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

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**FORM 10-Q**

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
for the Quarterly Period Ended September 30, 2003.
- 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

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**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)

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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 — 5,537,744 shares as of October 21, 2003.

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**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
**As of September 30, 2003 and December 31, 2002**  
**(in thousands, except par value and share amounts)**  
**(unaudited)**

	September 30, 2003	December 31, 2002
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 8,313	\$ 4,359
Accounts receivable	2,196	2,186
Investments, at market value	16,260	14,230
	<u>26,769</u>	<u>20,775</u>
Total current assets	26,769	20,775
Goodwill, net of accumulated amortization of \$640	2,302	2,302
Other assets, net	971	1,043
	<u>30,042</u>	<u>24,120</u>
Total assets	\$ 30,042	\$ 24,120
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 933	\$ 701
Dividends payable	5,704	108
Compensation and benefits payable	2,295	3,523
Income taxes payable	438	604
	<u>9,370</u>	<u>4,936</u>
Total current liabilities	9,370	4,936
Other liabilities	40	61
	<u>9,410</u>	<u>4,997</u>
Total liabilities	9,410	4,997
Stockholders' Equity:		
Common stock, \$0.01 par value, authorized 10,000,000 shares, issued 5,538,097 and outstanding 5,537,744 shares at September 30, 2003; issued 5,394,522 and outstanding 5,394,145 shares at December 31, 2002	55	54
Additional paid-in capital	12,671	9,579
Treasury stock, at cost – 353 shares at September 30, 2003 and 377 shares at December 31, 2002	(6)	(6)
Unamortized stock compensation	(2,599)	—
Notes receivable from stockholders	—	(3,598)
Retained earnings	10,511	13,094
	<u>20,632</u>	<u>19,123</u>
Total stockholders' equity	20,632	19,123
Total liabilities and stockholders' equity	\$ 30,042	\$ 24,120

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 September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
<b>REVENUES:</b>				
Advisory fees	\$ 3,491	\$ 4,156	\$ 10,804	\$ 12,482
Trust fees	1,260	1,127	3,470	3,432
Other revenues	539	258	1,098	697
<b>Total revenues</b>	<b>5,290</b>	<b>5,541</b>	<b>15,372</b>	<b>16,611</b>
<b>EXPENSES:</b>				
Employee compensation and benefits	2,176	2,583	6,497	6,930
Sales and marketing	130	114	451	394
Information technology	214	228	597	688
Professional services	258	184	676	991
General and administrative	368	335	1,080	1,135
<b>Total expenses</b>	<b>3,146</b>	<b>3,444</b>	<b>9,301</b>	<b>10,138</b>
Income before income taxes	2,144	2,097	6,071	6,473
Provision for income tax expense	825	893	2,303	2,625
<b>Net income</b>	<b>\$ 1,319</b>	<b>\$ 1,204</b>	<b>\$ 3,768</b>	<b>\$ 3,848</b>
<b>Earnings per share:</b>				
Basic	\$ 0.24	\$ 0.22	\$ 0.70	\$ 0.71
Diluted	\$ 0.24	\$ 0.22	\$ 0.70	\$ 0.71

See notes to consolidated financial statements.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**For the Nine Months Ended September 30, 2003**  
**(in thousands)**  
**(unaudited)**

	Westwood Holdings Group, Inc. Common Stock, Par	Additional Paid-In Capital	Treasury Stock	Unamort- ized Stock Compen- sation	Notes Receivable from Stock- holders	Retained Earnings	Total
BALANCE, January 1, 2003	\$ 54	\$ 9,579	\$ (6)		\$ (3,598)	\$ 13,094	\$ 19,123
Net income						3,768	3,768
Sale of treasury stock – 24 shares			—				—
Dividends declared (\$1.15 per share)						(6,351)	(6,351)
Stock options exercised	—	52					52
Stock options vested		202					202
Collections of notes					4,093		4,093
Accretion of discount on notes					(495)		(495)
Issuance of restricted stock	1	2,788		\$(2,789)			—
Amortization of stock compensation				190			190
Tax benefit related to restricted stock		50					50
BALANCE, September 30, 2003	\$ 55	\$ 12,671	\$ (6)	\$(2,599)	\$ —	\$ 10,511	\$ 20,632

See notes to consolidated financial statements.

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

	For the nine months ended September 30,	
	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 3,768	\$ 3,848
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	84	61
Stock option expense	202	74
Amortization of stock compensation	190	—
Accretion of discount on notes receivable from stockholders	(495)	(47)
Purchases of investments	(6,444)	(814)
Sales of investments	5,474	1,105
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(10)	28
Decrease (increase) in other assets	96	(270)
Increase in accounts payable and accrued liabilities	232	281
Decrease in compensation and benefits payable	(1,228)	(1,465)
Decrease in income taxes payable	(116)	(1,342)
Decrease in other liabilities	(21)	(41)
Net cash provided by operating activities	<u>1,732</u>	<u>1,418</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of money market funds	(2,464)	(6,621)
Sales of money market funds	1,404	8,632
Purchase of fixed assets	(108)	(59)
Net cash (used in) provided by investing activities	<u>(1,168)</u>	<u>1,952</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of common stock	52	—
Cash dividends	(755)	—
Payments on notes receivable from stockholders	4,093	—
Net cash provided by financing activities	<u>3,390</u>	<u>—</u>
<b>NET INCREASE IN CASH</b>	<b>3,954</b>	<b>3,370</b>
Cash and cash equivalents, beginning of period	<u>4,359</u>	<u>149</u>
Cash and cash equivalents, end of period	<u>\$ 8,313</u>	<u>\$ 3,519</u>
Supplemental cash flow information:		
Cash paid during the period for income taxes	\$ 2,428	\$ 4,168
Issuance of restricted stock	2,789	—
Tax benefit allocated directly to equity	50	—

