistently ranked above the median in performance within their peer groups when measured over multi-year periods.

One of the priorities on which we have focused since our spin-off in 2002 is to build a foundation in terms of personnel and infrastructure to support a potentially much larger business. We have also developed products that we believe will be desirable within our target institutional, private wealth and mutual fund markets. The cost of developing new products and the organization as a whole has resulted in our incurring expenses that, in some cases, do not currently have material offsetting revenue. Now we believe the foundation and the products are in place, we are taking these new products to our served markets in the belief that investors will recognize the value in these products and will generate new revenue streams for us.

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We began marketing our SMidCap Value product to institutional investment consultants in late 2004. As a result of this targeted marketing effort and strong investment performance, assets in SMidCap Value increased from \$78 million at December 31, 2004 and reached its \$3 billion asset capacity in 2010. Accordingly, the SMidCap Value asset class was closed to new investors in 2010. The WHG SMidCap mutual fund remains open only to existing investors. In July 2010, we launched the SMidCap Plus+ product, which is managed by the same team that manages the SMidCap product. We believe SMidCap Plus+ will be an attractive investment alternative to clients looking to invest in small to mid size companies. We continue to devote significant marketing efforts to our target markets for our LargeCap Value, SmallCap Value, AllCap Value, Income Opportunity, SMidCap Plus+ and other products.

In November 2010, we completed the acquisition of McCarthy Group Advisors, L.L.C. (McCarthy), a Nebraska limited liability company and registered investment advisor based in Omaha, Nebraska with \$1.1 billion of assets under management as of December 31, 2010. McCarthy has numerous long-standing client relationships and a solid reputation within its community. This acquisition enables us to introduce Westwood Trust products and services to a new market, which we believe offers attractive growth opportunities. In addition, we expect to be able to leverage the relationships of our new Omaha office to develop institutional opportunities for Westwood Management. We also gained an additional mutual fund – the McCarthy Multi-Cap Stock Fund, with \$68 million in assets under management as of December 31, 2010.

Between December 2005 and April 2007 we launched five mutual funds in the WHG Funds family. As of December 31, 2010, assets in these five funds were \$902 million. In addition to the funds' institutional share class, in December 2007 we launched an A share for WHG LargeCap Value and WHG Income Opportunity in order to target No Transaction Fee ("NTF") mutual fund supermarket platforms and the broker/dealer marketplace. The WHG Dividend Growth Fund (WHGDX) was launched in February 2011 subsequent to the reorganization of the McCarthy Multi-Cap Stock Fund. Also in January 2011, we filed a registration statement for the WHG SMidCap Plus+ Fund, which we expect to be available later in 2011.

Revenues

We derive our revenues from investment advisory fees, trust fees, and other revenues. Our advisory fees are generated by Westwood Management, which manages client accounts under investment advisory and subadvisory agreements. Advisory fees are calculated based on a percentage of assets under management and are paid in accordance with the terms of the agreements. Westwood Management's advisory fees are paid quarterly in advance based on assets under management on the last day of the preceding quarter, quarterly in arrears based on assets under management on the last day of the previous quarter, or are based on a daily or monthly analysis of assets under management for the stated period. Westwood Management recognizes revenues as services are rendered. A limited number of our clients have a performance-based fee component in their contract, which generates additional revenues if we outperform a specified index over a specific period of time. We record revenue for performance-based fees at the end of the measurement periods. In 2008, we recognized a performance-based fee for a client in the second quarter and a separate performance-based fee for another client in the fourth quarter. Since most of our advance paying clients' billing periods coincide with the calendar quarter to which payment relates, the revenue related to those clients is fully recognized within the quarter. Consequently, there is not a significant amount of deferred revenue contained in our financial statements.

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

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

Assets Under Management

Assets under management increased \$2.3 billion, or 23%, to \$12.5 billion at December 31, 2010 compared to \$10.2 billion at December 31, 2009. Quarterly average assets under management increased \$2.3 billion, or 27%, to \$10.7 billion for 2010 compared with \$8.5 billion for 2009.

Assets under management increased \$3.0 billion, or 42%, to \$10.2 billion at December 31, 2009 compared to \$7.2 billion at December 31, 2008. Quarterly average assets under management increased \$747 million, or 10%, to \$8.5 billion for 2009 compared with \$7.7 billion for 2008.

The following table sets forth our assets under management as of December 31, 2010, 2009 and 2008:

	As of December 31, (in millions)			% Change	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Institutional	\$ 8,359	\$ 7,599	\$5,374	10%	41%
Private Wealth	3,148	2,009	1,558	57	29
Mutual Funds	970	566	253	71	124
Total Assets Under Management	\$12,477	\$10,174	\$7,185	23%	42%

We have modified our assets under management disclosure to represent management's view of our three main lines of business: institutional, private wealth and mutual funds.

- *Institutional* includes: separate accounts of corporate pension and profit sharing plans, public employee retirement funds, Taft Hartley plans, endowments, foundations and individuals; subadvisory relationships where Westwood Management provides investment management services for funds offered by other financial institutions; and managed account relationships with brokerage firms and other registered investment advisors who offer Westwood Management's products to their customers.
- *Private Wealth* includes assets for which Westwood Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals pursuant to trust or agency agreements. Also included are assets acquired in the McCarthy transaction representing institutional and high net worth clients for which Westwood provides investment management and advisory services.
- *Mutual Funds* includes the WHG Funds, a family of mutual funds for which Westwood Management serves as advisor, and the McCarthy Multi-Cap Stock Fund for which Westwood Management served as the interim advisor as of December 31, 2010. On February 1, 2011, the shareholders of the McCarthy Multi-Cap Stock Fund approved the reorganization of the fund into the WHG Dividend Growth Fund.

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Roll-Forward of Assets Under Management

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

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

	Twelve Months Ended December 31, 2009 (in millions)			
	Institutional	Private Wealth	Mutual Funds	Total
Beginning of period assets	\$ 5,374	\$ 1,558	\$ 253	\$ 7,185
Client flows:				
Inflows/new accounts	1,601	241	299	2,141
Outflows/closed accounts	(702)	(117)	(128)	(947)
Net inflows/(outflows)	899	124	171	1,194
Acquisition related	—	—	52	52
Market appreciation/(depreciation)	1,326	327	90	1,743
Net change	2,225	451	313	2,989
End of period assets	<u>\$ 7,599</u>	<u>\$ 2,009</u>	<u>\$ 566</u>	<u>\$10,174</u>

The increase in assets under management for the twelve months ended December 31, 2009 was primarily due to new inflows of \$2.1 billion and market appreciation of \$1.7 billion, partially offset by outflows of \$947 million. Inflows were driven primarily by new institutional separate accounts and subadvisory mandates, additional inflows into the WHG Funds, institutional separate accounts and subadvisory mandates, new private wealth accounts and inflows into existing private wealth accounts. Outflows were primarily related to rebalancing and some account closings by institutional separate account clients and outflows from subadvisory mandates and the WHG Funds.

	Twelve Months Ended December 31, 2008 (in millions)			
	Institutional	Private Wealth	Mutual Funds	Total
Beginning of period assets	\$ 5,750	\$ 1,869	\$ 234	\$ 7,853
Client flows:				
Inflows/new accounts	2,084	287	270	2,641
Outflows/closed accounts	(393)	(84)	(181)	(658)
Net inflows/(outflows)	1,691	203	89	1,983
Acquisition related	—	—	—	—
Market appreciation/(depreciation)	(2,067)	(514)	(70)	(2,651)
Net change	(376)	(311)	19	(668)
End of period assets	<u>\$ 5,374</u>	<u>\$ 1,558</u>	<u>\$ 253</u>	<u>\$ 7,185</u>

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The decrease in assets under management for the twelve months ended December 31, 2008 was primarily due to market depreciation of \$2.7 billion and outflows of \$658 million, partially offset by inflows of \$2.6 billion. Inflows were driven primarily by new subadvisory mandates and institutional separate accounts, additional inflows into existing subadvisory mandates, institutional separate accounts and the WHG Funds, and new private wealth accounts. Outflows were primarily related to rebalancing by institutional separate account clients and outflows from subadvisory mandates and the WHG Funds.

Results of Operations

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

	Years ended December 31, (in thousands)			% Change	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Revenues					
Advisory fees					
Asset-based	\$42,153	\$31,794	\$26,966	33%	18%
Performance-based	—	—	8,725	—	(100)
Trust fees	12,051	10,304	11,018	17	(6)
Other revenues	1,109	455	(253)	144	280
Total revenues	55,313	42,553	46,456	30	(8)
Expenses					
Employee compensation and benefits	29,001	23,730	23,209	22	2
Sales and marketing	823	576	803	43	(28)
WHG mutual funds	662	600	384	10	56
Information technology	1,351	1,221	1,114	11	10
Professional services	2,941	1,531	1,749	92	(12)
General and administrative	2,814	2,577	2,662	9	(3)
Total expenses	37,592	30,235	29,921	24	1
Income before income taxes	17,721	12,318	16,535	44	(26)
Provision for income taxes	6,441	4,423	5,992	46	(26)
Net income	\$11,280	\$ 7,895	\$10,543	43%	(25)%

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Total Revenue. In 2010 our total revenues increased by 30% to \$55.3 million compared with \$42.6 million in 2009. Asset-based advisory fees increased by 33% to \$42.2 million in 2010 from \$31.8 million in 2009 due to higher average assets under management primarily due to market appreciation of assets. We are eligible to earn a performance fee in 2011 dependent upon out-performance in 2011, subject to an under-performance carry-forward from 2010. 2010 Trust fees increased by 17% to \$12.1 million from \$10.3 million in 2009 due to higher average assets under management primarily due to market appreciation of assets. Other revenues, which generally consist of interest and investment income, increased by 144% to \$1.1 million in 2010 compared with \$455,000 in 2009 primarily due to a \$596,000 increase in realized gains and a \$106,000 increase in net unrealized gains. Partially offsetting these increases was a decrease of \$67,000 in interest income.

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Employee Compensation and Benefits. Employee compensation and benefits, which generally consist of salaries, incentive compensation, equity-based compensation expense and benefits, increased by 22% to \$29.0 million compared with \$23.7 million in 2009. This increase was primarily due to increases of \$2.6 million in incentive compensation due to increased pre-tax income, \$926,000 in performance-based restricted stock expense from an award granted in April 2010 that included additional shares granted at a higher market price compared to prior grants, \$778,000 in additional salary expense due to salary increases for certain employees and increased headcount, \$677,000 in restricted stock expense from awards granted in February 2010 at a higher market price than previous grants and \$215,000 in higher 401k matching and profit sharing expense due to increased compensation. We had 77 full-time employees as of December 31, 2010 compared to 64 at December 31, 2009.

Sales and Marketing. Sales and marketing costs consist of expenses associated with our marketing efforts, including travel and entertainment, direct marketing, and advertising costs. Sales and marketing costs increased by 43% to \$823,000 in 2010 compared with \$576,000 in 2009. The increase is primarily the result of increased travel related to European marketing tours with subadvisory partner Pictet & Cie and increased direct marketing expenses.

WHG Mutual Funds. WHG Mutual Funds expenses generally consist of costs associated with our marketing, distribution, administration and acquisition efforts related to the WHG Funds. WHG Mutual Funds expenses increased 10% to \$662,000 in 2010 compared with \$600,000 in 2009. This increase is primarily due to an increase of \$133,000 in expense related to recording to fair value the deferred acquisition liability from a fund acquisition we made in 2009 and an increase of \$86,000 in shareholder servicing fees due to higher fund assets. Partially offsetting these increases was a net decrease in professional and legal fees due to the acquisition of the Philadelphia Fund and its reorganization into the WHG LargeCap Value Fund in 2009. In 2010 we incurred costs related to the reorganization of the McCarthy Multi-Cap Stock Fund, which was acquired in November 2010, into the WHG Dividend Growth Fund.

Information Technology. Information technology expenses are generally costs associated with proprietary investment research tools, computing hardware, software licenses, maintenance and support, telecommunications and other related costs. Information technology expense increased by 11% to \$1.4 million in 2010 compared with \$1.2 million in 2009. The increase is primarily due to increases of \$94,000 in software maintenance and licenses and \$37,000 for research tools. A \$35,000 decrease in IT environment support costs partially offset these increases.

Professional Services. Professional services expenses generally consist of audit, external subadvisor expense, legal and other professional fees. Professional services expense increased by 92% to \$2.9 million in 2010 compared with \$1.5 million in 2009. The increase is primarily due to a \$600,000 increase in advisory fees paid to external subadvisors due to growth common trust funds sponsored by Westwood Trust being temporarily invested in passive index funds in 2009, an increase of \$504,000 in other professional fees related to the McCarthy acquisition completed in 2010, other growth initiatives undertaken in 2010 and an increase of \$255,000 in legal fees primarily related to the McCarthy acquisition and other legal fees.

General and Administrative. General and administrative expenses generally consist of costs associated with the lease of our office space, insurance, amortization of intangible assets, office supplies, custody expense, investor relations, charitable contributions and other miscellaneous expenses. General and administrative expenses increased by 9% to \$2.8 million in 2010 compared with \$2.6 million in 2009. The increase is primarily due to increases of \$142,000 in amortization of intangible assets acquired in acquisitions made in 2009 and 2010, \$67,000 in training and seminars expense and \$46,000 in research subscriptions. Partially offsetting these increases were decreases in director fee accruals and insurance expense.

Provision for Income Taxes. Provision for income taxes increased by 46% to \$6.4 million in 2010 compared with \$4.4 million in 2009 primarily due to higher income before taxes. The increase in the effective tax rate from 35.9% in 2009 to 36.3% in 2010 was primarily due to more taxable income in the higher federal income tax bracket.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Total Revenue. Our total revenues decreased by 8% to \$42.6 million in 2009 compared with \$46.5 million in 2008. Asset-based advisory fees increased by 18% to \$31.8 million in 2009 from \$27.0 million in 2008 due to higher average assets under management due to market appreciation of assets and net inflows from new clients. Performance-based advisory fees decreased to zero from \$8.7 million in 2008 as no performance fees were earned in 2009. Trust fees decreased by 6% to \$10.3 million in 2009 from \$11.0 million in 2008 due to lower average beginning-of-quarter assets under management in 2009. The vast majority of Trust fees is billed in advance based on assets at the end of the previous quarter and were negatively impacted by sharp market declines in the fourth quarter of 2008 and the first quarter of 2009. Other revenues, which generally consist of interest and investment income, increased by 280% to \$455,000 in 2009 compared with \$(253,000) in 2008. Other revenues increased primarily due to a \$1.6 million increase in net unrealized gains. Partially offsetting this increase were an increase of \$456,000 in net realized losses and a \$399,000 decrease in interest and dividend income.

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Employee Compensation and Benefits. Employee compensation and benefits increased by 2% to \$23.7 million compared with \$23.2 million in 2008. This increase was primarily due to an increase of \$931,000 in restricted stock expense due to additional restricted stock grants in February 2009 as well as the higher market price at the time the shares were granted compared to prior grants, and an increase of \$526,000 in salary expense due to salary increases for certain employees and increased headcount. These increases were partially offset by decreases of \$845,000 in incentive compensation expense and \$203,000 in profit sharing contributions, both due to lower pretax income. We had 64 full-time employees as of December 31, 2009 compared to 63 at December 31, 2008.

Sales and Marketing. Sales and marketing costs decreased by 28% to \$576,000 in 2009 compared with \$803,000 in 2008. The decrease was primarily the result of decreases in travel and entertainment costs of \$135,000 and in direct marketing expense of \$69,000.

WHG Mutual Funds. WHG mutual funds expenses increased 56% to \$600,000 in 2009 compared with \$384,000 in 2008. This increase was primarily due to a \$164,000 increase in legal fees and a \$40,000 increase in direct marketing expense. Legal fees were related to the reorganization of the Philadelphia Fund into the WHG LargeCap Value Fund. On November 16, 2009, we acquired the business and substantially all assets of Baxter Financial Corporation related to its management of the Philadelphia Fund. In connection with this acquisition, the Philadelphia Fund was reorganized into the WHG LargeCap Value Fund and we recorded total assets of \$2.7 million and deferred liabilities of \$1.7 million. A financial consideration was paid on the closing date and we are obligated to pay deferred payments twelve and twenty-four months from the transaction closing date.

Information Technology. Information technology expense increased by 10% to \$1.2 million in 2009 compared with \$1.1 million in 2008 primarily due to increases of \$48,000 in IT environment support costs, \$43,000 in software maintenance and licenses and \$43,000 in data fees.

Professional Services. Professional services expense decreased by 12% to \$1.5 million in 2009 compared with \$1.7 million in 2008. The decrease was primarily due to a \$354,000 decrease in advisory fees paid to external subadvisors due to growth common trust funds sponsored by Westwood Trust being temporarily invested in passive index funds. Increases of \$73,000 in legal expense and \$56,000 in other professional fees partially offset the decrease.

General and Administrative. General and administrative expenses decreased by 3% to \$2.6 million in 2009 compared with \$2.7 million in 2008. The decrease was primarily due to declines of \$82,000 in miscellaneous expenses, \$43,000 in occupancy expense and \$40,000 in custody expense partially offset by an increase of \$121,000 in insurance expense for higher professional liability coverage due to the requirements of certain large new clients.

Provision for Income Taxes. Provision for income taxes decreased by 26% to \$4.4 million in 2009 compared with \$6.0 million in 2008 primarily due to lower income before taxes. The effective tax rate was 35.9% in 2009 compared to 36.2% in 2008.

Supplemental Financial Information

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

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

For the year ended December 31, 2010, our economic earnings increased by 33% to \$20.8 million compared with \$15.6 million for the year ended December 31, 2009, primarily due to a 30% increase in total revenues.

The following table provides a reconciliation of net income to economic earnings and total expenses to economic expenses for the years presented:

(in thousands)	2010	2009	2008	% Change	
				2010 vs. 2009	2009 vs. 2008
Net Income	\$11,280	\$ 7,895	\$10,543	43%	(25)%
Add: Restricted stock expense	9,269	7,666	6,735	21	14
Add: Intangible amortization	155	13	—	1,092	—
Add: Tax benefit from goodwill amortization	59	5	—	1,080	—
Economic earnings	<u>\$20,763</u>	<u>\$15,579</u>	<u>\$17,278</u>	<u>33</u>	<u>(10)</u>
Total expenses	\$37,592	\$30,235	\$29,921	24	1
Less: Restricted stock expense	(9,269)	(7,666)	(6,735)	21	14
Less: Intangible amortization	(155)	(13)	—	1,092	—
Economic expenses	<u>\$28,168</u>	<u>\$22,556</u>	<u>\$23,186</u>	<u>25%</u>	<u>(3)%</u>

Liquidity and Capital Resources

Historically we have funded our operations and cash requirements with cash generated from operating activities. As of December 31, 2010, 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 2010, cash flow provided by operating activities, principally our investment advisory business, was \$18.3 million compared to cash provided by operations of \$10.6 million during 2009 and cash used in operations of \$6.3 million during 2008. The increase of \$8.4 million was primarily due to increased net income, reduced net purchases of U.S. Treasury Bills and an increase in accounts and compensation payables, partially offset by higher accounts receivable. The increase of \$16.9 million from 2008 to 2009 was primarily due to reduced net purchases of U.S. Treasury Bills and lower accounts receivable. At December 31, 2010 and 2009, we had working capital of \$44.1 million and \$43.0 million, respectively.

Cash flow used in investing activities during 2010 was \$5.7 million and was primarily related to cash paid to acquire businesses. Cash flow used in investing activities during 2009 of \$1.7 million was primarily related to net sales of available-for-sale investments and cash paid to acquire a business. Cash flow used in investing activities during 2008 of \$13.1 million was primarily due to the net sales of investments, partially offset by the purchase of property and equipment.

