
United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2004.

☐ **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
(IRS Employer
Identification No.)

300 CRESCENT COURT, SUITE 1300
DALLAS, TEXAS 75201
(Address of Principal Executive Office)(Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods 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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$0.01 Par Value—5,549,472 shares as of April 21, 2004.

WESTWOOD HOLDINGS GROUP, INC.

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of March 31, 2004 and December 31, 2003
(in thousands, except par value and share amounts)
(unaudited)

	March 31, 2004	December 31, 2003
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,603	\$ 3,643
Accounts receivable	2,113	1,931
Investments, at market value	18,342	17,413
	<u>23,058</u>	<u>22,987</u>
Total current assets	23,058	22,987
Goodwill	2,302	2,302
Other assets, net	1,031	948
	<u>\$26,391</u>	<u>\$ 26,237</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,112	\$ 935
Dividends payable	222	167
Compensation and benefits payable	738	2,776
Income taxes payable	1,281	472
	<u>3,353</u>	<u>4,350</u>
Total current liabilities	3,353	4,350
Other liabilities	25	34
	<u>3,378</u>	<u>4,384</u>
Total liabilities	3,378	4,384
Stockholders' Equity:		
Common stock, \$0.01 par value, authorized 10,000,000 shares, issued 5,549,472 and outstanding 5,549,119 shares at March 31, 2004, issued 5,550,472 and outstanding 5,550,119 shares at December 31, 2003	55	56
Additional paid-in capital	12,996	12,952
Treasury stock, at cost – 353 shares at March 31, 2004 and December 31, 2003	(6)	(6)
Unamortized stock compensation	(2,387)	(2,609)
Retained earnings	12,355	11,460
	<u>23,013</u>	<u>21,853</u>
Total stockholders' equity	23,013	21,853
Total liabilities and stockholders' equity	<u>\$26,391</u>	<u>\$ 26,237</u>

See notes to consolidated financial statements.

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

	Three months ended March 31,	
	2004	2003
REVENUES:		
Advisory fees	\$ 3,420	\$ 3,620
Trust fees	1,452	1,139
Other revenues	171	253
Total revenues	5,043	5,012
EXPENSES:		
Employee compensation and benefits	2,337	2,119
Sales and marketing	100	143
Information technology	172	175
Professional services	224	259
General and administrative	381	349
Total expenses	3,214	3,045
Income before income taxes	1,829	1,967
Provision for income tax expense	712	717
Net income	\$ 1,117	\$ 1,250
Earnings per share:		
Basic	\$ 0.21	\$ 0.23
Diluted	\$ 0.21	\$ 0.23

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Three Months Ended March 31, 2004
(in thousands)
(unaudited)

	Westwood Holdings Group, Inc. Common Stock, Par	Additional Paid-In Capital	Treasury Stock	Unamortized Stock Compensation	Retained Earnings	Total
BALANCE, January 1, 2004	\$ 56	\$ 12,952	\$ (6)	\$ (2,609)	\$ 11,460	\$ 21,853
Net income					1,117	1,117
Dividends declared (\$0.04 per share)					(222)	(222)
Stock options vested		62				62
Cancellation of restricted stock	(1)	(19)		20		—
Amortization of stock compensation				202		202
Tax benefit related to restricted stock		1				1
BALANCE, March 31, 2004	\$ 55	\$ 12,996	\$ (6)	\$ (2,387)	\$ 12,355	\$ 23,013

See notes to consolidated financial statements.

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

	For the three months ended March 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,117	\$ 1,250
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	23	24
Stock option expense	62	67
Amortization of stock compensation	202	—
Accretion of discount on notes receivable from stockholders	—	(109)
Purchases of investments	(2,155)	(2,561)
Sales of investments	1,930	1,765
Change in operating assets and liabilities:		
Increase in accounts receivable	(182)	(13)
(Increase) decrease in other assets	(47)	86
Increase in accounts payable and accrued liabilities	177	27
Decrease in compensation and benefits payable	(2,038)	(2,652)
Increase in income taxes payable	810	754
Decrease in other liabilities	(9)	(8)
Net cash used in operating activities	(110)	(1,370)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of money market funds	(706)	(720)
Sales of money market funds	2	501
Purchase of other assets	(59)	(39)
Net cash used in investing activities	(763)	(258)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends	(167)	(108)
Payments on notes receivable from stockholders	—	965
Net cash (used in) provided by financing activities	(167)	857
NET DECREASE IN CASH	(1,040)	(771)
Cash and cash equivalents, beginning of period	3,643	4,359
Cash and cash equivalents, end of period	\$ 2,603	\$ 3,588
Supplemental cash flow information:		
Cash (refunded) paid during the period for income taxes	\$ (32)	\$ 4
Cancellation of restricted stock	(20)	—
Tax benefit allocated directly to equity	1	—