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Cash used in financing activities of \$13.8 million, \$9.5 million and \$7.9 million during 2010, 2009 and 2008, respectively, was primarily due to the payment of cash dividends and the purchase of treasury stock, partially offset by excess tax benefits related to vested restricted shares and proceeds from the issuance of stock due to option exercises.

We had cash and investments of \$45.0 million and \$45.1 million at December 31, 2010 and December 31, 2009, respectively. As required by the Texas Finance Code, Westwood Trust maintains current assets in an amount equal to the required minimum restricted capital of \$1.0 million, which is included in Investments in the accompanying consolidated balance sheets. We had no liabilities for borrowed money at December 31, 2010 or December 31, 2009, and our accounts payable were paid in the ordinary course of business for each of the periods then ended.

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

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2010 (in thousands).

Contractual Obligations	Payments due in:				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating lease obligations	\$ 9,524	\$ 403	\$2,004	\$1,798	\$5,319
Deferred acquisition liabilities	899	899	—	—	—
Total	\$10,423	\$ 1,302	\$2,004	\$1,798	\$5,319

Accounting Developments

In June 2009, the Financial Accounting Standards Board (“FASB”) issued guidance under Accounting Standards Codification (“ASC”) No. 810, Consolidation (ASC 810). This new guidance established general standards of accounting and disclosures for interests in variable interest entities (“VIE”) and requires entities to review their involvement with VIEs and potential VIEs to determine the effect on their financial statements and related disclosures. This standard changes the manner in which an entity determines whether it is the primary beneficiary of a VIE, whether that VIE should be consolidated and requires additional disclosures. In February 2010, the FASB issued further guidance under ASC 810 indefinitely deferring a requirement to perform a qualitative analysis to determine whether an entity’s variable interests give it a controlling financial interest in a VIE. This deferral generally applies to the reporting entities interests in entities that have the attributes of an investment company or that apply the specialized accounting guidance for investment companies. We determined that we qualified for the deferral under this guidance.

Critical Accounting Policies and Estimates

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

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Goodwill

During the third quarters of 2010, 2009 and 2008, we completed our annual impairment assessment as required by ASC 350 “Goodwill and Other Intangible Assets”. No impairment losses were required. We perform our annual impairment assessment as of July 1 and would reassess if circumstances indicated a potential impairment between our annual assessment dates. We assess the fair value of our business units with goodwill using a market multiple approach. We reevaluated our assessment at the end of 2010 and determined that no events occurred in the last half of 2010 that indicated that these assets should be retested for impairment.

Intangible Assets

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

Restricted Stock

We have granted restricted stock to employees, non-employee directors and a non-employee consultant. We calculate compensation cost for restricted stock grants by using the fair market value of our common stock at the date of grant, the number of shares issued and an estimate of shares that will not vest due to forfeitures. This compensation cost is amortized on a straight-line basis over the applicable vesting period. The estimate of shares that will not vest due to forfeitures is based on our historical forfeiture rate and our expectation of potential forfeitures, which is dependent upon our judgment. If actual experience differs significantly from these estimates, stock based compensation expense and our results of operations could be materially affected. If forfeitures of restricted stock do not occur or are significantly less than our estimation, we would record as much as \$209,000 of compensation cost in addition to what we currently expect to expense over the next two years.

Accounting for Income Taxes

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

Deferred income taxes reflect the expected future tax consequences of temporary differences between the financial statement and tax bases of our assets and liabilities as measured at enacted income tax rates. Our deferred taxes relate principally to stock-based compensation expense, which is deductible for tax purposes at the time restricted stock vests and stock options are exercised.

Valuation of Deferred Acquisition Liabilities assumed in Baxter Financial Corporation Acquisition

On November 16, 2009, we acquired the business and substantially all of the related assets of Baxter Financial Corporation related to its management of the Philadelphia Fund. In connection with this acquisition, the Philadelphia Fund was reorganized into the WHG LargeCap Value Fund. Related to this acquisition, we recorded total assets of \$2.7 million and deferred liabilities of \$1.7 million. We paid consideration on the closing date and on the due date of the first deferred liability in November 2010 and are obligated to pay a deferred payment twenty-four months from the transaction closing date. With the assistance of a third party valuation expert, we made assumptions to determine the values of acquired assets and the amount of the deferred liabilities we expect to pay. The settlement amount of the remaining liability could be materially different from that recorded on the acquisition date and adjusted to fair value at December 31, 2010, based on the value of assets in the acquired customer accounts as of the deferred payment dates. Any such difference would be recorded in earnings in the periods leading up to the payments.

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Significant Accounting Policies

Our significant accounting policies are summarized below.

Revenue Recognition

Investment advisory and trust fees are recognized in the period the services are provided. These fees are determined in accordance with contracts between our subsidiaries and their clients and are generally based on a percentage of assets under management. Performance-based fees may pay us an additional fee if we outperform a specified index over a specific period of time. We record revenue for performance-based fees at the end of the measurement period when the fees have been fully earned.

Accounting for Investments

We have designated our investments, other than shares of Teton Advisors, Inc. ("Teton shares"), as "trading" securities, which are recorded at market value with the related unrealized gains and losses reflected in "Other revenues" in the consolidated statements of income. Our "trading" securities, primarily U.S. Government and Government agency obligations, money market holdings and mutual fund and common trust fund shares, are valued based upon quoted market prices and, with respect to funds, the net asset value of the shares held as reported by the fund. We have designated our investments in the Teton shares as "available for sale." The Teton shares are carried at quoted market value with a 25% discount for lack of marketability. Unrealized gains and losses on the Teton shares are recorded through other comprehensive income. Dividends and interest on all of our investments are accrued as earned.

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

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

Interest Rates and Securities Markets

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

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

Item 8. Financial Statements and Supplementary Data.

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

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

None.

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Item 9A. Controls and Procedures.

Our disclosure controls and procedures are designed to ensure that information we are required to disclose in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this annual report. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of December 31, 2010, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Please refer to Westwood Holdings Group, Inc.'s Management Assessment of Internal Control over Financial Reporting on page F-4 of this Report.

Our independent registered public accounting firm has issued an audit report on our internal control over financial reporting. This report can be found on page F-3.

For the fiscal year ended December 31, 2010, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Company.

The information required by this item is or will be set forth in the definitive proxy statement relating to the 2010 Annual Meeting of Stockholders of Westwood Holdings Group, Inc., which is to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Proxy Statement"). The Proxy Statement relates to a meeting of stockholders involving the election of directors and the portions thereof required to be set forth in this Form 10-K by this item are incorporated herein by reference pursuant to General Instruction G(3) to Form 10-K.

Item 11. Executive Compensation.

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

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

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

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

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

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Item 14. Principal Accountant Fees and Services.

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

PART IV

Item 15. Exhibits and Financial Statement Schedules.

Financial Statement Schedules

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

Exhibits

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

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<hr/> <p>/S/ RICHARD M. FRANK Richard M. Frank</p>	Director
<hr/> <p>/S/ ROBERT D. MCTEER Robert D. McTeer</p>	Director
<hr/> <p>/S/ JON L. MOSLE, JR. Jon L. Mosle, Jr.</p>	Director
<hr/> <p>/S/ GEOFFREY R. NORMAN Geoffrey R. Norman</p>	Director
<hr/> <p>/S/ MARTIN J. WEILAND Martin J. Weiland</p>	Director
<hr/> <p>/S/ RAYMOND E. WOOLDRIDGE Raymond E. Wooldridge</p>	Director

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Westwood Holdings Group, Inc.

We have audited the accompanying consolidated balance sheets of Westwood Holdings Group, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2010 and December 31, 2009, and the related consolidated statements of income, stockholders’ equity, and cash flows each of the three years in the period ended December 31, 2010. 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 the standards of the Public Company Accounting Oversight Board (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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Westwood Holdings Group, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 25, 2011 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Grant Thornton LLP

Dallas, Texas
February 25, 2011

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Westwood Holdings Group, Inc.

We have audited Westwood Holdings Group, Inc. (a Delaware corporation) and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Westwood Holdings Group, Inc.'s Management Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. Our audit of the Company, and opinion on, the Company's internal control over financial reporting does not include internal control over financial reporting from the asset purchase agreement with McCarthy Group Advisors, LLC ("McCarthy"), whose financial statements reflect total assets and revenues constituting 18 percent and 1 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2010. As indicated in Management's Report, McCarthy was acquired on November 18, 2010 and therefore, management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of McCarthy.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2010, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended, and our report dated February 25, 2011 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP

Dallas, Texas
February 25, 2011

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

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

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

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

The management of Westwood assessed the effectiveness of Westwood's internal control over financial reporting as of December 31, 2010, excluding the office of McCarthy Group Advisors, LLC which was acquired in November 2010. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on our assessment, we believe that, as of December 31, 2010, Westwood's internal control over financial reporting is effective based on those criteria.

Westwood's independent registered public accounting firm has issued an audit report on our assessment of Westwood's internal control over financial reporting. This report appears on page F-3.

By: /S/ BRIAN O. CASEY
 Brian O. Casey, President & Chief Executive Officer

 /S/ WILLIAM R. HARDCASTLE, JR.
 William R. Hardecastle, Jr., Chief Financial Officer

February 25, 2011
Dallas, Texas

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of December 31, 2010 and 2009
(in thousands, except par values and share amounts)

	2010	2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,744	\$ 2,879
Accounts receivable	7,348	6,406
Investments, at fair value	43,300	42,246
Deferred income taxes	2,757	2,187
Other current assets	733	625
Total current assets	55,882	54,343
Goodwill	11,281	3,915
Intangible assets, net	5,119	1,050
Property and equipment, net of accumulated depreciation of \$1,542 and \$1,315	346	578
Total assets	<u>\$72,628</u>	<u>\$59,886</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,290	\$ 995
Dividends payable	—	2,359
Compensation and benefits payable	9,369	6,273
Income taxes payable	173	823
Deferred acquisition liability	899	900
Other current liabilities	13	11
Total current liabilities	11,744	11,361
Deferred acquisition liability	—	796
Deferred income taxes	117	238
Deferred rent	90	273
Total long-term liabilities	207	1,307
Total liabilities	11,951	12,668
Stockholders' Equity:		
Common stock, \$0.01 par value, authorized 25,000,000 shares, issued 7,874,873 and outstanding 7,645,678 shares at December 31, 2010; issued 7,308,812 and outstanding 7,151,472 shares at December 31, 2009	79	73
Additional paid-in capital	65,639	47,741
Treasury stock, at cost – 229,195 shares at December 31, 2010; 157,340 shares at December 31, 2009	(8,749)	(6,026)
Accumulated other comprehensive income	926	1,559
Retained earnings	2,782	3,871
Total stockholders' equity	60,677	47,218
Total liabilities and stockholders' equity	<u>\$72,628</u>	<u>\$59,886</u>

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME**
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands, except per share data)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUES:			
Advisory fees			
Asset-based	\$42,153	\$31,794	\$26,966
Performance-based	—	—	8,725
Trust fees	12,051	10,304	11,018
Other revenues, net	1,109	455	(253)
Total revenues	<u>55,313</u>	<u>42,553</u>	<u>46,456</u>
EXPENSES:			
Employee compensation and benefits	29,001	23,730	23,209
Sales and marketing	823	576	803
WHG mutual funds	662	600	384
Information technology	1,351	1,221	1,114
Professional services	2,941	1,531	1,749
General and administrative	2,814	2,577	2,662
Total expenses	<u>37,592</u>	<u>30,235</u>	<u>29,921</u>
Income before income taxes	17,721	12,318	16,535
Provision for income taxes	6,441	4,423	5,992
Net income	<u>\$11,280</u>	<u>\$ 7,895</u>	<u>\$10,543</u>
Earnings per share:			
Basic	\$ 1.62	\$ 1.10	\$ 1.53
Diluted	\$ 1.58	\$ 1.09	\$ 1.52

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands, except share and per share data)

	Westwood Holdings Group, Inc. Common Stock, Par		Additional Paid-In Capital	Treasury Stock	Accumulated		Total
	Shares	Amount			Other Comprehensive Income	Retained Earnings	
BALANCE, January 1, 2008	6,807,408	\$ 68	\$ 27,770	\$(1,070)	\$ —	\$ 2,578	\$ 29,346
Net income						10,543	10,543
Issuance of restricted stock	192,500	2	(2)				—
Amortization of stock compensation			6,735				6,735
Tax benefit related to equity compensation			2,699				2,699
Dividends declared (\$1.20 per share)						(8,356)	(8,356)
Stock options exercised	19,900	1	256				257
Purchases of treasury stock	(61,570)			(2,430)			(2,430)
BALANCE, December 31, 2008	6,958,238	\$ 71	\$ 37,458	\$(3,500)	\$ —	\$ 4,765	\$ 38,794
Net income						7,895	7,895
Other comprehensive income – unrealized gain on investment securities, net of \$800 in taxes					1,559		1,559
Comprehensive income							9,454
Issuance of restricted stock	233,150	2	(2)				—
Issuance of stock for business combination	20,435	—	752				752
Amortization of stock compensation			7,666				7,666
Tax benefit related to equity compensation			1,834				1,834
Dividends declared (\$1.23 per share)						(8,789)	(8,789)
Stock options exercised	2,500	—	33				33
Purchases of treasury stock	(62,851)			(2,526)			(2,526)
BALANCE, December 31, 2009	7,151,472	\$ 73	\$ 47,741	\$(6,026)	\$ 1,559	\$ 3,871	\$ 47,218
Net income						11,280	11,280
Other comprehensive income – unrealized loss on investment securities, net of \$(341) in taxes					(633)		(633)
Comprehensive income							10,647
Issuance of restricted stock	368,100	4	(4)				—
Issuance of stock for business combination	181,461	2	6,932				6,934
Amortization of stock compensation			9,269				9,269
Tax benefit related to equity compensation			1,488				1,488
Dividends declared (\$1.65 per share)						(12,369)	(12,369)
Stock options exercised	16,500	—	213				213
Purchases of treasury stock	(71,855)			(2,723)			(2,723)
BALANCE, December 31, 2010	7,645,678	\$ 79	\$ 65,639	\$(8,749)	\$ 926	\$ 2,782	\$ 60,677

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010, 2009 and 2008
(in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 11,280	\$ 7,895	\$ 10,543
Adjustments to reconcile net income to net cash provided by (used in) operating activities, net of business combinations:			
Depreciation	274	241	232
Amortization of intangible assets	155	13	—
Fair value adjustment of deferred acquisition liabilities	156	23	—
Unrealized losses (gains) on investments	(694)	(588)	974
Restricted stock amortization	9,269	7,666	6,735
Deferred income taxes	(350)	(73)	(978)
Excess tax benefits from stock based compensation	(1,026)	(1,518)	(2,271)
Net purchases of investments – trading securities	(714)	(9,721)	(20,256)
Changes in operating assets and liabilities:			
Accounts receivable	(572)	6,232	(6,039)
Other current assets	(18)	76	(47)
Accounts payable and accrued liabilities	(2,167)	(101)	81
Compensation and benefits payable	2,343	(779)	2,204
Income taxes payable and prepaid taxes	838	1,298	2,553
Other liabilities	(497)	(58)	(41)
Net cash provided by (used in) operating activities	<u>18,277</u>	<u>10,606</u>	<u>(6,310)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of money market funds – available for sale	(39,877)	(64,984)	(34,849)
Sales of money market funds – available for sale	39,257	63,597	48,123
Cash paid for business combination, net of cash acquired	(4,993)	(251)	—
Purchases of property and equipment	(49)	(86)	(153)
Net cash provided by (used in) investing activities	<u>(5,662)</u>	<u>(1,724)</u>	<u>13,121</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchases of treasury stock	(2,723)	(2,526)	(2,430)
Excess tax benefits from stock based compensation	1,026	1,518	2,271
Proceeds from exercise of stock options	213	33	257
Cash dividends	(12,266)	(8,526)	(7,971)
Net cash used in financing activities	<u>(13,750)</u>	<u>(9,501)</u>	<u>(7,873)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,135)	(619)	(1,062)
Cash and cash equivalents, beginning of year	<u>2,879</u>	<u>3,498</u>	<u>4,560</u>
Cash and cash equivalents, end of year	<u>\$ 1,744</u>	<u>\$ 2,879</u>	<u>\$ 3,498</u>
Supplemental cash flow information:			
Cash paid during the year for income taxes	\$ 5,937	\$ 3,199	\$ 4,418

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2010, 2009 and 2008

1. DESCRIPTION OF THE BUSINESS:

Westwood Holdings Group, Inc. (“Westwood”, “we” or “our”) was incorporated under the laws of the State of Delaware on December 12, 2001. Westwood manages investment assets and provides services for its clients through two subsidiaries, Westwood Management Corp. (“Westwood Management”) and Westwood Trust (“Westwood Trust”). Westwood Management provides investment advisory services to corporate retirement plans, public retirement plans, endowments and foundations, mutual funds, individuals and clients of Westwood Trust. Westwood Trust provides institutions and high net worth individuals with trust and custodial services and participation in 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 revenues and results of operations.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly our financial position as of December 31, 2010, and results of operations and cash flows for the periods presented. All such adjustments are normal and recurring in nature. The accompanying consolidated financial statements are presented using the accrual basis of accounting and have been prepared in accordance with the instructions for the presentation of annual financial information as prescribed by the Securities and Exchange Commission (“SEC”). Operating results for the periods in these financial statements are not necessarily indicative of the results for any future period. The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of Westwood and its subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates

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

Revenue Recognition

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

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

Variable Interest Entities

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

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

Cash and Cash Equivalents

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

Investments

Prior to the fourth quarter of 2010, money market securities were classified as available for sale securities. In the fourth quarter of 2010, we reevaluated our classification of investments and determined that money market securities more closely fit the trading classification and began to account for them as such. In that money market securities have no significantly fluctuating values, there was no impact on the balance sheet or income statement upon reclassification of these securities. Class A shares of Teton Advisors, Inc. ("Teton shares") are classified as available for sale. The Teton shares are carried at quoted market value with a 25% discount for lack of marketability. Unrealized gains and losses on the Teton shares are recorded through other comprehensive income. All other marketable securities are classified as trading securities and are carried at quoted market value on the accompanying consolidated balance sheet. Net unrealized holding gains or losses on investments classified as trading securities are reflected as a component of other revenues. We measure realized gains and losses on investments using the specific identification method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets (from 3 to 7 years), and depreciation on leasehold improvements is provided over the lease term using the straight-line method. We capitalize leasehold improvements, furniture and fixtures, computer hardware and most office equipment purchases. The following table reflects information about our property and equipment as of December 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Leasehold improvements cost	\$ 411	\$ 504
Leasehold improvements – accumulated depreciation	(329)	(278)
Furniture and fixtures cost	792	783
Furniture and fixtures – accumulated depreciation	(693)	(570)
Computer hardware and office equipment cost	696	597
Computer hardware and office equipment – accumulated depreciation	(531)	(458)
Net property and equipment	<u>\$ 346</u>	<u>\$ 578</u>

Goodwill and Other Intangible Assets

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

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

During the third quarters of 2010, 2009 and 2008, we completed annual goodwill impairment assessments. No impairment losses were required. We perform our annual impairment assessment as of July 1 and would reassess if circumstances indicated a potential impairment between our annual assessment dates. We assess the fair value of our business units in connection with goodwill using a market multiple approach. We reevaluated our assessment at the end of 2010 and determined that no events occurred in the last half of 2010 that indicated that these assets should be retested for impairment.