See notes to consolidated financial statements.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2004 and 2003
(Unaudited)

1. DESCRIPTION OF THE BUSINESS:

Westwood Holdings Group, Inc. ("Westwood", the "Company", "we" or "our") was incorporated under the laws of the State of Delaware on December 12, 2001, as a subsidiary of SWS Group, Inc. ("SWS"). On June 28, 2002, SWS completed the spin-off of Westwood by effecting a dividend distribution of all of the Westwood common stock held by SWS to all of its stockholders on a pro rata basis.

Westwood manages investment assets and provides services for its clients through two subsidiaries, Westwood Management Corp. ("Management") and Westwood Trust ("Trust"). Management provides investment advisory services to corporate pension funds, public retirement plans, endowments and foundations, mutual funds and also clients of Trust. Trust provides to institutions and high net worth individuals trust and custodial services and participation in common trust funds that it sponsors. Revenue is largely dependent on the total value and composition of assets under management ("AUM"). Accordingly, fluctuations in financial markets and in the composition of AUM impact revenue and results of operations.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying consolidated financial statements have been prepared without audit and reflect all adjustments that, in the opinion of management, are necessary to present fairly the Company's financial position as of March 31, 2004, 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 interim financial information as prescribed by the Securities and Exchange Commission (SEC) and, therefore, do not purport to contain all necessary financial disclosures required by accounting principles generally accepted in the United States of America that might otherwise be necessary in the circumstances, and should be read in conjunction with the Company's consolidated financial statements, and notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. Refer to the accounting policies described in the notes to the Company's annual financial statements, which were consistently followed in preparing this interim financial information. Operating results for the three months ended March 31, 2004 are not necessarily indicative of the results for the year ending December 31, 2004 or any future period.

Within these consolidated financial statements and accompanying notes, historical transactions and events involving Management and Trust are discussed as if the Company were the entity involved in the transaction or event.

Use of Estimates

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

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the three months ended March 31, 2004 and 2003
(Unaudited)

Revenue Recognition

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

Cash and Cash Equivalents

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

Investments

Money market securities are classified as available for sale securities and have no significant fluctuating values. All other marketable securities are classified as trading securities. All securities are carried at quoted market value on the accompanying balance sheet. Net unrealized holding gains or losses on investments classified as trading securities are reflected as a component of other revenues. The Company measures realized gains and losses on investments using the specific identification method.

Goodwill

Effective January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." Upon adoption of SFAS 142 the Company discontinued its amortization of goodwill. During the third quarters of 2003 and 2002, the Company completed its annual impairment assessment as required by SFAS 142. No impairment loss or transition adjustments were required. The Company performs its annual impairment assessment as of July 1.

Federal Income Taxes

The Company files a Federal income tax return as a consolidated group for the Company 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 that will be in effect when these differences reverse, and are included in other assets in the accompanying consolidated balance sheets. Deferred income tax expense is generally the result of changes in the deferred tax assets and liabilities.

Stock Options

Effective January 1, 2002, the Company elected to begin expensing the cost associated with stock options granted subsequent to January 1, 2002 to employees as well as non-employee directors under the SFAS No. 123, "Accounting for Stock Based Compensation" fair value model. The Company values stock options issued based upon an option pricing model and recognizes this value as an expense over the periods in which the options vest. For stock options granted prior to January 1, 2002, the Company accounted for its option plan under the APB 25 intrinsic value model, which resulted in no compensation cost being recognized at date of grant or at the vesting of the SWS options on June 28, 2002. If the Company had continued to account for option grants under APB 25 for the 2003 period, reported net income would have been \$1,157,000 for the three months ended March 31, 2004.