Our intangible assets represent the acquisition date fair value of the customer accounts, mutual fund assets, trade names and non-compete agreements acquired and are reflected net of amortization. In valuing these assets, we made significant estimates regarding the useful life, growth rates and potential attrition of the assets acquired. We periodically review our intangible assets for events or circumstances that would indicate impairment. If the carrying value of these assets exceeded the fair value, we would record an impairment to remove the excess. For a further discussion of our goodwill and intangible assets, please see “Note 6. ACQUISITIONS, GOODWILL AND INTANGIBLE ASSETS” of these financial statements.

Federal Income Taxes

We file a Federal income tax return as a consolidated group for Westwood and its subsidiaries. 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. Deferred income tax expense is generally the result of changes in deferred tax assets and liabilities. Deferred taxes relate primarily to stock-based compensation expense.

We do not have uncertain tax positions for any of the years presented. If an uncertain tax position should arise, we would report a liability for an unrecognized tax benefit from an uncertain tax position taken or expected to be taken on a tax return. We include penalties and interest on income based taxes in the “Provision for income taxes” line on our income statement.

Accounting Developments

In the second quarter of 2010, we adopted a new accounting standard related to the computation of earnings per share, which requires shares of unvested share-based payment awards that contain non-forfeitable rights to dividends to be treated as participating securities. This standard requires using the two-class method to compute earnings per share, which allocates a portion of net income to those shares as if they were a separate class of stock, which decreases earnings available to shares of common stock. We determined that shares of our previously issued unvested restricted stock contain non-forfeitable dividend rights and should be treated as participating securities. The retrospective impact of adopting this standard reduced basic earnings per share from \$1.25 to \$1.10 in 2009 and from \$1.73 to \$1.53 in 2008 and diluted earnings per share from \$1.18 to \$1.09 in 2009 and from \$1.63 to \$1.52 in 2008.

In June 2009, the Financial Accounting Standards Board (“FASB”) issued guidance under Accounting Standards Codification (“ASC”) No. 810, Consolidation (“ASC 810”). This new guidance established general standards of accounting for and disclosures for interests in variable interest entities (“VIE”) and requires entities to review its involvements with VIEs and potential VIEs to determine the effect on its financial statements and related disclosures. This standard changes the manner in which an entity determines whether it is the primary beneficiary of a VIE, whether that VIE should be consolidated and requires additional disclosures. In February 2010, the FASB issued further guidance under ASC 810 indefinitely deferring a requirement to perform a qualitative analysis to determine whether an entity’s variable interests give it a controlling financial interest in a VIE. This deferral generally applies to the reporting entities interests in entities that have the attributes of an investment company or that apply the specialized accounting guidance for investment companies. We determined that we qualified for the deferral under this guidance.

Stock Based Compensation

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

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

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

3. ACCOUNTS RECEIVABLE:

Our trade accounts receivable balances do not include any allowance for doubtful accounts nor has any bad debt expense attributable to trade receivables been recorded for the years ended December 31, 2010, 2009 and 2008. The majority of our accounts receivable balances consists of advisory and trust fees receivable from customers that we believe and have experienced to be fully collectable.

Some of our directors, executive officers and their affiliates invest their personal funds directly in accounts we manage. There were no amounts due from these accounts as of December 31, 2010 and 2009. For the years 2010, 2009 and 2008, we recorded trust fees from these accounts of \$442,000, \$382,000 and \$407,000, respectively.

4. INVESTMENTS:

Investment balances are presented in the table below (in thousands). All of these investments are carried at fair value. Our investments in money market securities at December 31, 2009 and Teton shares for all periods presented are accounted for as available for sale securities. All other investments are accounted for as trading securities.

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2010:				
U.S. Government and Government agency obligations	\$32,774	\$ 11	\$ —	\$32,785
Funds:				
Money Market	3,795	—	—	3,795
Equity – available for sale	—	1,425	—	1,425
Equity – trading	4,767	533	(5)	5,295
Marketable securities	<u>\$41,336</u>	<u>\$ 1,969</u>	<u>\$ (5)</u>	<u>\$43,300</u>
December 31, 2009:				
U.S. Government and Government agency obligations	\$33,949	\$ 3	\$ —	\$33,952
Funds:				
Money Market	3,230	—	—	3,230
Equity – available for sale	—	2,399	—	2,399
Equity – trading	2,823	35	(193)	2,665
Marketable securities	<u>\$40,002</u>	<u>\$ 2,437</u>	<u>\$ (193)</u>	<u>\$42,246</u>

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

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Realized gains	\$104	\$ 10	\$ 12
Realized losses	(3)	(505)	(51)
Net realized gains/(losses)	<u>101</u>	<u>(495)</u>	<u>(39)</u>
Income tax expense/(benefit) from gains/(losses)	37	(173)	(14)
Interest income—trading	104	171	161
Interest income—available-for-sale	—	1	255
Dividend income	189	187	295
Unrealized gains/(losses)	694	588	(974)

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

We determined the estimated fair values of our financial instruments using available information. The fair value amounts discussed in Notes 4 and 5 are not necessarily indicative of either the amounts realizable upon disposition of these instruments or our intent or ability to dispose of these assets. The estimated fair value of cash and cash equivalents, as well as accounts receivable and payable, approximates their carrying value due to their short-term maturities. The carrying amount of investments designated as “trading” securities, primarily U.S. Government and Government agency obligations, money market funds, WHG Funds mutual funds and Westwood Trust common trust fund shares, equals their fair value, which is equal to prices quoted in active markets and, with respect to funds, the net asset value of the shares held as reported by the fund. The market values of our money market holdings generally do not fluctuate. The fair value of the Teton shares, which is designated as an “available for sale” security, is equal to the closing market price as of December 31, 2010 of \$9.50 per share less a 25% discount for lack of marketability.

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As of December 31, 2010				
Investments in securities:				
Trading	\$41,875	\$ —	\$ —	\$41,875
Available-for-sale	<u>—</u>	<u>—</u>	<u>1,425</u>	<u>1,425</u>
Total Financial instruments	<u>\$41,875</u>	<u>\$ —</u>	<u>\$1,425</u>	<u>\$43,300</u>
As of December 31, 2009				
Investments in securities:				
Trading	\$36,617	\$ —	\$ —	\$36,617
Available-for-sale	<u>3,230</u>	<u>—</u>	<u>2,399</u>	<u>5,629</u>
Total Financial instruments	<u>\$39,847</u>	<u>\$ —</u>	<u>\$2,399</u>	<u>\$42,246</u>

We used level 3 inputs to determine the fair value of 200,000 Class A shares of Teton Advisors, Inc. that we own. This fair value amount is not necessarily indicative of either the amount we would realize upon disposition of these shares or our intent or ability to dispose of them. There were no transfers of level 3 assets to or from other asset classes and there were no gains, losses, purchases or sales of the Teton shares. The following table presents information regarding this investment.

<u>Investments in available-for-sale securities (in thousands)</u>	<u>For the years ended</u>	
	<u>2010</u>	<u>2009</u>
Beginning balance	\$2,399	\$ —
Unrealized gains/(losses) included in Other Comprehensive Income	(974)	2,399
Ending balance	<u>\$1,425</u>	<u>\$2,399</u>

6. ACQUISITIONS, GOODWILL AND INTANGIBLE ASSETS

On November 18, 2010, we acquired the business and all related assets of McCarthy Group Advisors, L.L.C. (“McCarthy”), a Nebraska limited liability company and registered investment advisor based in Omaha, Nebraska. Subsequent to closing, the McCarthy business was added to our Westwood Management segment. We expect a significant portion of client assets will transition to Westwood Trust products over time. This acquisition was made in order to increase assets in our private wealth and Westwood Trust operating units, increase revenue from the WHG Funds through the reorganization of the McCarthy Multi-Cap Stock Fund into the WHG Dividend Growth Fund, which was completed in February 2011, and expand the Westwood Trust platform by adding an office of seasoned professionals in a new market. At closing, we paid consideration totaling \$12.0 million, comprised of 181,461 shares of Westwood Holdings Group, Inc. common stock and \$5.0 million in cash. Related to this acquisition, we recorded goodwill of \$7.4 million, intangible assets of \$4.2 million and net working capital and property and equipment of \$0.4 million, which is detailed by assets and liabilities in a table below. The intangible assets purchased were primarily McCarthy’s customer accounts but also included allocations to trade-name and non-compete agreements, which together comprised approximately 7% of the allocated purchase price. Pro forma results of operations have not been presented because the results of operations for the years ended December 31, 2010, 2009 and 2008, including McCarthy’s operations, would not have been materially different from those reported in our Consolidated Statement of Income.

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

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

	Amount (\$ thousands)
Goodwill:	
Other goodwill	\$ 6,875
Assembled workforce	491
Total goodwill	<u>\$ 7,366</u>
Intangible assets:	
Customer accounts	\$ 3,965
Trade name	234
Non-compete agreements	24
Total Intangible assets	<u>\$ 4,223</u>
Tangible assets	
Cash	\$ 1,008
Receivables	370
Property and equipment	88
Prepaid expenses	76
Bonuses payable	(753)
Unearned Income	(296)
Other liabilities	(101)
Net tangible assets	<u>\$ 392</u>

On November 16, 2009, we acquired the business and substantially all the related assets of Baxter Financial Corporation related to its management of the Philadelphia Fund. In connection with this acquisition, the Philadelphia Fund was reorganized into the WHG LargeCap Value Fund. This acquisition was made in order to increase WHG Funds revenue, increase economies of scale in the WHG LargeCap Value Fund and increase fund assets to a level that is more attractive to potential institutional clients. At closing, we paid consideration totaling \$1.0 million, comprised of 20,435 shares of Westwood Holdings Group, Inc. common stock and \$251,000 in cash, which was the result of a multiple applied to the total mutual fund assets being obtained. We are obligated to pay deferred payments twelve and twenty-four months from the transaction closing date. These deferred payments, which are subject to a total purchase price cap, are payable in shares of Westwood Holdings Group, Inc. common stock and/or cash at our discretion and are subject to adjustment based on the value of assets in the acquired customer accounts as of the deferred payment dates. On November 16, 2010, we paid cash for the first deferred payment in the amount of \$953,000. Related to this acquisition, we recorded total assets of \$2.7 million, comprised solely of goodwill and intangible assets, and deferred liabilities of \$1.7 million. Pro forma results of operations have not been presented because the results of operations for the years ended December 31, 2009 and 2008 would not have been materially different from those reported in our Consolidated Statement of Income. The intangible assets we purchased were primarily the rights to manage customer accounts of the Philadelphia Fund, but also include allocations to trade-name and a non-solicitation agreement, which together comprise approximately 1% of the allocated purchase price.

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

	2010	2009
Beginning balance	\$ 3,915	\$2,302
Acquired goodwill	<u>7,366</u>	<u>1,613</u>
Ending balance	<u>\$11,281</u>	<u>\$3,915</u>

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

Intangible Assets

The following is a summary of our intangible assets at December 31, 2010 and 2009 (in thousands, except years):

	Weighted Average Amortization Period (years)	Gross Carrying Amount	Accumu- lated Amortiza- tion	Net Carrying Amount
2010				
Client relationships	14.2	\$ 5,005	\$ (139)	\$ 4,866
Trade names	2.0	256	(27)	229
Non-compete agreements	2.3	26	(2)	24
Total		<u>\$ 5,287</u>	<u>\$ (168)</u>	<u>\$ 5,119</u>
2009				
Client relationships	11.0	\$ 1,040	\$ (12)	\$ 1,028
Trade names	2.0	21	(1)	20
Non-compete agreements	5.0	3	(1)	2
Total		<u>\$ 1,063</u>	<u>\$ (13)</u>	<u>1,050</u>

Amortization expense, which is included in "General and administrative" expense on our Consolidated Statement of Income, was \$155,000, \$13,000 and \$0 for the years ended December 31, 2010, 2009 and 2008, respectively. Estimated amortization expense for the intangible assets for the next five years is as follows (in thousands):

<u>For the Year ending December 31,</u>	<u>Estimated Amortization Expense</u>
2011	\$ 498
2012	472
2013	359
2014	359
2015	359

7. INCOME TAXES:

Income tax expense for the years ended December 31, 2010, 2009 and 2008 differs from the amount that would otherwise have been calculated by applying the Federal corporate tax rates to income before income taxes. The difference between the Federal corporate tax rate and the effective tax rate is comprised of the following (in thousands):

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Federal statutory rate	35.0%	35.0%	35.0%
Effective tax rate	36.3%	35.9%	36.2%
Income tax expense at the statutory rate	\$6,202	\$4,311	\$5,788
State margin, franchise and income taxes	295	230	238
Other, net	(56)	(118)	(34)
Total income tax expense	<u>\$6,441</u>	<u>\$4,423</u>	<u>\$5,992</u>

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

We include penalties and interest on income based taxes in the “Provision for income taxes” line on our income statement. We recorded penalties and interest of \$13,212, \$4,103 and \$25,748 in 2010, 2009 and 2008, respectively.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
State – current	\$ 450	\$ 345	\$ 373
State – deferred	3	4	(7)
Federal – current	6,341	4,151	6,597
Federal – deferred	(353)	(77)	(971)
Total income tax expense	<u>\$6,441</u>	<u>\$4,423</u>	<u>\$5,992</u>

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities as of December 31, 2010 and 2009 are presented below (in thousands):

	<u>2010</u>	<u>2009</u>
Deferred tax assets:		
Restricted stock amortization	\$3,191	\$2,489
Stock option expense	74	105
Incentive compensation	119	175
Unrealized losses on investments	—	55
Contingent liability	17	
Deferred rent	13	42
Other	4	4
Total deferred tax assets	<u>3,418</u>	<u>2,870</u>
Deferred tax liabilities:		
Depreciation at rates different for tax than for financial reporting	(43)	(79)
Intangibles	(45)	(3)
Unrealized gains on investments	(690)	(839)
Total deferred tax liabilities	<u>(778)</u>	<u>(921)</u>
Net deferred tax assets	<u>\$2,640</u>	<u>\$1,949</u>

Net deferred tax assets and liabilities are reflected on our balance sheet as of December 31, 2010 and 2009 as follows (in thousands):

	<u>2010</u>	<u>2009</u>
Net current deferred tax asset	<u>\$2,757</u>	<u>\$2,187</u>
Non-current deferred tax assets	661	683
Non-current deferred tax liabilities,	<u>(778)</u>	<u>(921)</u>
Net non-current deferred tax (liabilities)/assets reflected on the balance sheet	<u>(117)</u>	<u>(238)</u>
Total net deferred tax assets	<u>\$2,640</u>	<u>\$1,949</u>

As a result of our 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 we will realize the benefit of our deferred tax assets. 2007 through 2009 are open tax years for federal income taxes. 2006 through 2009 are open tax years for Texas franchise taxes. In 2010, the Internal Revenue Service (“IRS”) initiated an examination of our 2008 federal income tax return. The IRS ceased working on the examination prior to its scheduled completion date. We do not know when the examination, which we consider to be ongoing, will conclude.

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

8. REGULATORY CAPITAL REQUIREMENTS:

Westwood Trust is subject to the capital requirements of the Texas Department of Banking and has a minimum capital requirement of \$1.0 million. At December 31, 2010, Westwood Trust had total stockholders' equity of approximately \$12.4 million, which is \$11.4 million in excess of its minimum capital requirement.

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

9. EMPLOYEE BENEFITS:

We have issued stock options and restricted shares to our employees, non-employee directors and a non-employee consultant and offer 401(k) matching and profit sharing contributions to our employees. The Plan reserves shares of Westwood common stock for issuance to eligible employees, directors and consultants of Westwood or its subsidiaries in the form of restricted stock and stock options. The total number of shares that may be issued under the Plan (including predecessor plans to the Plan) may not exceed 2,648,100 shares. In the event of a change in control of Westwood, the Plan contains provisions providing for the acceleration of the vesting of restricted stock and stock options. At December 31, 2010, approximately 331,000 shares remain available for issuance under the Plan.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total stock based compensation expense	\$9,269	\$7,666	\$6,735
Total income tax benefit recognized related to stock-based compensation	3,497	3,699	4,184

Restricted Stock

Under the Plan, we have granted restricted stock to employees and non-employee directors, which are subject to a service condition, and to our Chief Executive Officer and Chief Investment Officer, which are subject to a service condition and performance goals. Until the shares vest, they are restricted from sale, transfer or assignment in accordance with the terms of the agreements under which they were issued. We calculate compensation cost for restricted stock grants by using the fair market value of our common stock at the date of grant, the number of shares issued and an estimate of shares that will not vest due to forfeitures. This compensation cost is amortized on a straight-line basis over the applicable vesting period. As of December 31, 2010, there was approximately \$17.7 million of unrecognized compensation cost, which we expect to recognize over a weighted-average period of 2.0 years. In order to satisfy tax liabilities that employees will owe on their shares that vest, we may withhold a sufficient number of vested shares from employees on the date vesting occurs. We estimate that approximately 80,000 shares could potentially be withheld in 2011 for this purpose. Our two types of restricted stock grants are discussed below.

Employee and non-employee director restricted share grants

For the years ended December 31, 2010, 2009 and 2008, we granted restricted stock to employees and non-employee directors. The employees' shares vest over four years and the directors' vest over one year. The following table details the status and changes in our restricted stock grants that are subject only to a service condition for the year ended December 31, 2010:

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

<u>Restricted shares subject only to a service condition:</u>	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested, January 1, 2010	549,150	\$ 31.62
Granted	216,500	39.06
Vested	(191,150)	30.62
Forfeited	(23,400)	33.17
Non-vested, December 31, 2010	<u>551,100</u>	<u>34.83</u>

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

<u>Restricted shares subject only to a service condition:</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Weighted-average grant date fair value	\$39.06	\$31.15	\$36.51
Fair value of shares vested (in thousands)	\$7,026	\$8,020	\$8,675

CEO and CIO performance-based restricted share grants

Under the Plan, we granted restricted shares to our Chief Executive Officer and Chief Investment Officer that vest over five and six years, respectively, provided annual performance goals established by the Compensation Committee of Westwood’s board of directors are met. For the year ended December 31, 2010, the officers became vested in the applicable percentage of their restricted shares since Westwood’s adjusted pre-tax income for 2010 was at least \$14,774,000, representing a compound annual growth rate of 10% over the adjusted pre-tax income for the year 2005. Each year during the applicable vesting period, the Compensation Committee will establish a specific goal for that year’s vesting of the restricted shares, which is based upon Westwood’s adjusted pre-tax income, as defined. If the performance goal is not met in any year during the vesting period, the Compensation Committee may establish a goal for a subsequent vesting period, which, if achieved or exceeded, may result in full or partial vesting of the shares that did not otherwise become vested in a prior year. In no event will the maximum number of shares which may become vested over the vesting period exceed 175,000 shares in the case of our Chief Executive Officer or 300,000 shares in the case of our Chief Investment Officer. If a portion of the performance-based restricted shares do not vest, no compensation expense is recognized for that portion and any previously recognized compensation expense related to shares that do not vest would be reversed.

<u>Restricted shares subject to service and performance conditions:</u>	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested, January 1, 2010	100,000	\$ 18.81
Granted	175,000	39.90
Vested	(85,000)	27.49
Forfeited	—	—
Non-vested, December 31, 2010	<u>190,000</u>	<u>\$ 34.35</u>

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

<u>Restricted shares subject to a service and performance condition:</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Weighted-average grant date fair value	\$39.90	\$ —	\$ —
Fair value of shares vested (in thousands)	\$3,397	\$2,942	\$2,797

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

Because the performance goal was met in 2010, the shares are vested in substance but require certification by our Compensation Committee, at which time a share price will be determined for tax purposes. As a result, we estimate that the total fair value of the shares that vested in 2010 was approximately \$3,397,000, which uses a share price of \$39.96, the closing price of our stock as of the last business day of 2010.

Stock Options

Options granted under the Plan have a maximum ten-year term and vest over a period of four years. Options exercised represent newly issued shares. Westwood's outstanding stock options, which are all exercisable, have exercise prices of \$12.90 and \$13.03 and a weighted-average remaining contractual life of 1.5 years. A summary of the status of Westwood's outstanding stock options as of December 31, 2010, 2009 and 2008 is presented below.

	December 31, 2010		December 31, 2009		December 31, 2008	
	Underlying Shares	Weighted Average Exercise Price	Underlying Shares	Weighted Average Exercise Price	Underlying Shares	Weighted Average Exercise Price
Outstanding, beginning of period	54,900	\$ 12.90	57,400	\$ 12.93	77,300	\$ 12.92
Granted	—	—	—	—	—	—
Exercised	(16,500)	12.90	(2,500)	12.93	(19,900)	12.90
Forfeited	—	—	—	—	—	—
Outstanding, end of period	<u>38,400</u>	12.90	<u>54,900</u>	12.90	<u>57,400</u>	12.93
Exercisable, end of period	38,400	12.90	54,900	12.90	57,400	12.93
Intrinsic value – outstanding and exercisable	\$1,039,000		\$1,286,000		\$888,000	

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

	For the years ended		
	2010	2009	2008
Total intrinsic value of options exercised	\$425	\$63	\$605
Cash received from the exercise of stock options	213	33	257

Westwood Holdings Group, Inc. Savings Plan

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

The following table displays our profit sharing and 401(k) contributions for the periods presented (in thousands):

	For the years ended		
	2010	2009	2008
Profit sharing contributions	\$477	\$372	\$575
401(k) matching contributions	679	546	524

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

10. EARNINGS PER SHARE:

Basic earnings per common share (“EPS”) is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding. Diluted EPS is computed based on the weighted average number of shares outstanding plus the effect of the dilutive shares of restricted stock and stock options granted to employees and non-employee directors and contingently issuable shares.

Under FASB ASC No. 620, Earnings Per Share (“ASC 620”), shares of unvested restricted stock that contain non-forfeitable rights to dividends are treated as participating securities, which requires allocating a portion of net income to those shares as if they were a separate class of stock, which reduces net income available to common stockholders. Prior to the third quarter 2010, shares of unvested restricted stock contained non-forfeitable rights to dividends and accordingly were participating securities. EPS presented for the years ended December 31, 2009 and 2008 are different than those reported previously due to the use of the two-class method. The retrospective impact of adopting the guidance in ASC 620 reduced basic earnings per share from \$1.25 to \$1.10 in 2009 and from \$1.73 to \$1.53 in 2008 and diluted earnings per share from \$1.18 to \$1.09 in 2009 and from \$1.63 to \$1.52 in 2008. In the third quarter of 2010, the Plan was modified such that dividends on unvested restricted shares no longer contain non-forfeitable rights to dividends, which removes the requirements to treat such shares as a separate class of stock and to allocate a portion of net income to such shares for the third quarter and future periods. There were no anti-dilutive restricted shares or options as of December 31, 2010, 2009 or 2008.

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

	2010	2009	2008
Net income	\$ 11,280	\$ 7,895	\$ 10,543
Less: Income allocated to participating restricted shares	(576)	(938)	(1,223)
Net income available to common stockholders	<u>\$ 10,704</u>	<u>\$ 6,957</u>	<u>\$ 9,320</u>
Weighted average shares outstanding – basic	6,606,281	6,339,791	6,107,807
Dilutive potential shares from unvested restricted shares	121,110	—	—
Dilutive contingently issuable shares	46,610	—	—
Dilutive potential shares from stock options	<u>21,350</u>	<u>27,197</u>	<u>33,379</u>
Weighted average shares outstanding – diluted	<u><u>6,795,351</u></u>	<u><u>6,366,988</u></u>	<u><u>6,141,186</u></u>
Earnings per share:			
Basic	\$ 1.62	\$ 1.10	\$ 1.53
Diluted	\$ 1.58	\$ 1.09	\$ 1.52

11. VARIABLE INTEREST ENTITIES

Westwood Trust sponsors common trust funds (“CTFs”) for its clients. These funds allow clients to commingle assets to achieve economies of scale. Westwood Management provides investment advisory services to the WHG Funds, a family of mutual funds. Some clients of Westwood Management acquired in the McCarthy acquisition hold their investments in ten LLCs and two limited partnerships that were formed and sponsored by McCarthy. Westwood Management provides investment advisory services to the McCarthy Multi-Cap Stock Fund, which was reorganized into the WHG Dividend Growth Fund in February 2011. The CTFs, WHG Funds, LLCs, partnerships and McCarthy Multi-Cap Stock Fund (Westwood VIEs) are considered VIEs because our clients, who hold the equity at risk, do not have direct or indirect ability through voting or similar rights to make decisions about the funds that have a significant effect on their success. We receive management fees for managing assets in these entities commensurate with market rates.

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

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

We have not provided any financial support that we were not previously contractually obligated to provide and there are no arrangements that would require us to provide additional financial support to any of these variable interest entities. Our investments in the WHG Funds and the CTFs are accounted for as investments in accordance with our other investments described in “Note. 4 INVESTMENTS”. We recognized fee revenue from the Westwood VIEs of approximately \$16.7 million, \$12.1 million and \$11.5 million for the twelve months ended December 31, 2010, 2009 and 2008, respectively. The following table displays the assets under management, amount of corporate money invested and risk of loss in each vehicle (in millions).

	As of December 31, 2010		
	Assets Under Management	Corporate Investment	Risk of Loss
WHG Funds	\$ 902	\$ 2.7	\$ 2.7
Common Trust Funds	1,631	2.6	2.6
LLCs	443	—	—
Partnerships	27	—	—
McCarthy Multi-Cap Stock Fund	68	—	—

12. COMMITMENTS AND CONTINGENCIES:

We lease our offices under a non-cancelable operating lease agreement. Rental expense for facilities and equipment leases for years ended December 31, 2010, 2009 and 2008 aggregated approximately \$682,000, \$687,000 and \$729,000 respectively, and is included in general and administrative and information technology expenses in the accompanying consolidated statements of income.

At December 31, 2010, the future contractual rental payments for non-cancelable operating leases for each of the following five years and thereafter follow (in thousands):

Year ending:	
2011	\$ 404
2012	1,003
2013	1,001
2014	939
2015	859
Thereafter	<u>5,318</u>
Total payments due	<u>\$9,524</u>

13. SEGMENT REPORTING:

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

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

Westwood Management

Westwood Management provides investment advisory services to corporate retirement plans, public retirement plans, endowments, foundations, individuals and the WHG Funds, as well as investment subadvisory services to mutual funds and clients of Westwood Trust.

Westwood Trust

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

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

	<u>Westwood Management</u>	<u>Westwood Trust</u>	<u>Westwood Holdings</u>	<u>Eliminations</u>	<u>Consolidated</u>
2010					
Net revenues from external sources	\$ 43,253	\$12,060	\$ —	\$ —	\$ 55,313
Net intersegment revenues	4,183	17	—	(4,200)	—
Net interest and dividend revenue	291	4	—	—	295
Depreciation and amortization	307	122	—	—	429
Income (loss) before income taxes	25,287	1,703	(9,269)	—	17,721
Income tax expense (benefit)	8,931	665	(3,155)	—	6,441
Segment assets	61,014	13,117	(1,503)	—	72,628
Segment goodwill	5,245	6,036	—	—	11,281
Expenditures for long-lived assets	60	77	—	—	137
2009					
Net revenues from external sources	\$ 32,243	\$10,310	\$ —	\$ —	\$ 42,553
Net intersegment revenues	3,476	12	—	(3,488)	—
Net interest and dividend revenue	355	7	—	—	362
Depreciation and amortization	196	58	—	—	254
Income (loss) before income taxes	17,707	2,277	(7,666)	—	12,318
Income tax expense (benefit)	6,160	840	(2,577)	—	4,423
Segment assets	50,687	4,001	5,198	—	59,886
Segment goodwill	3,403	512	—	—	3,915
Expenditures for long-lived assets	62	24	—	—	86
2008					
Net revenues from external sources	\$ 35,367	\$11,089	\$ —	\$ —	\$ 46,456
Net intersegment revenues	3,950	8	—	(3,958)	—
Net interest and dividend revenue	689	71	—	—	760
Depreciation and amortization	174	58	—	—	232
Income (loss) before income taxes	20,983	2,287	(6,735)	—	16,535
Income tax expense (benefit)	7,445	871	(2,324)	—	5,992
Segment assets	41,740	4,821	4,286	—	50,847
Segment goodwill	1,790	512	—	—	2,302
Expenditures for long-lived assets	118	35	—	—	153

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

14. CONCENTRATION:

For the years ended December 31, 2010, 2009 and 2008, our four largest clients accounted for 12.2%, 13.1% and 31.0% of our fee revenue, respectively. During the years ended December 31, 2010 and 2009, no customer accounted for 10% or more of our revenues. Our largest client for the year ended December 31, 2008 accounted for 19.5% our fee revenues.

(in thousands)	Years ended December 31,		
	2010	2009	2008
Advisory fees from Westwood Management’s largest client*:			
Asset-based fees	\$196	\$267	\$ 453
Performance-based fees	—	—	8,645
Percent of fee revenue	0.4%	0.6%	19.5%

* This client was not our largest client in 2010 or 2009.

15. SUBSEQUENT EVENTS:

On February 3, 2011, we declared a quarterly cash dividend of \$0.35 per share on common stock payable on April 1, 2011 to stockholders of record on March 15, 2011.

On February 23, 2011, we issued 211,220 shares of restricted stock to employees at a price of \$36.95 per share. The shares are subject to vesting conditions described in “Note. 9 EMPLOYEE BENEFITS” of these financial statements.

16. QUARTERLY FINANCIAL DATA (Unaudited):

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 2010 and 2009 (in thousands, except per share amounts):

	Quarter			
	First	Second	Third	Fourth
2010				
Revenues	\$13,216	\$13,194	\$13,473	\$15,430
Income before income taxes	4,553	3,940	4,111	5,117
Net income	2,933	2,493	2,599	3,255
Basic earnings per common share	0.40	0.34	0.39	0.48
Diluted earnings per common share	0.40	0.34	0.38	0.46
2009				
Revenues	\$ 8,217	\$ 9,972	\$11,641	\$12,723
Income before income taxes	1,929	2,504	3,598	4,287
Net income	1,230	1,630	2,314	2,721
Basic earnings per common share*	0.15	0.23	0.32	0.38
Diluted earnings per common share*	0.15	0.23	0.32	0.38

* Please see “Note 10. EARNINGS PER SHARE” of these financial statements for a discussion of the two-class method of calculating earnings per share and the effect on our disclosures.

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
3.1	Amended and Restated Certificate of Incorporation of Westwood Holdings Group, Inc. (10)
3.2	Amended and Restated Bylaws of Westwood Holdings Group, Inc. (6)
4.1	Form of Common Stock Certificate of Westwood Holdings Group, Inc. (3)
10.1	Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan (including related forms of Stock Option Agreement and Restricted Stock Agreement) (7)+
10.2	Amendment to Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan (including related form of Restricted Stock Agreement) (11)+
10.3	Tax Separation Agreement between SWS Group, Inc. and Westwood Holdings Group, Inc. (2)
10.4	Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, L.P., dated as of April 4, 1990, and amendment thereto (4)
10.5	Ninth Modification of Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, dated as of November 25, 2003 (5)
10.6	Tenth Modification of Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, dated as of February 23, 2004 (5)
10.7	Eleventh Modification of Office Lease between Westwood Management Corp. and Crescent Real Estate Funding I, dated as of December 9, 2010 (1)
10.8	Software License Agreement between Infovisa and Westwood Trust, dated as of December 1, 2001 (4)
10.9	Software License and Support Agreement between Advent Software, Inc. and Westwood Management Corp., dated as of December 30, 1996 (4)
10.10	Form of Indemnification Agreement for Westwood Holdings Group, Inc. (5)+
10.11	Form of Indemnification Agreement for Westwood Management Corp. (5)+
10.12	Form of Indemnification Agreement for Westwood Trust (5)+
10.13	Executive Employment Agreement between Westwood Holdings Group, Inc. and Susan M. Byrne (8)+
10.14	Executive Employment Agreement between Westwood Holdings Group, Inc. and Brian O. Casey (9)+
10.15	Restricted Stock Agreement between Westwood Holdings Group, Inc. and Brian O. Casey (9)+
10.16	Schedule of Director Compensation (1)
21.1	Subsidiaries (4)
23.1	Consent of Grant Thomton (1)
24.1	Power of Attorney (included on first signature page) (1)
31.1	Certification of the Chief Executive Officer of Westwood required by Section 302 of the Sarbanes-Oxley Act of 2002 (1)
31.2	Certification of the Chief Financial Officer of Westwood required by Section 302 of the Sarbanes-Oxley Act of 2002 (1)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)#
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (1)#

(1) Filed herewith.

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

(3) Incorporated by reference from Amendment No. 2 to Registration Statement on Form 10/A filed with the Securities and Exchange Commission on April 30, 2002.

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

(5) Incorporated by reference from Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2003.

(6) Incorporated by reference from Form 8-K filed with the Securities and Exchange Commission on October 25, 2005.

(7) Incorporated by reference from Form S-8 filed with the Securities and Exchange Commission on July 1, 2009.

(8) Incorporated by reference from Form 8-K filed with the Securities and Exchange Commission on July 28, 2006.

(9) Incorporated by reference from Form 8-K filed with the Securities and Exchange Commission on April 23, 2010.

(10) Incorporated by reference from Form 8-K filed with the Securities and Exchange Commission on May 7, 2008.

(11) Incorporated by reference from Form 10-Q filed with the Securities and Exchange Commission on October 21, 2010.

+ Indicates management contract or compensation plan, contract or arrangement.

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

ELEVENTH MODIFICATION OF OFFICE LEASE

THIS ELEVENTH MODIFICATION OF OFFICE LEASE (this "***Eleventh Modification***") is entered into as of the _____ day of _____, 2010, by and between CRESCENT TC INVESTORS, L.P., a Delaware limited partnership ("***Landlord***"), and WESTWOOD MANAGEMENT CORP., a New York corporation ("***Tenant***").

RECITALS:

A. The Crescent, a Texas joint venture, predecessor-in-interest to Landlord, and Tenant executed that certain Office Lease, dated April 9, 1990 (the "***Original Lease***"), covering certain space therein designated as Suite 1110, containing approximately 1,621 rentable square feet (the "***Original Premises***"), situated on the eleventh floor of 300 Crescent Court which is part of an office building commonly known as The Crescent®, located at 100, 200 and 300 Crescent Court, Dallas, Texas (the "***Office Building***").

B. The Original Lease has been amended by (i) that certain First Modification of Office Lease dated September 11, 1991 (the "***First Modification***"), pursuant to which the Original Premises were expanded to include an additional 1,783 rentable square feet to consist of a total of 3,404 rentable square feet; (ii) that certain Second Modification of Office Lease dated September 27, 1991 (the "***Second Modification***"), pursuant to which an error in the amount of the monthly installments of Basic Rental was corrected; (iii) that certain Third Modification of Office Lease dated October 5, 1994 (the "***Third Modification***"), pursuant to which Tenant relocated to Suite 1320, containing approximately 5,322 rentable square feet located in 300 Crescent Court, Dallas, Texas (hereinafter referred to as the "***New Premises***"); (iv) that certain Letter Agreement dated June 15, 1995 (the "***Letter Agreement***"), pursuant to which the term of the Original Lease was extended for an additional five (5) years, through and including March 31, 2000; (v) that certain Fourth Modification of Office Lease dated April 26, 1996 (the "***Fourth Modification***"), pursuant to which the New Premises were expanded to include an additional 2,691 rentable square feet located at 200 Crescent Court, Dallas, Texas (the "***First Expansion Space***") and an additional 1,770 rentable square feet located in 300 Crescent Court, Dallas, Texas (the "***Second Expansion Space***"), and the term of the Original Lease was extended through June 30, 2001; (vi) that certain Fifth Modification of Office Lease dated May 30, 1996 (the "***Fifth Modification***"), pursuant to which the New Premises were expanded to include an additional 167 rentable square feet located at 200 Crescent Court, Dallas, Texas (the "***Third Expansion Space***"); (vii) that certain Sixth Modification of Office Lease dated September 18, 1997 (the "***Sixth Modification***"), pursuant to which the New Premises were expanded to include an additional 1,038 rentable square feet located at 200 Crescent Court, Dallas, Texas (the "***Fourth Expansion Space***"); (viii) that certain Seventh Modification of Office Lease dated June 24, 1998 (the "***Seventh Modification***"), pursuant to which the New Premises were reduced by approximately 3,896 rentable square feet of space located at 200 Crescent Court, Dallas, Texas (the "***Released Space***") and expanded to include an additional 5,818 rentable square feet located on the thirteenth floor of 200 and 300 Crescent Court, Dallas, Texas (the "***Fifth Expansion Space***"); (ix) that certain Eighth Modification of Office Lease dated September 21, 1998 (the "***Eighth Modification***"), pursuant to which an additional 665 rentable square feet located on the thirteenth floor of 200 Crescent Court, Dallas, Texas (the "***Sixth Expansion Space***"); (x) that certain Ninth Modification of Office Lease dated November 25, 2003 (the "***Ninth Modification***"), pursuant to which the Lease Term was extended and the New Premises, together with the First Expansion Space, the Second Expansion Space, the Third Expansion Space, the Fourth Expansion Space, the Fifth Expansion Space and the Sixth Expansion Space, and as reduced by the Released Space, were substituted with approximately 22,002 rentable square feet located on the 12th floor of 200 Crescent Court (the "***Current Premises***"); and (xi) that certain Tenth Modification of Office Lease dated February 24, 2004 (the "***Tenth Modification***"), pursuant to which the Current Premises were redefined to contain 21,587 rentable square feet of space.

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

D. Landlord and Tenant desire to further amend and modify the Lease in certain respects as provided herein.

AGREEMENT:

In consideration of the sum of Ten Dollars (\$10.00), the mutual covenants and agreements contained herein and in the Lease, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby further amend and modify the Lease as follows:

1. **Lease Term.** The Lease currently provides that the Lease Term expires on May 31, 2011. **Paragraph 3** of the Lease is hereby modified and amended to provide that the Lease Term is hereby extended for a period of 126 months, commencing on June 1, 2011 and continuing through and including November 30, 2021, unless sooner terminated pursuant to the Lease, as modified by this Eleventh Modification.