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the three months ended March 31, 2004 and 2003
(Unaudited)

Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments have been determined by the Company using available information. The fair value amounts discussed in Note 3 are not necessarily indicative of either the amounts the Company would realize upon disposition of these instruments or the Company's intent or ability to dispose of these assets. The estimated fair value of cash and cash equivalents, as well as accounts receivable and payable, approximates their carrying value due to their short-term maturities. The carrying amount of investments designated as "trading" securities, primarily U.S. Government and Government agency obligations as well as mutual fund shares, equals their fair value, which is equal to prices quoted in active markets and, with respect to mutual funds, the net asset value of the shares held as reported by the fund. The carrying amount of investments designated as "available for sale" securities, primarily money market accounts, equals their fair value, which is equal to the net asset value of the shares held as reported by the fund. The market values of the Company's money market holdings generally do not fluctuate.

Earnings per Share

Basic earnings per common share is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding for the periods ended March 31, 2004 and 2003, respectively. Diluted earnings per share for these periods is computed based on the weighted average number of shares outstanding plus the effect of the dilutive impact of stock options and shares of restricted stock granted to employees and non-employee directors, as well as the dilutive impact of shares of the Company's common stock held in the deferred compensation plan. Diluted earnings per common share is computed using the treasury stock method.

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

	Three months ended March 31,	
	2004	2003
Net income	\$ 1,117	\$ 1,250
Weighted average shares outstanding – basic	5,398,619	5,394,159
Dilutive potential shares from stock options	18,818	563
Dilutive potential shares from restricted shares	11,932	—
Dilutive potential shares from deferred compensation plan	353	353
Weighted average shares outstanding – diluted	5,429,722	5,395,075
Earnings per share – basic	\$ 0.21	\$ 0.23
Earnings per share – diluted	\$ 0.21	\$ 0.23

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the three months ended March 31, 2004 and 2003
(Unaudited)

3. INVESTMENTS:

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

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
March 31, 2004:				
U.S. Government and Government agency obligations	\$ 1,606	\$ —	\$ —	\$ 1,606
Funds:				
Money Market	15,849	—	—	15,849
Equity	632	139	—	771
Bond	113	3	—	116
Marketable securities	<u>\$18,200</u>	<u>\$ 142</u>	<u>\$ —</u>	<u>\$18,342</u>
December 31, 2003:				
U.S. Government and Government agency obligations	\$ 1,602	\$ —	\$ —	\$ 1,602
Funds:				
Money Market	15,137	—	—	15,137
Equity	485	105	—	590
Bond	81	3	—	84
Marketable securities	<u>\$17,305</u>	<u>\$ 108</u>	<u>\$ —</u>	<u>\$17,413</u>

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

4. EQUITY:

On February 3, 2004, Westwood's Board of Directors approved the payment of a quarterly cash dividend of \$0.04 per common share payable on April 1, 2004 to stockholders of record on March 15, 2004.

5. SEGMENT REPORTING:

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

Management

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

Trust

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

WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
For the three months ended March 31, 2004 and 2003
(Unaudited)

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>Management</u>	<u>Trust</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated</u>
	(in thousands)				
Three months ended March 31, 2004					
Net revenues from external sources	\$ 3,561	\$ 1,457	\$ 25	\$ —	\$ 5,043
Net intersegment revenues	611	—	—	(611)	—
Income before income taxes	1,834	262	(267)	—	1,829
Segment assets	21,031	4,027	1,333	—	26,391
Segment goodwill	1,790	512	—	—	2,302
Three months ended March 31, 2003					
Net revenues from external sources	\$ 3,731	\$ 1,148	\$ 133	\$ —	\$ 5,012
Net intersegment revenues	418	—	—	(418)	—
Income before income taxes	1,711	169	87	—	1,967
Segment assets	18,569	4,437	1,300	—	24,306
Segment goodwill	1,790	512	—	—	2,302

6. CONTINGENCIES:

During the first quarter of 2004, the Company entered into contracts to build out and furnish the Company's new office space. Unpaid and unrecognized obligations under these agreements were approximately \$377,000 at March 31, 2004. The Company expects to incur additional costs of approximately \$655,000 to furnish the new office space in the second quarter of 2004.