2. **Premises.** Effective as of the Seventh Expansion Space Commencement Date (hereinafter defined), the Lease is hereby modified and amended to include Suite 1300, containing approximately 3,968 rentable square feet, located on the 13th floor of 200 Crescent Court as shown on **Exhibit A** attached hereto (the "**Seventh Expansion Space**"). As used herein, the term "**Seventh Expansion Space Commencement Date**" shall be the earliest of (1) the first business day after the date on which the Landlord Work (defined in the Work Letter attached as **Exhibit B**) with respect to the Seventh Expansion Space is Substantially Complete, as determined pursuant to the Work Letter and Landlord has given Tenant written notice thereof at least five (5) business days prior to the date on which the Landlord Work is Substantially Complete, or (2) the date on which the Landlord Work with respect to the Seventh Expansion Space would have been Substantially Complete but for Tenant Delay, as such term is defined in the Work Letter and Landlord has given Tenant written notice thereof at least five (5) business days prior to the date on which the Landlord Work would have been Substantially Complete but for Tenant Delay, or (3) the date Tenant takes possession of any part of the Seventh Expansion Space for purposes of conducting business therein. Tenant shall have the right to access the Seventh Expansion Space for a period of up to 30 days prior to the Seventh Expansion Space Commencement Date, for the sole purpose of installing cabling, furniture, equipment or other personal property (and Landlord hereby agrees that it shall cause the Landlord Work to be sufficiently complete as of the 30th day prior to the Seventh Expansion Space Commencement Date so as to permit Tenant to make such installations), subject to the terms and provisions of the Lease, as modified hereby, except that Tenant shall not be required to pay Basic Rental, Additional Rental or any other rent for the Seventh Expansion Space during such early access. From and after the Seventh Expansion Space Commencement Date, the term "**Premises**" wherever used in the Lease or in this Eleventh Modification shall mean the Current Premises, together with the Seventh Expansion Space, collectively containing 25,555 rentable square feet. Tenant hereby acknowledges and agrees that the Seventh Expansion Space is leased by Tenant subject to all terms and conditions of the Lease, as modified by this Eleventh Modification.

3. Basic Rental.

(a) Current Premises. Effective as of June 1, 2011, the Basic Rental due and payable for the Current Premises shall be in the following amounts:

<u>Lease Months</u>	<u>Annual Basic Rental Rate Per Rentable Square Foot</u>	<u>Monthly Basic Rental Installment</u>
6/1/11 - 11/30/11	\$ 0	\$ 0
12/1/11 - 11/30/15	\$ 33.50	\$ 60,263.71
12/1/15 - 11/30/17	\$ 34.50	\$ 62,062.63
12/1/17 - 11/30/21	\$ 35.50	\$ 63,861.54

In addition, as of November 1, 2010, Landlord will apply a credit against the Basic Rental next due and owing for the Current Premises in an amount equal to \$92,680.45.

(b) Seventh Expansion Space. Effective as of the Seventh Expansion Space Commencement Date, the Basic Rental due and payable for the Seventh Expansion Space shall be in the following amounts:

<u>Lease Months</u>	<u>Annual Basic Rental Rate Per Rentable Square Foot</u>	<u>Monthly Basic Rental Installment</u>
SESCD - Month 54 after SESCO	\$ 33.50	\$ 11,077.33
Month 55 after SESCO - Month 78 after SESCO	\$ 34.50	\$ 11,408.00
Month 79 after SESCO - 11/30/21	\$ 35.50	\$ 11,738.67

SESCD = Seventh Expansion Space Commencement Date
Month = One full calendar month

Notwithstanding anything to the contrary contained in the foregoing, Landlord agrees to abate the Basic Rental payable for the Seventh Expansion Space for a period of 6 months commencing on the Seventh Expansion Space Commencement Date. Rent for any partial month shall be prorated on a daily basis. All Rent shall be payable in accordance with the terms and provisions of the Lease, as modified by this Eleventh Modification.

4. Operating Expense Stop.

(a) Effective as of September 1, 2010, Paragraph 1(h) of the Lease is modified and amended to provide that the term "***Operating Expense Stop***" shall mean the following:

"The amount of the Actual Operating Expenses for the Project for the calendar year 2011 (grossed up to full occupancy)."

(b) For the purposes of determining the component of Actual Operating Expenses for the calendar year 2011 that consists of real estate taxes, such real estate taxes for 2011 shall be grossed up to be the amount that would be payable if the Office Building were fully assessed with all tenants paying full rent for their premises (as opposed to free rent or abated rent).

5. Controllable Operating Expense Cap. Effective as of June 1, 2011, Paragraph 6(a) of the Lease is modified and amended to provide that the Controllable Expenses (hereinafter defined) shall not increase by more than 6% over Controllable Expenses in the previous calendar year, on a non-cumulative, compounded basis. The term "***Controllable Expenses***" means all Actual Operating Expenses excluding expenses relating to the cost of utilities, insurance, and real estate taxes.

6. Condition of Premises. Landlord agrees to cause leasehold improvements to be constructed in the Premises pursuant to the Work Letter attached hereto as **Exhibit B**, which shall be executed by Landlord, Tenant, and Landlord's construction manager, Crescent Property Services, Inc.

The Crescent®/Westwood Management Corp.
5932671 v.6

7. Termination Option. Tenant shall have the option to terminate this Lease with respect to all or part of the Premises effective on November 30, 2016 (the "**Termination Date**"), provided (a) Tenant gives written notice thereof to Landlord no later than November 30, 2015, and (b) no uncured event of default exists under the Lease at the time of the giving of such notice nor on the Termination Date (following the expiration of any applicable notice and cure period provided in the Lease). However, if Tenant elects to terminate the Lease, as modified hereby, with respect to only a portion of the Premises located on the 12th floor of 200 Crescent Court or any other floor which Tenant leases in its entirety, Tenant shall be responsible for the costs of converting such floor to a multi-tenant floor, including constructing a multi-tenant corridor, in compliance with applicable Laws. Additionally, Tenant's right to terminate hereunder is conditioned upon the continued payment by Tenant of all Basic Rental, Additional Rental, parking charges, charges for electrical service and any other charges due by Tenant under the Lease (collectively referred to herein as "**Rent**") through and including the Termination Date in accordance with the terms of the Lease, and payment in full by Tenant, such payment to be delivered to Landlord on or before the Termination Date, of a cash sum equal to \$1,064,739.83, which amount constitutes (i) the unamortized cost (using an amortization rate of 8%) of all tenant improvement allowances and leasing commissions incurred by Landlord in connection with the Lease, as modified by this Eleventh Modification, and (ii) three (3) times the Basic Rental payable for the month of November, 2016 (collectively, the "**Termination Payment**"). If Tenant exercises its option to terminate this Lease with respect to only a portion of the Premises, the Termination Payment shall be reduced proportionately by multiplying \$1,064,739.83 by a fraction, the numerator of which is the number of rentable square feet of space with respect to which the Lease is being terminated, and the denominator of which is 25,555 rentable square feet. After Landlord's receipt of the Termination Payment and all Rent through and including the Termination Date, and so long as Tenant has surrendered the Premises (or the portion thereof with respect to which the Lease is terminated, in the case of a partial termination) in the condition required under the Lease as modified by this Eleventh Modification, neither party shall have any rights, liabilities or obligations under the Lease with respect to the Premises (or the portion thereof with respect to which the Lease is terminated, in the case of a partial termination) for the period accruing after the Termination Date, except those which, by the provisions of the Lease, expressly survive the termination of the Lease.

8. Option to Extend. Rider No. 1 attached to the Ninth Modification is hereby deleted in its entirety and replaced with Rider No. 1 attached hereto.

9. Right of First Refusal. Rider No. 2 attached to the Ninth Modification is hereby deleted in its entirety and replaced with Rider No. 2 attached hereto.

10. Expansion Option. Tenant shall have an option to expand the Premises in accordance with Rider No. 3 attached hereto.

11. Parking. Effective as of June 1, 2011, the Parking Agreement attached to the Ninth Modification as Rider No. 3 is hereby modified and amended to provide that Tenant shall have the right to lease a total of up to 77 unreserved parking spaces in the Parking Facilities (4 of which may be converted to reserved parking spaces). The rates payable by Tenant for such parking spaces shall be fixed for the period commencing on June 1, 2011 and continuing through May 31, 2013 at \$70.00 for each unreserved parking space, plus any taxes thereon, and \$150.00 for each reserved parking space, plus any taxes thereon. Commencing on June 1, 2013, the rates payable for such parking spaces shall be fixed through November 30, 2021 at \$90.00 for each unreserved parking space, plus any taxes thereon, and \$180.00 for each reserved parking space, plus any taxes thereon. During any Renewal Period or extension of the Lease Term, Tenant shall pay Landlord's quoted monthly contract rates (as set from time to time) for each unreserved and reserved parking permit, plus any taxes thereon.

12. Non-Disturbance Agreement. Within 30 days after the full execution of this Eleventh Modification, Landlord shall obtain a non-disturbance agreement for the benefit of Tenant from the current mortgagee of the Project substantially in the form attached hereto as Exhibit C.

13. After Hours Heat and Air Conditioning. Effective as of June 1, 2011, Paragraph 10 of the Ninth Modification is hereby deleted in its entirety. Instead, effective as of June 1, 2011, Paragraph 7(a) of the Lease is modified and amended to delete the second parenthetical in subparagraph (ii) and replace it with the following language: "Tenant, upon such notice as is reasonably required by Landlord, and subject to the capacity of the Building systems, may request heat and air conditioning service ("**HVAC Service**") during hours other than the hours listed in the preceding sentence (hereinafter called "**Normal Business Hours**"). Tenant shall pay Landlord for such additional service at a rate equal to \$40.00 per operating hour per floor (the "**Hourly HVAC Charge**"), with a one hour minimum. Landlord shall have the right, upon 30 days prior written notice to Tenant, to adjust the Hourly HVAC Charge from time to time, but not more than once per calendar year, based proportionately upon increases in HVAC Service costs, which costs include utilities, taxes, surcharges, labor, equipment, maintenance and repair. Notwithstanding the foregoing, Landlord agrees to waive the Hourly HVAC Charge for up to 248 hours of additional HVAC Service requested by Tenant after Normal Business Hours in each lease year during the Lease Term. Such waiver shall not be cumulative (in other words, if Tenant does not use 248 hours of additional HVAC Service in any given lease year, Landlord's agreement to waive the Hourly HVAC Charge will not be increased in the following lease year by the number of such unused hours). In addition, the costs for any HVAC Service at times other than Normal Business Hours shall be reduced to the extent that any other tenant on the same floor has requested such service, with such overall cost to be prorated among all tenants on the floor requesting such HVAC Service."

14. Electricity. The following parameters constitute building standard electrical design capacity ("**Building Standard Electricity**"): (i) the total demand electrical load of all electrical equipment, including lighting, serving the Premises shall not exceed an average of 4 watts multiplied by the number of rentable square feet in the Premises delivered through the electrical riser to the electrical room on the floor where the Premises are located; (ii) the demand electrical load for lighting shall comply with the National Electric Code, as revised from time to time, and all other applicable Laws; (iii) emergency power shall be limited to egress lighting only and at Landlord's option shall be provided by Tenant's battery backup fixtures or Landlord's emergency power system; and (iv) no electrical equipment shall exceed the safe and lawful capacity of the existing electrical circuit(s) and facilities serving the Premises. Any requirements, services or equipment in excess or contravention of the foregoing parameters (or any combination thereof) shall constitute above building standard electrical services subject to Landlord's approval and Tenant's compliance with the other applicable provisions of the Lease, as modified by this Eleventh Modification. However, the cost of purchasing and installing any above building standard electrical equipment approved by Landlord (including submeters) shall be paid at Tenant's expense, but may be paid out of the Construction Allowance to the extent sufficient funds are available. Landlord has installed a new primary power feed to the Project from the Lemon Avenue Substation, and a sub-cycle transfer switch in both electric vaults with emergency backup feed from the Fairmount 5 substation (the "**Electrical System Upgrades**"). The cost of the Electrical System Upgrades shall not constitute an Actual Operating Expense nor shall the costs be paid out of the Construction Allowance pursuant to the Work Letter.

15. Broker. Tenant represents and warrants that no broker or agent has represented Tenant in connection with this Eleventh Modification, other than Jones Lang LaSalle Brokerage, Inc. ("**Broker**") whose commission shall be paid by Landlord in accordance with a separate agreement between Landlord and Broker. Except as provided in the immediately preceding sentence, each party shall indemnify and defend the other party against any Claims for real estate commissions or fees in connection with this Eleventh Modification made by any other party claiming through the indemnifying party. The foregoing indemnification obligation of each indemnifying party shall include indemnification of any affiliates or subsidiaries of the foregoing, and all of their respective officers, directors, employees, shareholders, members, partners, agents and contractors (and, in the case of Landlord as the indemnified party, shall include Landlord's mortgagees and the manager of the Office Building).

16. ERISA Representation. Tenant represents that (i) neither Tenant nor any entity controlling or controlled by Tenant owns a five percent (5%) or more interest (within the meaning of Prohibited Transaction Class Exemption 84-14) in JPMorgan Chase Bank, N.A. ("**JPMorgan**") or any of JPMorgan's affiliates, and (ii) neither JPMorgan, nor any of its affiliates, owns a five percent (5%) or more interest in Tenant or any entity controlling or controlled by Tenant.

17. Prohibited Persons and Transactions. Tenant represents to Landlord: (i) that neither Tenant nor any person or entity that directly owns a 10% or greater equity interest in it, nor any of its officers, directors or managing members, is a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("**OFAC**") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) or under Executive Order 13224 (the "**Executive Order**") signed on September 24, 2001, and entitled "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism", or other Applicable Laws (each such person, a "**Prohibited Person**"), (ii) that Tenant's activities do not violate the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, or the regulations or orders promulgated thereunder, as they may be amended from time to time, or other anti-money laundering laws (the "**Anti-Money Laundering Laws**"), and (iii) that throughout the term of the Lease, as modified by this Eleventh Modification, Tenant shall comply with the Executive Order and with the Anti-Money Laundering Laws.

18. Attorneys' Fees. If either party institutes a suit against the other for violation of or to enforce any covenant or condition of the Lease, as amended by this Eleventh Modification, or if either party intervenes in any suit in which the other is a party to enforce or protect its interest or rights, the prevailing party shall be entitled to all of its costs and expenses, including reasonable attorneys' fees. The term "**prevailing party**" is defined to mean the party who obtains a determination of wrongful conduct by the other party regardless of whether actual damages are awarded.

19. Time of the Essence. Time is of the essence with respect to Tenant's execution and delivery of this Eleventh Modification to Landlord. If Tenant fails to execute and deliver a signed copy of this Eleventh Modification to Landlord by 5:00 p.m. (Dallas, Texas time), on December 14, 2010, 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.

20. Miscellaneous. This Eleventh Modification shall become effective only upon full execution and delivery of this Eleventh Modification by Landlord and Tenant. This Eleventh Modification contains the parties' entire agreement regarding the subject matter covered by this Eleventh Modification, and supersedes all prior correspondence, negotiations, and agreements, if any, whether oral or written, between the parties concerning such subject matter. There are no contemporaneous oral agreements, and there are no representations or warranties between the parties not contained in this Eleventh Modification. Except as modified by this Eleventh Modification, the terms and provisions of the Lease shall remain in full force and effect, and the Lease, as modified by this Eleventh Modification, shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns. In case of a conflict between the Lease and this Eleventh Modification, the terms of this Eleventh Modification shall control.

21. Ratification. Landlord and Tenant hereby ratify and confirm their respective obligations under the Lease and each party represents and warrants to the other that to its current actual knowledge, it has no defenses thereto. Additionally, Tenant further confirms and ratifies that, as of the date hereof, (a) the Lease is and remains in good standing and full force and effect, and (b) to its current actual knowledge, Tenant has no claims, counterclaims, set-offs or defenses against Landlord arising out of the Lease or in any way relating thereto. Landlord confirms that, to its current actual knowledge, Tenant is not in default under the Lease.

[Remainder of page intentionally left blank]

EXECUTED as of the day and year first above written.

LANDLORD:

CRESCENT TC INVESTORS, L.P.,
a Delaware limited partnership

By: Crescent TCI GP, LLC.,
a Delaware limited liability company,
its general partner

By: _____
Name: _____
Title: _____

TENANT:

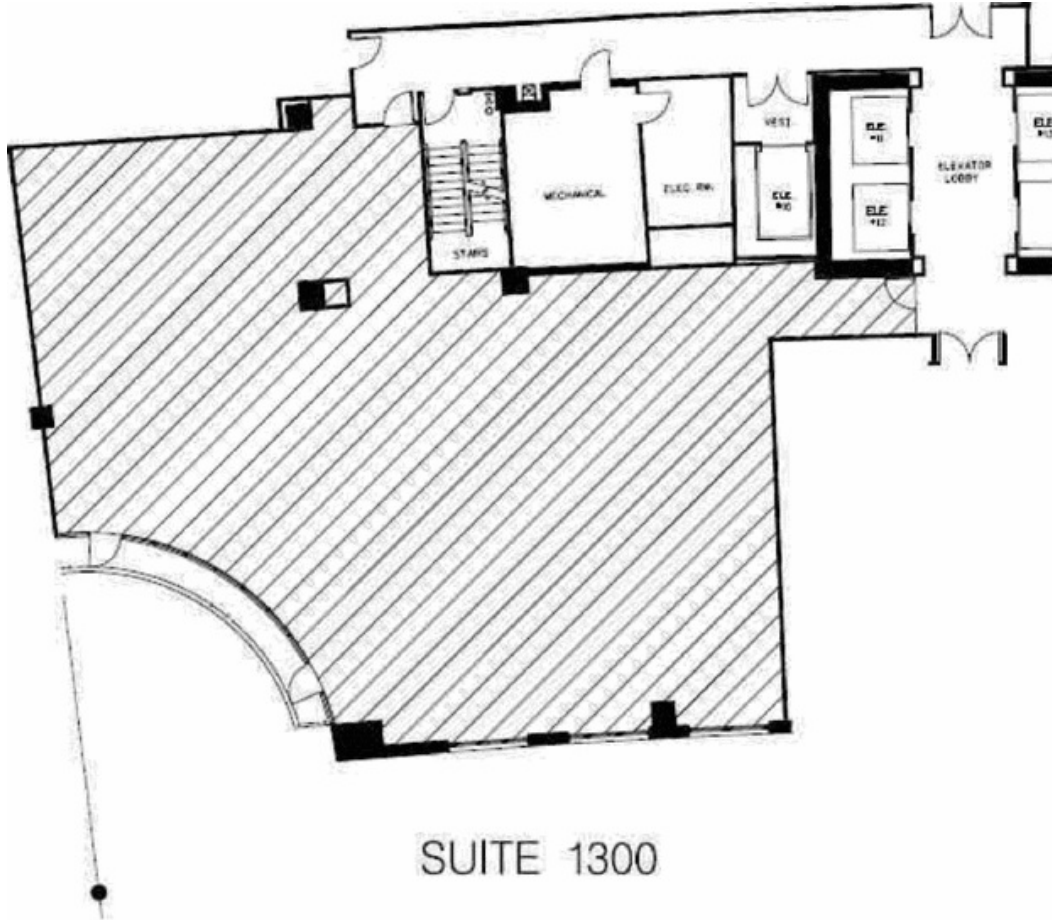
WESTWOOD MANAGEMENT CORP.,
a New York corporation

By: _____
Name: _____
Title: _____

The Crescent®/Westwood Management Corp.
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EXHIBIT A-1