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

All statements other than statements of historical fact contained in this report, including statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" concerning our financial position and liquidity, results of operations, prospects for future growth, and other matters are forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Factors that could cause our results to differ materially from the results discussed in, or contemplated by, such forward-looking statements include the risks described under "Business—Forward-Looking Statements and Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2003 filed with the Securities and Exchange Commission. Such risks include, without limitation, risks related to our limited operating history as an independent public company; risks related to some members of our management being critical to our success and our inability to attract and retain key employees, which could compromise our future success; risks related to some of our executive officers having substantial influence over our investment policies; risks related to the negative performance of the securities markets; risks related to poor investment performance of the assets managed by us; risks related to our business being dependent on investment advisory, subadvisory and trust agreements that are subject to termination or non-renewal and the related risk of losing any of our clients on very short notice; risks related to having a small number of clients account for a substantial portion of our business; risks related to any event that negatively affects the asset management industry; risk related to the substantial cost and time required to introduce new asset classes in our industry; risks related to our inability to successfully and timely expand our asset classes; risks related to our business being subject to pervasive regulation with attendant costs of compliance and serious consequences for violations; risks related to potential misuse of assets and information in the possession of our portfolio managers and employees; risks related to acquisitions, which may be part of our long-term business strategy and involve inherent risks that could compromise the success of the combined business and dilute the holdings of our stockholders; risks related to various factors hindering our ability to declare and pay dividends; risks related to our business being vulnerable to systems failures; risks related to our potential inability to fund our capital requirements; risks related to the indemnification obligations contained in the distribution agreement and the tax separation agreement that we entered into with SWS and that neither party may be able to satisfy; risks related to conflicts of interests of members of our Board of Directors due to their relationship with SWS; and risks related to certain provisions in our charter documents discouraging a third party from acquiring control of us.

Overview

Westwood Holdings Group, Inc. ("Westwood") manages investment assets and provides services for its clients through its two subsidiaries, Westwood Management Corp. ("Management") and Westwood Trust ("Trust"). Management provides investment advisory services to corporate pension funds, public retirement plans, endowments and foundations, mutual funds and clients of Trust. Trust provides to institutions and high net worth individuals trust and custodial services and participation in common trust funds that it sponsors. We have been providing investment advisory services since 1983 and, according to recognized industry sources, including Morningstar, Inc., when measured over multi-year periods, five years and longer, our principal asset classes rank above the median in performance within their peer groups.

Revenues

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

Our trust fees are generated by Westwood Trust pursuant to trust or custodial agreements. Trust fees are separately negotiated with each client and are generally based on a percentage of assets under management, which in turn is influenced by the complexity of the operations of the trust and the services provided. Westwood Trust also provides trust services to a small number of clients on a fixed fee basis. Similar to advisory fees generated by Westwood Management, most trust fees are paid quarterly in advance and are recognized as services are rendered.

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

Assets Under Management

Assets under management increased \$62 million, or 1.6%, to \$3.9 billion at March 31, 2004, compared with \$3.8 billion at March 31, 2003. Average assets under management for the first quarter of 2004 were \$3.9 billion, a decrease of 0.8% compared with the first quarter of 2003. The increase in period ending assets under management was principally attributable to the market appreciation of assets under management as well as inflows from new clients offset by the withdrawal of assets by certain clients. The following table sets forth Management and Trust's assets under management as of March 31, 2004 and March 31, 2003:

	As of March 31, (1) (in millions)		% Change March 31, 2004 vs. March 31, 2003
	2004	2003	
Westwood Management Corp.			
Separate Accounts	\$1,780	\$1,622	9.7%
Subadvisory	633	1,057	(40.1)
Gabelli Westwood Funds	405	409	(1.0)
Managed Accounts	154	111	38.7
Total	2,972	3,199	(7.1)
Westwood Trust			
Commingled Funds	772	511	51.1
Private Accounts	82	63	30.2
Agency/Custody Accounts	55	46	19.6
Total	909	620	46.6
Total Assets Under Management	\$3,881	\$3,819	1.6%

(1) The above table excludes the SWS cash reserve funds for which Westwood Management serves as investment advisor and Westwood Trust serves as custodian. The SWS cash reserve funds were \$168 million and \$488 million as of March 31, 2004 and 2003, respectively. These accounts are noted separately due to their unique nature within our business and because they can experience significant fluctuations on a weekly basis.

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

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

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Results of Operations

The following table and discussion of our results of operations for the three months ended March 31, 2004 is based upon data derived from the consolidated statements of income contained in our consolidated financial statements and should be read in conjunction with these statements, which are included elsewhere in this quarterly report.

	Three Months Ended March 31, (in thousands)		% Change
	2004	2003	2003 vs. 2002
Revenues			
Advisory fees	\$3,420	\$3,620	(5.5)%
Trust fees	1,452	1,139	27.5
Other revenues	171	253	(32.4)
Total revenues	5,043	5,012	0.6
Expenses			
Employee compensation and benefits	2,337	2,119	10.3
Sales and marketing	100	143	(30.1)
Information technology	172	175	(1.7)
Professional services	224	259	(13.5)
General and administrative	381	349	9.2
Total expenses	3,214	3,045	5.6
Income before income taxes	1,829	1,967	(7.0)
Provision for income tax expense	712	717	(0.7)
Net income	\$1,117	\$1,250	(10.6)%

Three months ended March 31, 2004 compared to three months ended March 31, 2003

Total Revenues. Our total revenues increased by 0.6% to \$5.0 million for the three months ended March 31, 2004. Advisory fees decreased by 5.5% to \$3.4 million for the three months ended March 31, 2004 compared with \$3.6 million for the three months ended March 31, 2003 primarily as a result of decreased average assets under management due to the withdrawal of assets by certain clients. These withdrawals were offset to some extent by market appreciation of assets under management and inflows from new clients. Trust fees increased by 27.5% to \$1.5 million for the three months ended March 31, 2004 compared with \$1.1 million for the three months ended March 31, 2003, primarily due to increased average assets under management due to inflows from new and existing clients and market appreciation of assets as well as a higher average fee due to a change in the mix of Trust assets under management. Other revenues, which generally consists of interest and investment income as well as consulting fees, decreased by 32.4% to \$171,000 for the three months ended March 31, 2004 compared with \$253,000 for the three months ended March 31, 2003. Other revenues decreased primarily as a result of interest income due to accretion of discount on notes receivable from stockholders created by principal payments by certain executive officers that occurred in the 2003 period but not in the 2004 period. This was offset to some extent by better mark to market performance and realized gains on investments.

Employee Compensation and Benefits. Employee compensation and benefits costs generally consist of salaries, benefits, incentive compensation and equity based compensation expense. Employee compensation and benefits increased by 10.3% to \$2.3 million for the three months ended March 31, 2004 compared with \$2.1 million for the three months ended March 31, 2003. This increase resulted primarily from restricted stock expense that was recognized in the 2004 period but not in the 2003 period. We had 44 full-time employees as of March 31, 2004 and March 31, 2003.

Sales and Marketing. Sales and marketing costs generally consist of costs associated with our marketing efforts, including travel and entertainment, advertising and consultant marketing costs. Sales and marketing costs decreased by 30.1% to \$100,000 for the three months ended March 31, 2004 compared with \$143,000 for the three months ended March 31, 2003. The decrease is primarily the result of decreased travel and entertainment costs partially offset by higher direct marketing costs associated with our managed accounts channel.

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Information Technology. Information technology expenses generally consist of costs associated with computing hardware and software licenses, maintenance, support and depreciation, telecommunications, proprietary investment research tools and other related costs. Information technology costs decreased by 1.7% to \$172,000 for the three months ended March 31, 2004 compared with \$175,000 for the three months ended March 31, 2003. The decrease is primarily due to lower costs associated with investment research tools.

Professional Services. Professional services expenses generally consist of costs associated with legal, subadvisory fees, audit and other professional services. Professional services expenses decreased by 13.5% to \$224,000 for the three months ended March 31, 2004 compared with \$259,000 for the three months ended March 31, 2003. The decrease is primarily the result of professional recruiting fees that were incurred in the 2003 period but not in the 2004 period. This decrease was partially offset by higher advisory fees paid to external subadvisors resulting from increased assets under management in common trust funds sponsored by Westwood Trust, and increased audit expense related to Sarbanes-Oxley compliance.