OUTLINE AND LOCATION OF SEVENTH EXPANSION SPACE



SUITE 1300

200 CRESCENT COURT
3,968 RSF

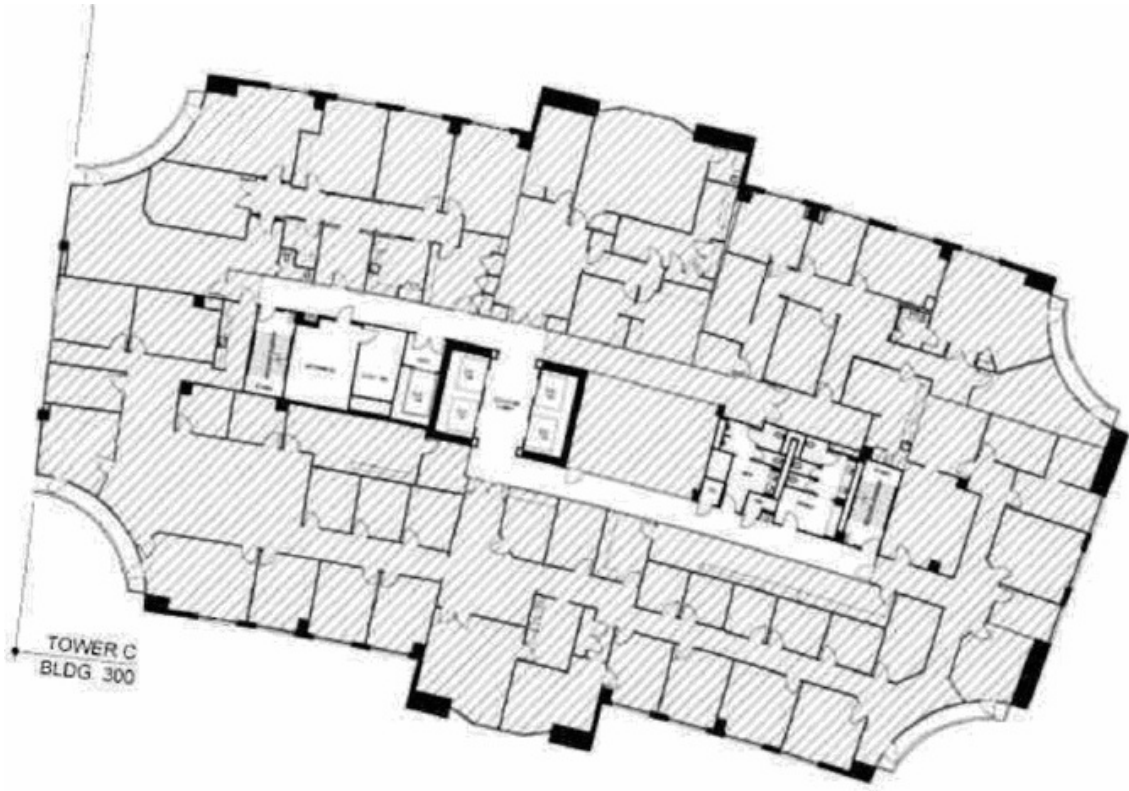
EXHIBIT A-2

OUTLINE AND LOCATION OF RIGHT OF FIRST REFUSAL SPACE



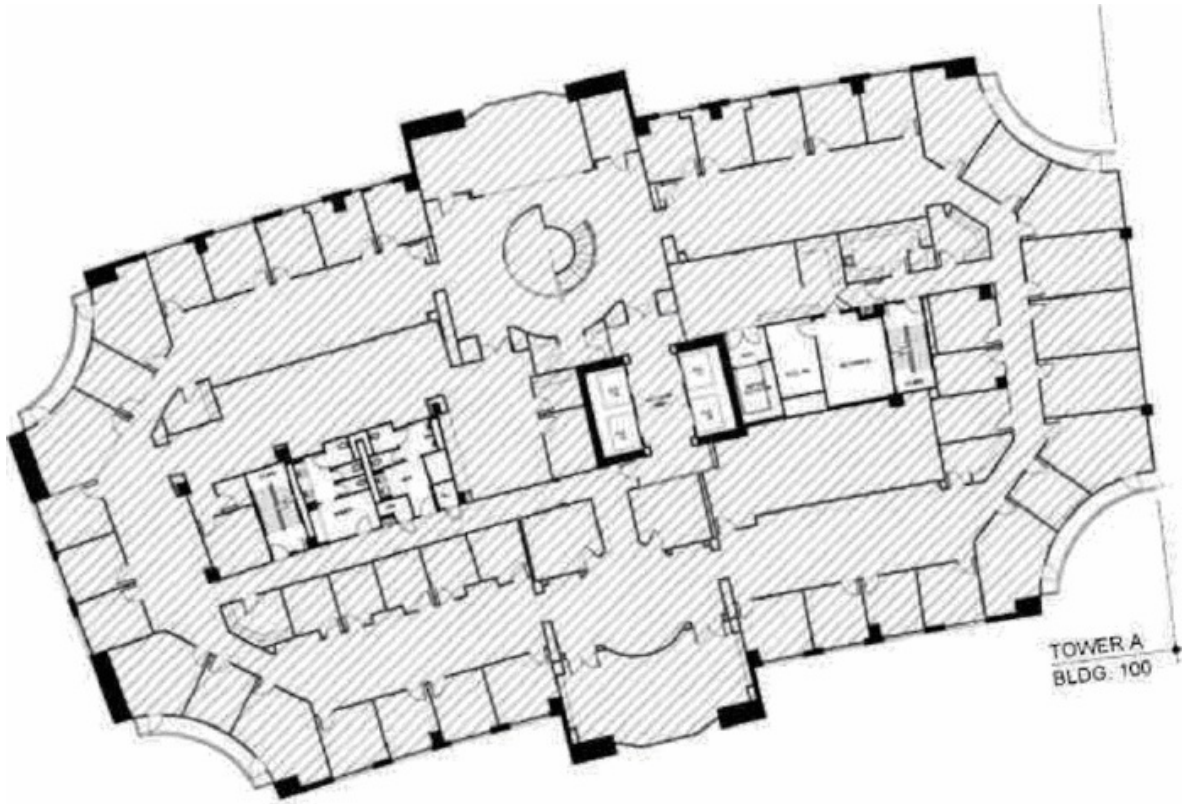
SUITE 1310, SUITE 1320,
SUITE 1330, SUITE 1340
& SUITE 1350

200 CRESCENT COURT
17,412 RSF



SUITE 1200

300 CRESCENT COURT
21,552 RSF



SUITE 1200

100 CRESCENT COURT
22,001 RSF

EXHIBIT A-3

OUTLINE AND LOCATION OF EXPANSION SPACE

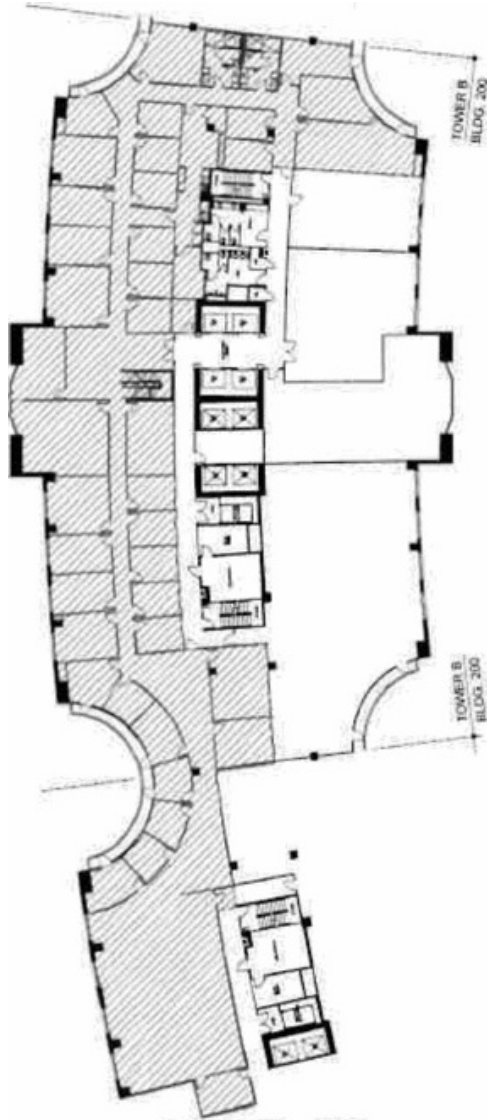


SUITE 1310

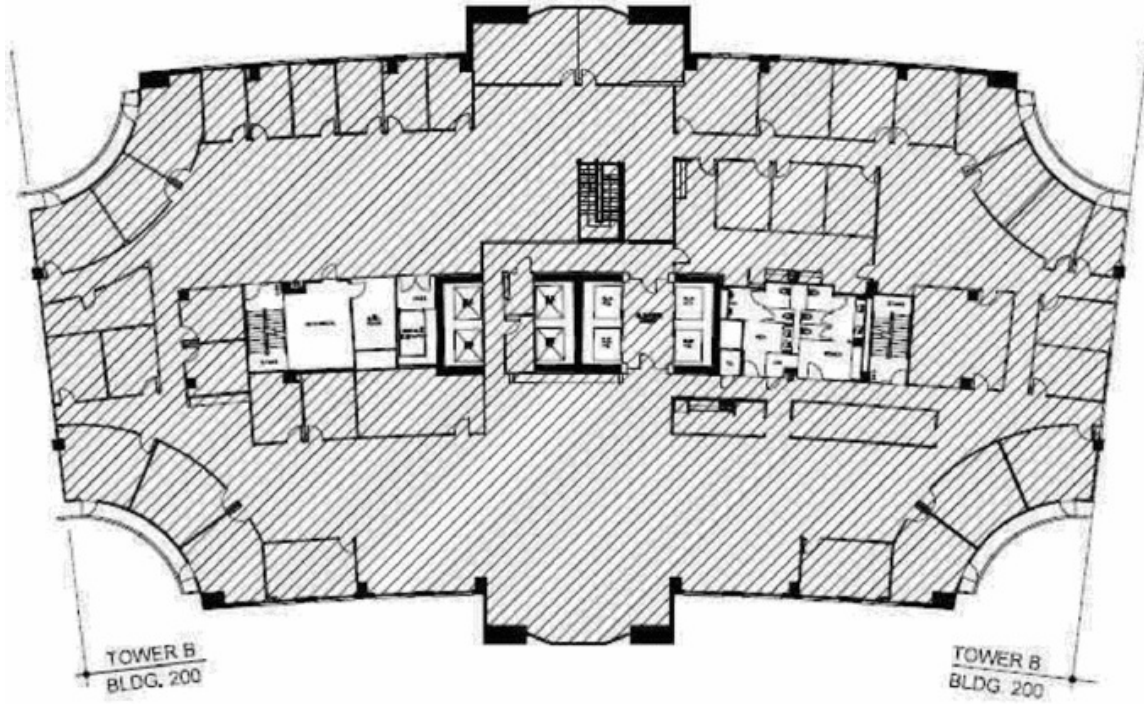
200 CRESCENT COURT
2,683 RSF

EXHIBIT A-4

OUTLINE AND LOCATION OF SWING SPACE

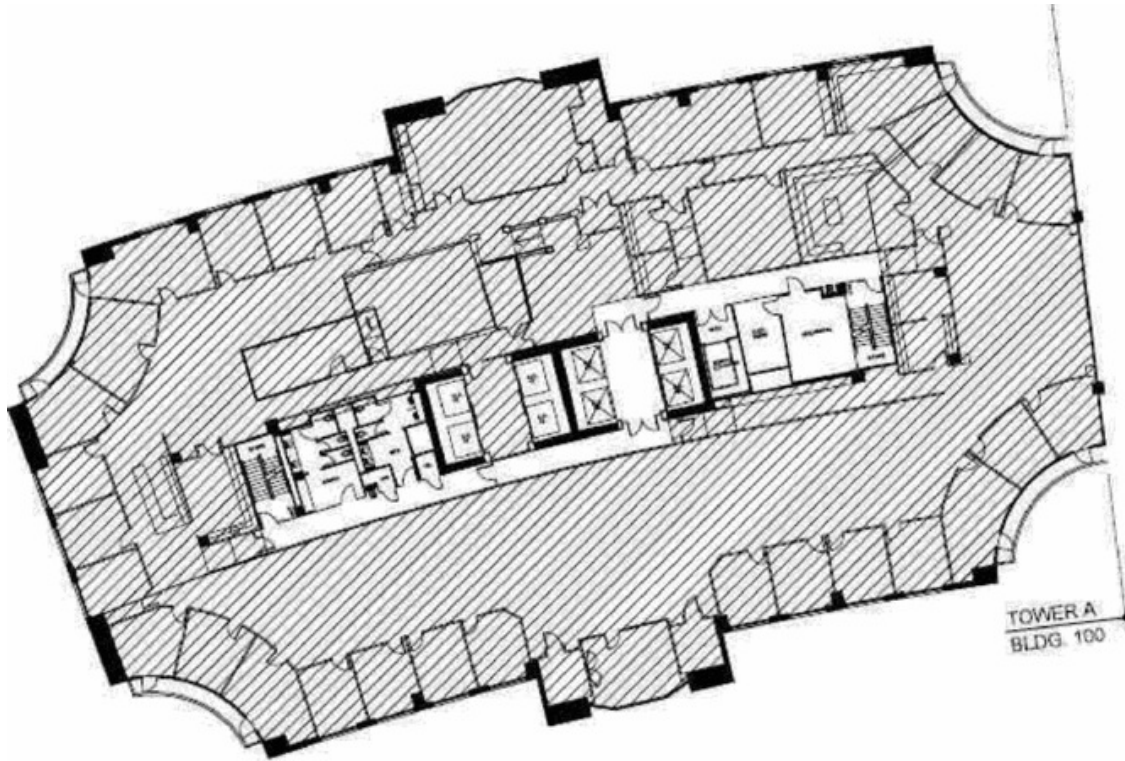


SUITE 600
200 CRESCENT COURT
16,925 RSF



SUITE 700

200 CRESCENT COURT
21,697 RSF



SUITE 900

100 CRESCENT COURT
21,611 RSF

EXHIBIT B

WORK LETTER

This Work Letter is attached as an Exhibit to an Eleventh Modification of Office Lease (the "***Eleventh Modification***") between CRESCENT TC INVESTORS, L.P., as Landlord, and WESTWOOD MANAGEMENT CORP., as Tenant. Unless otherwise specified, all capitalized terms used in this Work Letter shall have the same meanings as in the Lease (as defined in the Eleventh Modification), as modified by the Eleventh Modification. In the event of any conflict between the Lease, as modified by the Eleventh Modification, and this Work Letter, the latter shall control. Pursuant to the terms of the Property Management Agreement executed by Landlord and Crescent Property Services, Inc. ("***CPS***"), CPS has agreed to perform certain obligations as Landlord's agent and on Landlord's behalf, including the obligations set forth below. The term "***Premises***" as used in this Work Letter, shall mean the Current Premises together with the Seventh Expansion Space notwithstanding that the Seventh Expansion Space Commencement Date has not occurred.

1. Approved Construction Documents.

(A) **Construction Documents.** No later than February 1, 2011, Tenant shall submit to CPS complete, finished and detailed architectural, mechanical, electrical and plumbing drawings and specifications to include Tenant's partition and furniture layout, reflected ceiling, telephone and electrical outlets and equipment rooms, doors (including hardware and keying schedule), glass partitions, windows (if any), critical dimensions, structural loading requirements, millwork, finish schedules, air conditioning and heating systems, ductwork and electrical facilities, together with all supporting information and delivery schedules (the "***Construction Documents***"). It is acknowledged that the Landlord Work shall include the construction of a stairwell connecting the portions of the Premises situated on the 12th and 13th floors, and the Construction Documents shall include plans for such stairwell. The Construction Documents shall be prepared by HKS Inc. or other architects and/or engineers approved by Landlord in writing in advance, which approval shall not be unreasonably withheld, conditioned or delayed. The Construction Documents shall comply with Laws and shall be presented in a format reasonably acceptable to CPS for filing with the appropriate governmental authorities for required permits and licenses.

(B) **CPS's Approval.** Within ten (10) Business Days following receipt of Tenant's Construction Documents, CPS (or its designated architectural and/or engineering firm) shall approve or disapprove such documents in writing. CPS's approval shall not be unreasonably withheld. In the event CPS fails to respond with its approval or disapproval within such ten (10) Business Day period, Tenant may deliver to CPS a second written request for approval, which request shall state in bold, conspicuous and all capital letters "**CPS'S RESPONSE IS REQUIRED WITHIN 5 BUSINESS DAYS OR PLANS WILL BE DEEMED APPROVED**". In the event CPS fails to respond to such notice within five (5) Business Days after CPS's receipt of such second request, the applicable plans and specifications shall be deemed approved. If CPS disapproves, CPS shall provide Tenant in writing specific reasons for such disapproval. Tenant shall submit corrected Construction Documents within ten (10) days of receipt of CPS's disapproval notice. CPS shall approve or disapprove the corrected Construction Documents within five (5) additional days from receipt thereof. Upon CPS's approval or deemed approval, the Construction Documents shall become the "***Approved Construction Documents***".

2. **Competitive Bids.** CPS and Tenant shall mutually select and approve a maximum of five (5) but not less than three (3) general contractors who will provide competitive lump sum bids for the Landlord's Work according to the Approved Construction Documents. Only subcontractors from Landlord's approved subcontractor list shall be allowed to work on the mechanical, electrical and plumbing components of the Building; provided however, Landlord's approved subcontractor list shall include not less than three (3) subcontractors in each of the mechanical, electrical, and plumbing trades. Only Landlord's designated subcontractor for fire alarm components shall be allowed to work on the same. Tenant shall have the right, but not the obligation, to be involved in the bid process with all rights of CPS including selection of the bidders, bid receipt and review, and all bid and award processes including, but not limited to, contractor interviews, preparation of bid invitation, receipt and qualification of bids, and selection of the low qualified bidder. CPS shall enter into a contract with the mutually selected low qualified bidder on Landlord's standard form of contract.

3. **Landlord's Contributions.**

(A) **Construction Allowance.** Landlord will provide a construction allowance equal to the product of (i) \$34.50, multiplied by (ii) the number of rentable square feet in the Current Premises plus the number of rentable square feet in the Seventh Expansion Space, which is \$881,647.50 (the "**Construction Allowance**"), toward the cost of constructing the Landlord Work. Payments shall be made directly to Landlord's contractor performing the Landlord Work. The cost of (a) all space planning, design, consulting or review services and construction drawings related to the Landlord Work, (b) extension of electrical wiring from Landlord's designated location(s) to the Premises, (c) purchasing and installing all building equipment for the Premises (including any submeters and other above building standard electrical equipment approved by CPS), (d) required metering, re-circuiting or re-wiring for metering, equipment rental, engineering design services, consulting services, studies, and construction services, (e) materials and labor incurred in connection with the performance of the Landlord Work, and (f) an asbestos survey of the Premises if required by applicable Law, shall all be included in the cost of the Landlord Work and may be paid out of the Construction Allowance, to the extent sufficient funds are available for such purpose. In addition, Tenant's costs for (i) moving, staging, and temporary requirements associated with Tenant's improvements, (ii) communications and data cabling (in the Premises and in the Swing Space), (iii) security, (iv) consulting and management services, (v) Tenant's legal fees in negotiating this Eleventh Modification, and (vi) purchasing and installing workstations, furniture, fixtures and other equipment for the Premises, may be paid out of the Construction Allowance to the extent sufficient funds are available, by reimbursement to Tenant for such actual third party costs within 30 days after receipt of an invoice therefore; provided, however, if Tenant so requests, Landlord shall pay such amounts directly to Tenant's vendors within 30 days after Tenant has provided Landlord an invoice addressed to Landlord from such vendor together with evidence of Tenant's approval thereof and other necessary documentation to reasonably establish the amount owed to such vendor. Costs to Tenant or applied to the Construction Allowance shall exclude, (a) bonding, (b) work or change orders not approved in advance by Tenant and (c) overtime or accelerated work schedules that are not approved in advance by Tenant. Tenant acknowledges that an asbestos survey will probably be required by applicable Law and that the time required for such asbestos surveys should be incorporated in Tenant's construction planning. In addition, and provided that there are sufficient funds available in the Construction Allowance after completion of the Landlord Work as provided herein, Tenant may utilize the remaining portion of the Construction Allowance toward a credit against Basic Rental (the "**Rent Credit**"). The Rent Credit will be credited to the next rent becoming due under the Lease. Subject to the foregoing regarding the Rent Credit (which right to utilize the Rent Credit shall extend beyond the end of the twelfth (12th) month following the Effective Date of this Eleventh Modification), the Construction Allowance made available to Tenant under this Work Letter must be utilized for its intended purpose within twelve (12) months of the Effective Date of the Eleventh Modification or be forfeited with no further obligation on the part of Landlord.

(B) Landlord's Other Contributions. Notwithstanding anything to the contrary contained in this Eleventh Modification, Landlord shall, at its sole expense and without deduction from the Construction Allowance, provide the following in connection with the Landlord's Work:

(i) The fit plan with up to two (2) revisions.

(ii) Electrical service available from the electrical closet on the 13th floor for use in the 13th floor Premises of a capacity not less than the Building Standard Electricity including panels and circuit breakers in place, along with an isolated grounding system (such work to be completed prior to Substantial Completion). At no time during the Lease Term shall electrical service for the 12th floor Premises be reduced below the level of such service existing as of the date of this Eleventh Modification.

(iii) All work in common areas of the Building, including, but not limited to, common corridors and common elevator lobbies shall be completed to the 13th floor Premises as required (such work to be completed prior to Substantial Completion).

(iv) New commodes and urinals (with auto-flushers) in both the men's and women's restrooms on the 12th floor. All building standard restroom work shall be completed and meet all ADA requirements. Landlord has replaced all of the commodes this year and will replace the urinals on both of Tenant's floors prior to Substantial Completion. In addition, Landlord will replace all wall and floor tile with new Building standard tile in both men's and women's restrooms on the 12th and 13th floors prior to Substantial Completion; provided, however, with respect to any full floor leased by Tenant, Tenant shall have the right to select the color of such tile, and if Tenant so elects, Tenant shall have the right to upgrade the tile and restroom finishes above Building standard with respect to any full floor leased by Tenant, and in such event the cost of such upgrades shall be paid from the Construction Allowance, to the extent sufficient funds are available, and otherwise by Tenant.

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(v) Installation of a rear entrance/exit (the "**Entrance/Exit**") on the portion of the Premises on the 13th floor (said installation to be completed prior to January 31, 2011). Landlord represents that Hunters Glen/Ford, Ltd. ("**HGF**") and Landlord have entered into an amendment to HGF's lease in the Office Building pursuant to which the approximately 69 rentable square feet of space previously constituting a portion of the premises leased by HGF (and which space is necessary for a common corridor in order to accommodate the installation of said Entrance/Exit) has been deleted from HGF's lease. Notwithstanding anything to the contrary contained in this Eleventh Modification, if the installation of the Entrance/Exit is not completed in accordance with all applicable Laws on or before March 31, 2011, then Tenant shall be entitled to an abatement of Basic Rental with respect to the Seventh Expansion Space (in addition to any other abatement of Basic Rental provided for in this Eleventh Modification) for a period equal to the length of time between March 31, 2011 and the date on which the Entrance/Exit is completed in accordance with all applicable Laws.

4. Construction.

(A) General Terms. Subject to the terms of this Work Letter, CPS agrees to cause leasehold improvements to be constructed in the Premises (the "**Landlord Work**") in a good and workmanlike manner in accordance with the Approved Construction Documents. Tenant acknowledges that neither Landlord nor CPS is an architect or engineer, and that the Landlord Work will be designed and performed by independent architects, engineers and contractors. Accordingly, Landlord and CPS do not guarantee or warrant that the Approved Construction Documents will comply with Laws or be free from errors or omissions, or that the Landlord Work will be free from defects, and neither Landlord nor CPS will have any liability therefor. However, Landlord will warrant the construction and installation of the Landlord Work for a period of 12 months after the date such Landlord Work is Substantially Complete on the same basis under which Landlord requires its contractors and architects to warrant such work. In addition, CPS's approval of the Construction Documents or the Landlord Work shall not be interpreted to waive or otherwise modify the terms and provisions of the Lease. Except with respect to the economic terms set forth in **Paragraph 3** of this Work Letter, the terms and provisions contained in this Work Letter shall survive the completion of the Landlord Work and shall govern in all applicable circumstances arising under the Lease throughout the term of the Lease, including the construction of future improvements in the Premises. Tenant acknowledges that the Approved Construction Documents must comply with (i) the definitions used by CPS for the electrical terms used in this Work Letter, (ii) the electrical and HVAC design capacities of the Building, (iii) Landlord's policies concerning communications and fire alarm services, provided that the policies concerning communications do not limit competitive bidding to multiple subcontractors, and (iv) Landlord's policies concerning Tenant's electrical design parameters, including harmonic distortion. Upon Tenant's request, CPS will provide Tenant a written statement outlining items (i) through (iv) above.

(B) ADA Compliance. Landlord shall, as an Operating Expense, be responsible for ADA (and any applicable state accessibility standard) compliance for the core areas of the Building (including elevators, Common Areas, and service areas), the Project's parking facilities and all points of access into the Project. Tenant shall, at its expense, be responsible for ADA (and any applicable state accessibility standard) compliance in the Premises, including restrooms on any floor now or hereafter leased or occupied in its entirety by Tenant, its Affiliates or transferees. Neither Landlord nor CPS shall be responsible for determining whether Tenant is a public accommodation under ADA or whether the Approved Construction Documents comply with ADA requirements, including submission of the Approved Construction Documents for review by appropriate state agencies. Such determinations, if desired by Tenant, shall be the sole responsibility of Tenant.

(C) Occupancy During Landlord Work. The Landlord Work in the Current Premises shall be conducted at such time as may be mutually agreed upon by Landlord and Tenant in writing. Tenant, at its expense, shall move any furniture or equipment that Landlord may request to accommodate such Landlord Work, or Tenant shall pay for such moving if it is conducted by any third parties. Tenant acknowledges that Landlord will be conducting the Landlord Work while Tenant is in possession of the Current Premises, and agrees that Landlord, its agents, employees and contractors shall have the right to enter the Current Premises during business hours to conduct the Landlord Work. Tenant understands that the Landlord Work to be performed pursuant to this Work Letter may result in noise, vibration, dirt, dust, odors, and other circumstances commonly attendant to construction. Tenant hereby waives any claim of injury or inconvenience to Tenant's business, interference with Tenant's business, loss of occupancy or quiet enjoyment of the Current Premises, or any other loss occasioned by such entry or the performance of the Landlord Work required pursuant to the terms of this Work Letter, and the same shall not relieve Tenant of any obligations under the Lease, as modified by this Eleventh Modification. Landlord will attempt to minimize the disruption to Tenant's business during its performance of the Landlord Work. No entry into the Premises by Landlord under this Work Letter shall be deemed a forcible or unlawful entry into the Current Premises or a detainer of the Current Premises, or an eviction, actual or constructive, of Tenant from the Current Premises, or any part of the Current Premises, nor shall such entry entitle Tenant to damages or an abatement of Rent or other charges that the Lease (as modified by this Eleventh Modification) requires Tenant to pay. Tenant shall reasonably cooperate with Landlord and its contractors and shall not in anyway impede, inhibit or hinder any of the Landlord Work. CPS agrees to diligently pursue the completion of the Landlord Work in the Current Premises subject to the terms and conditions of this subparagraph (C).

(D) Substantial Completion. The Landlord Work shall be deemed to be "**Substantially Complete**" with respect to the Seventh Expansion Space on the date that (i) all Landlord Work with respect to the Seventh Expansion Space (other than any details of construction, mechanical adjustment or any other similar matter, the noncompletion of which does not materially interfere with Tenant's use or occupancy of the Seventh Expansion Space) has been performed in accordance with the Approved Construction Documents (as modified by any Change Order approved in writing by Landlord and Tenant), (ii) CPS has obtained all required final inspection approvals and/or necessary certificates allowing occupancy from all applicable authorities, (iii) all Building systems and equipment and that of the Landlord Work are fully tested and operational, and (v) at least thirty (30) days have elapsed after Tenant has been afforded access to all parts of the Seventh Expansion Space for installation of communications cabling, and server and IDF equipment installations (which will be performed concurrently with the Landlord Work). Prior to the Premises (or any portion thereof) being delivered to Tenant, a representative of Landlord and a representative of Tenant shall walk through the Premises (or such portion thereof) and jointly prepare a list of minor items which, in the mutual opinion of Landlord and Tenant, have not been fully completed or which require repair (the "**Punch List Items**"). Landlord shall cause its contractor to complete or repair the Punch List Items within 30 days after the date of the "walk-through". Tenant shall not be entitled to any abatement of any rental obligations as pertains to the Premises pending completion of the Punch List Items. In the event that Tenant takes possession of any portion of the Premises following the construction of Landlord Work in such portion of the Premises in the absence of having created a punch list, Tenant will be deemed to have waived its right to create a punch list with respect to such portion of the Premises and shall be deemed to have accepted such portion of the Premises in its "as is" condition. Time is of the essence in connection with the obligations of CPS and Tenant under this Work Letter. Neither Landlord nor CPS shall be liable or responsible for any claims incurred (or alleged) by Tenant due to any delay in achieving Substantial Completion for any reason. Tenant's sole and exclusive remedy for any delay in achieving Substantial Completion for any reason other than Tenant Delay (defined below) shall be the resulting postponement (if any) of the Seventh Expansion Space Commencement Date and the commencement of rental payments for the Seventh Expansion Space under the Eleventh Modification. "**Tenant Delay**" means any act or omission of Tenant or its agents, employees, vendors or contractors that actually delays the Substantial Completion of the Landlord Work, including: (i) Tenant's failure to furnish information or approvals within any time period specified in this Lease, including the failure to prepare or approve preliminary or final plans by any applicable due date; (ii) Tenant's selection of long-lead equipment or materials; (iii) changes requested or made by Tenant to previously approved plans and specifications; or (iv) performance of work in the Premises by Tenant or Tenant's contractor(s) during the performance of the Landlord Work.

(E) Swing Space. Landlord agrees that Tenant may temporarily occupy certain “*Swing Space*” (herein so called) during the performance of the Landlord Work in the portion of the Current Premises occupied by Tenant’s Investment Group (herein so called). The Swing Space shall consist of Landlord’s choice of either the 6th floor or 7th floor of 200 Crescent Court, or the 9th floor of 100 Crescent Court as shown on Exhibit A-4 attached to the Eleventh Modification. Tenant’s occupancy of the Swing Space shall be subject to all terms and conditions contained in the Lease, as modified by this Eleventh Modification, except that Tenant shall not be obligated to pay Basic Rental or Additional Rental for the Swing Space, but Tenant shall be required to pay electrical costs for the Swing Space in accordance with **Paragraph 7(b)** of the Lease. The Swing Space will be delivered to Tenant in its AS IS condition and Landlord makes no warranties or representations with respect thereto. Tenant shall be solely responsible for the cost of relocating to and from the Swing Space. Tenant’s right to occupy the Swing Space shall terminate when the Landlord Work in the portion of the Current Premises occupied by Tenant’s Investment Group is Substantially Complete and Tenant is able to lawfully occupy same. After the payment of all electrical costs due and owing for the Swing Space, and so long as Tenant has surrendered the Swing Space broom-clean, vacant and in the condition existing as of the date of Landlord’s delivery of the same (reasonable wear and tear excepted), neither party shall have any rights, liabilities or obligations under the Lease, as modified by this Eleventh Modification, for the period accruing after the date on which Tenant vacates the Swing Space, except those which, by the provisions of the Lease, as modified by this Eleventh Modification, expressly survive the termination of the Lease, as modified by this Eleventh Modification.

5. Costs.

(A) Change Orders and Cost Overruns. CPS’s and Tenant’s written approval is required in advance of all changes to, and deviations from, the Approved Construction Documents (each, a “*Change Order*”), including any (i) omission, removal, alteration or other modification of any portion of the Landlord Work, (ii) additional architectural or engineering services, (iii) changes to materials, whether building standard materials, specially ordered materials, or specially fabricated materials, or (iv) cancellation or modification of supply or fabrication orders. Except as otherwise expressly provided in this Work Letter, all costs of the Landlord Work in excess of the Construction Allowance including Change Orders requested by Tenant and approved by CPS which increase the cost of the Landlord Work (collectively, “*Cost Overruns*”) shall be paid by Tenant to Landlord within 10 days of receipt of Landlord’s invoice. In addition, at either Landlord’s or CPS’s election, Tenant shall prepay any projected Cost Overruns within 10 days of receipt of Landlord’s invoice for same (subject to reconciliation between the parties, in case of any underpayment or overpayment by Tenant, once the actual total costs of construction are determined). CPS may stop or decline to commence all or any portion of the Landlord Work until such payment (or prepayment) of Cost Overruns is received. Tenant’s failure to pay, when due, any Cost Overruns or the cost of any Change Order shall constitute an event of default under the Lease, as modified by the Eleventh Modification, subject to applicable notice and cure periods.

(B) Construction Supervisory Fee. Landlord shall not charge a construction supervisory fee in connection with the Landlord’s Work.

6. Acceptance. By taking possession of the Seventh Expansion Space for the purpose of conducting its business, Tenant agrees and acknowledges that (a) the Seventh Expansion Space is usable by Tenant as intended; (b) neither Landlord nor CPS has any further obligation to perform any Landlord Work or other construction (except punchlist items, if any agreed upon by CPS and Tenant in writing) with respect to the Seventh Expansion Space; and (c) both the Building (other than portions of the Current Premises with respect to which Landlord Work is not complete) and the Seventh Expansion Space are satisfactory in all respects.

7. **Window Coverings.** Tenant shall have the right to install window shades in the Premises, at Tenant's expense (which may be paid out of the Construction Allowance to the extent sufficient funds are available); provided, however the existing perimeter window blinds shall remain in place and the shades will be installed over such blinds. Landlord shall have the right to approve of the color and finish of the window shades prior to installation of same.

CPS:

CRESCENT PROPERTY SERVICES, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

TENANT:

WESTWOOD MANAGEMENT CORP.,
a New York corporation

By: _____
Name: _____
Title: _____

AGREED, ACKNOWLEDGED AND ACCEPTED
by Landlord as of __ the day of _____, 2010:

CRESCENT TC INVESTORS, L.P.,
a Delaware limited partnership

By: Crescent TCI GP, LLC,
a Delaware limited liability company,
its general partner

By: _____
Name: _____
Title: _____

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EXHIBIT C

**FORM OF SUBORDINATION, NON-DISTURBANCE AND ATTORNMEN
T AGREEMENT**

THIS AGREEMENT is made and entered into as of the date set forth below by and between Westwood Management Corp., a New York corporation (“Tenant”); Crescent TC Investors, L.P., a Delaware limited partnership (“Landlord”); and Bank of America, N.A., as successor by merger to LaSalle Bank, N.A., as Trustee for the registered holders of Greenwich Capital Commercial Funding Corp., Commercial Mortgage Trust 2005-GG3, Commercial Mortgage Pass-Through Certificates, Series 2005-GG3, whose Sub-Servicer is Midland Loan Services, Inc. (collectively, “Lender”), as follows:

RECITALS

LENDER is now the holder of a Mortgage or Deed of Trust, which secures or will secure a Note in the original principal amount of \$214,770,000.00. The Mortgage or Deed of Trust and any other security instruments, executed by the Landlord in favor of Lender, encumber the real property, together with the buildings and improvements on that property, described as “Exhibit A”, which is attached to this document; and

TENANT is the holder of a lease (the “Lease”) dated April 9, 1990 from Landlord, further amended by instrument(s) dated September 11, 1991, September 27, 1991, October 5, 1994, June 15, 1995, April 26, 1996, May 30, 1996, September 18, 1997, June 24, 1998, September 21, 1998, November 25, 2003, February 24, 2004, and December _____, 2010 (such lease, together with the amendments referenced above, are collectively referred to as “the Lease”) covering certain premises more particularly described in the Lease (referred to later as the “Leased Premises”); and

TENANT, LANDLORD AND LENDER desire to confirm their understanding with respect to the Lease and the Mortgage or Deed of Trust;

ACCORDINGLY, in consideration of the mutual covenants and agreements contained in this instrument, Tenant, Landlord and Lender agree and covenant as follows:

1. Now and at all times in the future, the Lease and the rights of the Tenant shall be subject and subordinate to the above Mortgage or Deed of Trust, and to all renewals, modifications or extensions of that Mortgage. However, such renewals, modifications and extensions shall be subject and entitled to the benefits of the terms of this Agreement.

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2. So long as Tenant is not in default in the payment of rent or in Tenant's performance of any of the terms, covenants or conditions of the Lease (beyond any period given Tenant to cure such default):

- a) Lender shall not diminish nor interfere with Tenant's possession of the Leased Premises, or Tenant's rights and privileges under the Lease or lease renewals, modifications or extensions that may be affected in accordance with any options under the Lease.
- b) Tenant's occupancy of the Leased Premises shall not be disturbed, affected or impaired by Lender during the term of the Lease or any such renewals, modifications or extensions of the Lease.
- c) Tenant, or any leasehold mortgagee of Tenant ("Tenant's Mortgagee") shall not be named or joined in any action or proceeding brought by lender to enforce any of its rights in the event of default under the Note, Mortgage (or Deed of Trust), unless such joinder be required by law for effecting those remedies available under the security instruments. Such joinder would ONLY be for the purposes of effecting those remedies, but not for the purpose of terminating the Lease or affecting Tenant's right to possession.
- d) If the interests of Landlord shall be transferred to and owned by Lender by reason of foreclosure or other proceedings or by any other manner, and Lender succeeds to the interests of the Landlord under the Lease, Tenant shall be bound to Lender under all of the terms, covenants and conditions of the Lease for the balance of the term remaining and for any extensions or renewals which may be effected in accordance with any option granted in the Lease, with the same force and effect as if Lender were the Landlord under the Lease. Tenant agrees to attorn to Lender as its Landlord, such attornment to be effective and self-operative without the execution of any further instruments on the part of any of the parties to this Agreement immediately upon Lender succeeding to the interest of the Landlord under the Lease. The respective rights and obligations of Tenant and Lender upon such attornment, to the extent of the then remaining balance of the term of the Lease and any such extensions and renewals, shall be and are the same as now set forth. The parties' intent is to incorporate the Lease in this Agreement by reference with the same force and effect as if set forth at length in this Agreement.

3. During the period of Lender's ownership of Landlord's interest in the Lease, Tenant and Tenant's Mortgagee shall have the same remedies against Lender for the breach of an agreement contained in the Lease that Tenant and Tenant's Mortgagee would have had against the Landlord if Lender had not succeeded to Landlord's interest; provided, however, that even though provisions in the Lease may be to the contrary, Lender shall not be:

- (a) liable for any act or omission of any prior landlord arising under the Lease (including the Landlord) or subject to any offsets, defenses or counterclaims which Tenant may have against any prior landlord arising under the Lease (including the Landlord); or,

(b) bound by any rents or additional rent which Tenant might have paid for more than the current month to any prior landlord (including the Landlord); or

(c) bound by any amendment or modification of the Lease made without its consent; or,

(d) liable for any security deposited under the Lease unless such security has been physically delivered to Lender.

Provided, however, that the Lender shall not be relieved from responsibility for failure to perform any obligation under the Lease which, although such failure may have begun prior to Lender succeeding to Landlord's interest, thereafter continues. In such event, Lender's responsibility shall be determined as if the failure had first arisen upon the day Landlord's title to the Subject Property succeeds to Lender.