General and Administrative. General and administrative expenses generally consist of costs associated with the lease of our office space, investor relations, licenses and fees, depreciation, insurance, office supplies and other miscellaneous expenses. General and administrative expenses increased by 9.2% to \$381,000 for the three months ended March 31, 2004 compared with \$349,000 for the three months ended March 31, 2003. The increase is primarily due to increased corporate insurance costs and higher custody expense.

Provision for Income Tax Expense. Provision for income tax expense decreased by 0.7% to \$712,000 for the three months ended March 31, 2004 compared with \$717,000 for the three months ended March 31, 2003. The effective tax rate was 38.9% and 36.5% for the three months ended March 31, 2004 and March 31, 2003, respectively.

Liquidity and Capital Resources

We fund our operations and cash requirements with cash generated from operating activities. As of March 31, 2004, 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 the three months ended March 31, 2004, cash flow used in operating activities, principally our investment advisory business, was \$110,000. At March 31, 2004, we had working capital of \$19.7 million. Cash flow used in investing activities during the three months ended March 31, 2004 was \$763,000, primarily related to the investment of excess cash balances and purchase of fixed assets. Cash flow used in financing activities during the three months ended March 31, 2004 was \$167,000 and was due to cash dividends paid.

We had cash and investments, net of dividends payable, of \$20.7 million at March 31, 2004, compared to \$20.9 million at December 31, 2003. Dividends payable were \$222,000 and \$167,000 as of March 31, 2004 and December 31, 2003, respectively. We had no liabilities for borrowed money at March 31, 2004. Accounts payable were \$10,000 and zero at March 31, 2004 and March 31, 2003, respectively.

Our future liquidity and capital requirements will depend upon numerous factors. We believe that current cash and short-term investment balances and cash generated from operations will be sufficient to meet the operating and capital requirements of our ordinary business operations through at least the next twelve months. However, there can be no assurance that we will not require additional financing within this time frame. Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary. The failure to raise needed capital on attractive terms, if at all, could have a material adverse effect on our business, financial condition and results of operations.

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Contractual Obligations

Our obligation under the deferred compensation plan was \$647,000 at March 31, 2004, up \$184,000 from the balance at December 31, 2003. This liability will grow while deferred compensation plan participants remain employed with Westwood and will decrease when participants' employment is terminated and the related liability is paid. The timing of the payments cannot be estimated. Our obligation under this plan will be satisfied with specific cash and investments that are segregated from the assets that we use in the course of running our business.

During the first quarter of 2004, the Company entered into contracts to build out and furnish the Company's new office space. Unpaid and unrecognized obligations under these agreements were approximately \$377,000 at March 31, 2004. The Company expects to incur additional costs of approximately \$655,000 to furnish the new office space in the second quarter of 2004.

Critical Accounting Policies and Estimates

Revenue Recognition

Investment advisory and trust fees are recognized in the period the services are provided. These fees are determined in accordance with contracts between our subsidiaries and their clients and are generally based on a percentage of assets under management.

Accounting for Investments

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

Goodwill

Effective January 1, 2002, we adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." Upon adoption of SFAS 142 the Company discontinued its amortization of goodwill. During the third quarters of 2003 and 2002, the Company completed its annual impairment assessment as required by SFAS 142. No impairment loss or transition adjustments were required. The Company performs its annual impairment assessment as of July 1.

Stock Options

Effective January 1, 2002, we elected to begin expensing the cost associated with stock options granted subsequent to January 1, 2002 to employees as well as non-employee directors under the SFAS 123, "Accounting for Stock Based Compensation" fair value model. We value stock options issued based upon the Black-Scholes option-pricing model and recognize this value as an expense over the periods in which the options vest. Implementation of the Black-Scholes option-pricing model requires us to make certain assumptions, including expected volatility, risk-free interest rate, expected dividend yield and expected life of the options. We utilized assumptions that we believed to be most appropriate at the time of the valuation. Had we used different assumptions in the pricing model the expense recognized for stock options may have been different than the expense recognized in our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Westwood utilizes various financial instruments, which entail certain inherent market risks. We do not currently participate in any hedging activities, nor do we currently utilize any derivative financial instruments. The following information describes the key aspects of certain financial instruments that have market risks.