4. Tenant shall promptly notify Lender of any default, act or omission of Landlord which would give Tenant the right, immediately or after the lapse of a period of time, to cancel or terminate the Lease or to claim a partial or total eviction ("a Landlord Default"). In the event of a Landlord Default, the Tenant shall not exercise any such termination or cancellation rights available to it and shall not claim a partial or total eviction until it has given written notice of such Landlord Default to Lender; and Lender has failed within thirty (30) days after Lender receives such notice, to cure or remedy the Landlord Default. If the same can not be reasonably remedied within such thirty-day period, then Lender shall have a reasonable period for remedying such Landlord Default. However, in any event, Lender's time to cure such default shall not be less than the period of time the Landlord would be entitled to cure such default pursuant to the terms of the Lease. Lender shall have no obligation under this paragraph to remedy any Landlord Default. During the time period that Lender is afforded the opportunity to cure such Landlord Default, Tenant's rights and remedies against Landlord on account of such Landlord Default shall not be suspended (other than Tenant's right to terminate or cancel the Lease and Tenant's right to claim a partial or total eviction) but Tenant shall have the right to pursue all such rights and remedies against Landlord if such Landlord Default continues beyond the time period given to Landlord to cure such default as provided in the Lease.

5. The terms "holder of a mortgage" and "Lender" or any similar term in this document or in the Lease shall be deemed to include Lender and any of its successors or assigns, including anyone who shall have succeeded to Landlord's interests by, through or under foreclosure of the Mortgage or Deed of Trust, or by deed in lieu of such foreclosure or otherwise.

6. The Landlord has assigned or will assign to Lender all of Landlord's right, title and interest in the Lease by an Assignment of Rents and Leases ("Rent Assignment"). If in the future there is a default by the Landlord in the performance and observance of the terms of the Note or Mortgage or Deed of Trust, the Lender may, at its option under the Rent Assignment, require that all rents and all other payments due under the Lease be paid directly to Lender. Upon notification to that effect by the Lender to the Landlord and the Tenant, the Landlord HEREBY IRREVOCABLY AUTHORIZES AND DIRECTS the Tenant and the Tenant agrees to pay any payments due under the terms of the Lease to the Lender. Such payments shall constitute payments under the terms of the Lease and Landlord shall have no claim against Tenant by reason of such payments made to Lender. Tenant shall make such payments to Lender regardless of any right of setoff, counterclaim or other defense that Tenant may have against Landlord. Neither the Rent Assignment nor its implementation shall diminish any obligation of the Landlord under the Lease or impose any such obligations on the Lender.

7. Any notice, or request or other communication required by this Agreement to be given shall be in writing and shall be: (a) personally delivered; or, (b) sent via nationally recognized overnight courier; or, (c) transmitted by postage prepaid registered or certified mail, return receipt requested. All such notices, requests or other communications shall be addressed to Tenant, Landlord or Lender at the addresses set forth below or such other address as the parties shall in like manner designate. All such notices and requests shall be deemed to have been given on the first to occur of: (i) the actual date received, or (ii) the date of delivery if personally delivered; or (iii) five (5) days following posting if transmitted by mail.

If to Tenant:

If to Landlord:

200 Crescent Court
Suite 250
Dallas, Texas 75201
Attn: Property Manager
Phone #: (214) 880-4500
Fax #: (214) 880-4506

With a copy to:
200 Crescent Court
Suite 250
Dallas, Texas 75201
Attn: Senior Vice President,
Property Management
Phone: (214) 880-4545
Fax: (214) 880-4547

And to:
777 Main Street
Suite 2000
Fort Worth, Texas 76102
Attn: Legal Department
Phone #: (817) 321-2100
Fax #: (817) 321-2080

If to Lender:

Midland Loan Services, Inc.
10851 Mastin Blvd., Suite 700
Overland Park, KS 66210
Attention: _____, Asset Manager

8. This Agreement may NOT be modified except by a written agreement signed by the parties or their respective successors in interest. This Agreement shall inure to the benefit of and be binding upon the parties, their successors and assigns (including any party who succeeds to the interest of Landlord through foreclosure of the Mortgage or Deed of Trust or by a deed in lieu of foreclosure or otherwise).

[Remainder of page intentionally left blank]

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IN RATIFICATION OF THIS AGREEMENT, the parties have placed their signatures and seals below, by and through their duly authorized officers on this date, _____, 2010.

“LENDER”

Bank of America, N.A., as successor by merger to LaSalle Bank, N.A as Trustee for the registered holders of Greenwich Capital Commercial Funding Corp., Commercial Mortgage Trust 2005-GG3, Commercial Mortgage Pass-Through Certificates, Series 2005-GG3, by and through its Sub-Servicer, Midland Loan Services, Inc.

By _____
Bradley J. Hauger
Senior Vice President and
Servicing Officer

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

On this ____ day of _____, 2010, before me, a Notary Public in and for the State of Kansas, personally appeared Bradley J. Hauger, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he was authorized to execute the instrument, and acknowledged that he is the Senior Vice President and Servicing Officer of Midland Loan Services, Inc., to be the free and voluntary act and deed of said company for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

(seal) _____

(Print Name)
NOTARY PUBLIC in and for the State of Kansas.

My appointment expires _____

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“TENANT”

WESTWOOD MANAGEMENT CORP.,
a New York corporation

By _____
Its _____

STATE OF _____)
) ss.
COUNTY OF _____)

On this ____ day of _____, 2010, before me, a Notary Public in and for the State of _____, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he/she was authorized to execute the instrument, and acknowledged that he/she is the _____ of Westwood Management Corp., to be the free and voluntary act and deed of said corporation for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

(seal)

(Print Name)
NOTARY PUBLIC in and for the State of
_____.

My appointment expires _____

The Crescent®/Westwood Management Corp.
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“LANDLORD”

CRESCENT TC INVESTORS, L.P.,
a Delaware limited partnership

By: Crescent TCI GP, LLC, a Delaware
limited liability company, its general
partner

By _____
Its _____

STATE OF _____)
) ss.
COUNTY OF _____)

On this ____ day of _____, 2010, before me, a Notary Public in and for the State of _____, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he/she was authorized to execute the instrument, and acknowledged that he/she is the _____ of _____, to be the free and voluntary act and deed of said _____ for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

(seal)

(Print Name)
NOTARY PUBLIC in and for the State of _____

My appointment expires _____

The Crescent®/Westwood Management Corp.
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RIDER NO. 1

OPTIONS TO EXTEND

A. Renewal Period. Tenant may, at its option, extend the Lease Term for all or any part of the Premises then existing for two renewal periods of five years each (each a "**Renewal Period**") by written notice to Landlord (the "**Renewal Notice**") given no later than nine (9) months prior to the expiration of the Lease Term (or the prior Renewal Period, as applicable), provided that at the time of such notice and at the commencement of such Renewal Period, (i) Tenant (together with all Permitted Transferees) remains in occupancy of at least one full floor in the Office Building, and (ii) no uncured event of default exists under the Lease (following the expiration of any applicable notice and cure period provided in the Lease). In the event Tenant exercises its option to extend the Lease Term with respect to only a portion of the Premises, the remaining Premises shall be leasable space with windows and access from a common corridor, as reasonably determined by Landlord. The Basic Rental payable during each Renewal Period shall be at the Market Rental Rate (hereinafter defined) for the Premises. Except as provided in this **Rider No. 1**, all terms and conditions of the Lease, as amended by the Eleventh Modification, shall continue to apply during each Renewal Period.

B. Acceptance. Within 30 days of the Renewal Notice, Landlord shall notify Tenant of the Basic Rental for such Renewal Period (the "**Rental Notice**"). Tenant may either accept or object to the terms set forth in the Rental Notice by written notice (the applicable of the "**Acceptance Notice**" or the "**Objection Notice**") to Landlord given within 15 days after receipt of the Rental Notice. If Tenant timely delivers the Objection Notice to Landlord, Landlord and Tenant shall negotiate in good faith the Basic Rental rate and other economic terms for the applicable Renewal Period; provided, however, if following the determination of such Basic Rental rate and other economic terms for the applicable Renewal Period, Tenant determines in its sole and absolute discretion that such rate and terms are unacceptable, Tenant shall have the right to rescind its prior exercise of the option to extend in question by giving Landlord written notice thereof within ten (10) days after the date of such determination, in which event this Lease shall end at the expiration of the then-current Lease Term. If Tenant timely delivers its Acceptance Notice, Tenant shall, within 15 days after receipt, execute a lease amendment confirming the Basic Rental and other terms applicable during the Renewal Period. If Tenant fails timely (i) to deliver the applicable of its Acceptance Notice or Objection Notice, or (ii) if applicable, to execute and return the required lease amendment, then this Option to Extend shall automatically expire and be of no further force or effect. In addition, this Option to Extend shall terminate upon assignment of the Lease or subletting of the Premises (other than in connection with a Permitted Transfer) resulting in Tenant and its Permitted Transferees not occupying at least one full floor in the Office Building.

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

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Rider No. 1 - ii

RIDER NO. 2

RIGHT OF FIRST REFUSAL

Provided the Lease (as defined in the Eleventh Modification to which this Rider No. 2 is attached) is then in full force and effect with at least twelve months remaining in the Lease Term (as extended by this Eleventh Modification) and provided further that Tenant (together with all Permitted Transferees) remains in occupancy of at least one full floor in the Office Building and no event of default, as defined in Paragraph 13 of the Lease, shall remain uncured (following the expiration of any applicable notice and cure period provided in the Lease), Tenant shall have the continuing right of first refusal as hereinafter described to lease that portion of the space to be leased to a prospective tenant (the "**Offered Space**") which is all or part of the space (the "**Right of First Refusal Space**") located on the 13th floor of 200 Crescent Court, Dallas, Texas, the 12th floor of 300 Crescent Court, and the 12th floor of 100 Crescent Court (more specifically shown on Exhibit A-2 attached hereto) at such time as such space becomes Available (as defined below), exercisable at the following times and upon the conditions set forth below. The Right of First Refusal Space (or the applicable portion thereof) shall be deemed "**Available**" at such time as such space is no longer any of the following: (i) leased or occupied; (ii) assigned or subleased by the then-current tenant of the space; (iii) re-leased by the then-current tenant of the space by renewal, extension or renegotiation (whether agreed to prior to or after the date of this Eleventh Modification); or (iv) subject to an expansion option, right of first refusal, preferential right or similar obligation existing under any other tenant leases for the Project as of the date of this Eleventh Modification. Landlord represents that as of the date of this Eleventh Modification, no party has rights superior to Tenant's with respect to the Right of First Refusal Space (or any portion thereof) other than an existing right in favor of HGF with respect to the 13th floor of 200 Crescent Court. Landlord agrees not to grant any superior rights to HGF with respect to the Right of First Refusal Space other than those existing in favor of HGF as of the date of this Eleventh Modification.

1. If Landlord enters into negotiations with a prospective tenant to lease the Offered Space, Landlord shall notify Tenant of such fact (the "**ROFR Notice**") and shall include in such ROFR Notice the rent, term, and other terms (including, but not limited to, finish out, moving allowances and design fees) at which Landlord is prepared to accept for such Offered Space from such prospective tenant. Tenant shall have a period of five (5) Business Days from the date of delivery of the ROFR Notice to notify Landlord whether Tenant elects to exercise the right granted hereby to lease the Offered Space. If Tenant fails to give any notice to Landlord within the required five (5) Business Day period, Tenant shall be deemed to have waived its right to lease the Offered Space.

2. If Tenant so waives its right to lease the Offered Space (either by giving written notice thereof or by failing to give any notice), Landlord shall have the right to lease the Offered Space to the prospective tenant upon economic terms which are not materially less favorable to Landlord than those set forth in the ROFR Notice, and upon the execution of such lease between Landlord and the prospective tenant this Right of First Refusal as to the Offered Space shall thereafter be null, void and of no further force or effect; provided, however, Landlord shall again be required to comply with this Rider No. 2 if such Offered Space subsequently becomes Available again during the Lease Term.

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

4. Upon the exercise by Tenant of its right of first refusal as provided in this Rider No. 2, Landlord and Tenant shall, within fifteen (15) days after Tenant delivers to Landlord notice of its election, enter into an amendment to the Lease incorporating the Offered Space into the Premises to be coterminous with the Lease Term, upon the economic terms and conditions as Landlord notified Tenant pursuant to paragraph 1 above. Notwithstanding the foregoing, if Tenant exercises a Right of First Refusal at any time prior to November 30, 2012 the following terms shall apply: (a) the Basic Rental payable by Tenant for such space shall be at the then current rate specified for the Current Premises in this Eleventh Modification and will thereafter increase as the Basic Rental rates increase for the Current Premises, (b) the Term with respect to the Offered Space will expire on the same date as the Lease as modified by this Eleventh Modification, (c) Tenant shall receive a tenant improvement allowance equal to \$34.50 per rentable square foot in such space multiplied by a fraction having as its numerator the number of months remaining in the Lease Term as of the commencement date of such space and having as its denominator 126, and (d) the Basic Rental abatement for such space shall be reduced proportionately to account for the difference in the Lease Term applicable to such space, which Basic Rental abatement shall be for a period equal to the product of (i) six (6) months, multiplied by (ii) a fraction having as its numerator the number of months remaining in the Lease Term as of the commencement date of such space and having as its denominator 126 (with such Basic Rental abatement accruing to the first Basic Rental payable under the Lease, as modified by this Eleventh Modification, with respect to such space).

5. Any assignment or the subletting by Tenant of the Premises pursuant to Paragraph 9 of the Lease (other than to a Permitted Transferee) resulting in Tenant and its Permitted Transferees not occupying at least one full floor in the Office Building shall terminate the right of first refusal of Tenant contained herein. The right of first refusal granted herein is personal to Westwood Management Corp. and its Permitted Transferees and shall not be assignable to any other person or entity.

RIDER NO. 3

OPTION TO EXPAND

A. Expansion Space. Tenant shall have the option to lease approximately 2,683 rentable square feet on the 13th floor of 200 Crescent Court, as shown on Exhibit A-3 to the Eleventh Modification (the “*Expansion Space*”), for a term commencing on the “*Expansion Space Commencement Date*” (hereinafter defined) and continuing through the expiration or earlier termination of the Lease Term (as it may be extended or renewed); provided that (i) Tenant gives Landlord written notice (the “*Expansion Notice*”) no later than July 1, 2012; (ii) no uncured event of default exists under the Lease (following the expiration of any applicable notice and cure period provided in the Lease) at the time of such Expansion Notice or the Expansion Space Commencement Date; and (iii) Tenant and its Permitted Transferees remain in occupancy of the entire Premises. Landlord represents that the Expansion Space is not subject to an expansion option, right of first refusal, preferential right or similar obligation, or any other right which is superior to Tenant’s rights with respect to the Expansion Space, existing under any other tenant lease for the Project as of the date of this Eleventh Modification (other than the rights of the existing tenant of the Office Building referenced in Paragraph C of this **Rider No. 3**). The Basic Rental payable for the Expansion Space shall be at the rates then in effect for the Current Premises, including any projected rate increases over the Lease Term, and the Construction Allowance and Basic Rental abatement available for the Expansion Space shall be reduced proportionately to account for the difference in the Lease Term applicable to the Expansion Space, by multiplying each by a fraction, the numerator of which is the number of months remaining in the Lease Term as of the Expansion Space Commencement Date and the denominator of which is 126 (with the Basic Rental abatement accruing to the first Basic Rental payable under the Lease with respect to the Expansion Space. This Option to Expand shall terminate upon assignment of this Lease or subletting of more than 25% of the Premises, other than to a Permitted Transferee. The Expansion Space shall be reduced to the extent Tenant leases any portion thereof, whether or not pursuant to a formal option provision in the Lease.

B. Acceptance. If Tenant timely delivers its Expansion Notice, Tenant shall, within 15 days after Landlord’s written request, execute and return a lease amendment adding the Expansion Space as part of the Premises for all purposes under the Lease (including any extensions or renewals) effective as of the Expansion Space Commencement Date and confirming the Basic Rental and other terms applicable to the Expansion Space. Such lease amendment shall, if applicable, contain a work letter using substantially the same form attached to this Eleventh Modification, governing any leasehold improvements in the Expansion Space. If Tenant fails timely to (i) deliver its Expansion Notice or (ii) execute and return the required lease amendment, then this Option to Expand shall automatically expire and be of no further force or effect.

C. Expansion Space Commencement Date. The term “*Expansion Space Commencement Date*” shall be the earliest to occur of (i) the first business day after the date on which Landlord Work with respect to the Expansion Space is Substantially Complete, or (ii) the date on which the Landlord Work would have been Substantially Complete but for Tenant Delay or (iii) the date Tenant takes possession of any portion of the Expansion Space for purposes of conducting business therein. The anticipated Expansion Space Commencement Date is 9 months following the date on which Tenant delivers the Expansion Notice (subject to extension for Tenant Delays) Landlord shall not be liable for any delay or failure to tender possession of the Expansion Space by the anticipated Expansion Space Commencement Date for any reason, including by reason of any holdover tenant or occupant, nor shall such failure invalidate the Lease or extend the Lease Term. Tenant acknowledges that the Expansion Space is currently leased by another tenant of the Building through December 31, 2012 and that such tenant has an option to renew its lease with respect to the Expansion Space beyond December 31, 2012, but that if the current tenant does exercise such option to renew its lease, Landlord agrees that it will exercise its option to relocate such current tenant to other space in the Office Building.

D. Substantially Complete. As used herein the term “*Substantially Complete*” shall have the same meaning as set forth in the Work Letter that is attached as Exhibit B to this Eleventh Modification except that all references to (i) “Premises” or “Seventh Expansion Space” shall be understood to refer to the “Expansion Space”, and (ii) “Landlord Work” shall be understood to refer to the Landlord Work required to be done with respect to the Expansion Space.

E. Condition of Premises. The Expansion Space shall be tendered in an “as-is” condition. However, any required leasehold improvements to the Expansion Space shall be constructed in accordance with the Work Letter attached to this Eleventh Modification (as modified to conform to the requirements of this Rider No. 3).

SCHEDULE OF DIRECTOR COMPENSATION

For 2010, Westwood Holdings Group, Inc. paid each non-employee member of our Board of Directors a \$4,000 annual retainer, \$4,000 for each regularly scheduled quarterly meeting of the Board of Directors attended by the member and \$1,000 per board or committee meeting attended other than regularly scheduled quarterly meetings. The Chairman of the Audit Committee receives an additional \$4,000 annual retainer. Additionally, upon the date of election or re-election as a member of our Board of Directors, each non-employee director is awarded 1,500 restricted shares of our common stock, which vest approximately 12 months from the date of grant. We review our compensation arrangement for directors from time to time.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 25, 2011, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Westwood Holdings Group, Inc. on Form 10-K for the year ended December 31, 2010. We hereby consent to the incorporation by reference of said reports in the Registration Statement of Westwood Holdings Group, Inc. on Form S-8 (File No. 333-160377, effective July 1, 2009).

/s/Grant Thornton LLP

Dallas, Texas
February 25, 2011

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-14 AND 15D-14**

I, Brian O. Casey, certify that:

1. I have reviewed this annual report on Form 10-K of Westwood Holdings Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 25, 2011

/s/ Brian O. Casey

Brian O. Casey
President & Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-14 AND 15D-14**

I, William R. Hardcastle, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Westwood Holdings Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 25, 2011

/s/ William R. Hardcastle, Jr.
William R. Hardcastle, Jr.
Chief Financial Officer

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

In connection with the Annual Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian O. Casey, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 25, 2011

/s/ Brian O. Casey

Brian O. Casey
President & Chief Executive Officer

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

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

In connection with the Annual Report of Westwood Holdings Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William R. Hardcastle, Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 25, 2011

/s/ William R. Hardcastle, Jr.

William R. Hardcastle, Jr.
Chief Financial Officer

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