Interest Rates and Securities Markets

Our cash equivalents and other investment instruments are exposed to financial market risk due to fluctuation in interest rates, which may affect our interest income. These instruments are not entered into for speculative 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 4. CONTROLS AND PROCEDURES

Westwood's management evaluated, with the participation of Westwood's Chief Executive Officer and Chief Operating Officer (performing functions similar to a Chief Financial Officer), the effectiveness of Westwood's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Operating Officer have concluded that Westwood's disclosure controls and procedures were effective as of the end of the period covered by this report. There has been no change in Westwood's internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, Westwood's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits
- 10.1 Form of Indemnification Agreement for Westwood Trust
 - 31.1 Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14
 - 31.2 Certification of President and Chief Operating Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14
 - 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
 - 32.2 Certification of President and Chief Operating Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- (b) Reports on Form 8-K
- Current Report on Form 8-K filed on February 4, 2004 reporting the Company's results from operations and a dividend declaration.

SIGNATURES

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

Dated: April 21, 2004

WESTWOOD HOLDINGS GROUP, INC.

By: /s/ Susan M. Byrne

Susan M. Byrne
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Brian O. Casey

Brian O. Casey
President and Chief Operating Officer
(Principal Financial and Accounting Officer)

FORM OF INDEMNIFICATION AGREEMENT FOR WESTWOOD TRUST

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

RECITALS

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

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

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

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

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

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

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

Indemnification.

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

deemed to be serving at the request of the Company. Notwithstanding the foregoing, no indemnification shall be made under this Section 1(a) in respect of any claim, issue or matter as to which the Indemnitee shall have been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Company or for amounts paid in settlement to the Company, unless and only to the extent that the court in which such action or suit was brought (or any other court of competent jurisdiction) shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such expenses that such court shall deem proper.

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

Without limiting the generality of the foregoing, the Indemnitee shall be entitled to the rights of indemnification provided in this Section 1 for any expenses actually and reasonably incurred in any Proceeding initiated by or in the right of the Company unless the Indemnitee shall have been adjudged to be liable to the Company by a court of competent jurisdiction.

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

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

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

Advance Payment of Indemnified Amounts.

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

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

Procedure for Payment of Indemnified Amounts.

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

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

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

The Company will use its best efforts to conclude as soon as practicable any required determination pursuant to subsection (c) above and promptly will advise the Indemnatee in writing with respect to any determination that the

Indemnatee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied. Payment of any applicable Indemnified Amounts will be made to the Indemnatee within ten (10) days after any determination of the Indemnatee's entitlement to indemnification.

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

Agreement Not Exclusive; Subrogation Rights, etc.

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

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

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

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

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

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

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

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

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

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

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

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

WESTWOOD TRUST

By: _____

Brian O. Casey, President

INDEMNITEE

Print Name:

Address: _____

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

- Tom C. Davis
- Nancy C. Marcus
- Carol W. Proffer
- Leonard Riggs, Jr. M.D.

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

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

1. I have reviewed this quarterly report on Form 10-Q of Westwood Holdings Group, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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)) 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 quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly 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
 - (c) Disclosed in this quarterly 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: April 21, 2004

/s/ Susan M. Byrne

Susan M. Byrne
Chief Executive Officer

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

I, Brian O. Casey, President and Chief Operating Officer of the registrant (performing similar functions as a chief financial officer), certify that:

1. I have reviewed this quarterly report on Form 10-Q of Westwood Holdings Group, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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)) 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 quarterly report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly 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
 - (c) Disclosed in this quarterly 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: April 21, 2004

/s/ Brian O. Casey

Brian O. Casey
President and Chief Operating 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 Quarterly Report of Westwood Holdings Group, Inc. (the Company) on Form 10-Q for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Susan M. Byrne, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

April 21, 2004

/s/ Susan M. Byrne

Susan M. Byrne
Chief Executive 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 Quarterly Report of Westwood Holdings Group, Inc. (the Company) on Form 10-Q for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Brian O. Casey, President and Chief Operating Officer of the Company (performing similar functions as a chief financial officer), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

April 21, 2004

/s/ Brian O. Casey

Brian O. Casey
President and Chief Operating Officer