See notes to consolidated financial statements.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2003 and 2002**  
**(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 is now an independent public company, with SWS having no continuing ownership interest in the Company. As part of the spin-off, Westwood entered into various agreements with SWS that address the allocation of certain rights and obligations and that define Westwood’s relationship with SWS after the spin-off, including a distribution agreement, a tax separation agreement and a transition services agreement. For a more detailed discussion of the spin-off and the various agreements entered into by Westwood and SWS, see the Registration Statement on Form 10 filed by Westwood with the Securities and Exchange Commission on June 6, 2002.

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Presentation**

The accompanying consolidated financial statements 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 September 30, 2003, 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, 2002. 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 nine months ended September 30, 2003 are not necessarily indicative of the results for the year ending December 31, 2003 or any future period.

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

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**For the nine months ended September 30, 2003 and 2002**  
**(Unaudited)**

**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.

**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. The adoption of SFAS 142 did not have a significant impact on the comparability of the Company's earnings per share or net income. During the second quarter of 2002, the Company completed an impairment analysis of goodwill as of January 1, 2002, the date of adoption of SFAS 142. During the third quarter of 2003, the Company also completed its annual impairment assessment as required by SFAS 142. No impairment loss or transition adjustments were required. The Company has elected to perform its annual impairment assessment as of July 1.

**Reclassifications**

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

**Federal Income Taxes**

For periods prior to the Spin-off, the Company joined with SWS and its other subsidiaries in filing a consolidated Federal income tax return. SWS's consolidated Federal income tax expense was allocated to the Company as if the Company filed a separate consolidated Federal income tax return, assuming the utilization of tax-planning strategies consistent with those utilized by SWS. The Company is now no longer a member of the SWS consolidated affiliated group and files a Federal income tax return as a consolidated group for the Company and its subsidiaries.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**For the nine months ended September 30, 2003 and 2002**  
**(Unaudited)**

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 \$1,360,000 and \$3,899,000 for the three and nine months ended September 30, 2003, respectively.

**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 September 30, 2003 and 2002, 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.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**For the nine months ended September 30, 2003 and 2002**  
**(Unaudited)**

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 September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Net income	\$ 1,319	\$ 1,204	\$ 3,768	\$ 3,848
Weighted average shares outstanding – basic	5,396,694	5,394,522	5,395,017	5,394,522
Dilutive potential shares from stock options	19,235	16,976	2,281	16,976
Dilutive potential shares from deferred compensation plan	353	—	353	—
<b>Weighted average shares outstanding – diluted</b>	<b>5,416,282</b>	<b>5,411,498</b>	<b>5,397,651</b>	<b>5,411,498</b>
Earnings per share – basic	\$ 0.24	\$ 0.22	\$ 0.70	\$ 0.71
Earnings per share – diluted	\$ 0.24	\$ 0.22	\$ 0.70	\$ 0.71

**3. INVESTMENTS:**

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

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<b>September 30, 2003:</b>				
U.S. Government and Government agency obligations	\$ 1,602		\$ —	\$ 1,602
Funds:				
Money Market	14,042			14,042
Equity	479	\$ 56		535
Bond	79	2		81
<b>Marketable securities</b>	<b>\$16,202</b>	<b>\$ 58</b>	<b>\$ —</b>	<b>\$16,260</b>
<b>December 31, 2002:</b>				
U.S. Government and Government agency obligations	\$ 1,508	\$ 6	\$ —	\$ 1,514
Funds:				
Money Market	12,467			12,467
Equity	218	2	(15)	205
Bond	44			44
<b>Marketable securities</b>	<b>\$14,237</b>	<b>\$ 8</b>	<b>\$ (15)</b>	<b>\$14,230</b>

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 July 29, 2003, Westwood's Board of Directors approved the payment of a special dividend of \$1.00 per common share as well as quarterly cash dividend of \$0.03 per common share payable on October 1, 2003 to stockholders of record on September 15, 2003. The total dividend payable was \$5.7 million at September 30, 2003.

Effective July 1, 2003, under the Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan (the "Plan") the Company granted restricted stock to certain key employees as well as non-employee directors of the Company representing an aggregate of 139,500 shares of Westwood common stock. Restricted shares granted will vest over a period of four years for employees and one year for non-employee directors.

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**For the nine months ended September 30, 2003 and 2002**  
**(Unaudited)**

On April 22, 2003, Westwood's Board of Directors approved the payment of a quarterly cash dividend of \$0.02 per common share payable on July 1, 2003 to stockholders of record on June 16, 2003.

On February 3, 2003, Westwood's Board of Directors approved the payment of a special dividend of \$0.08 per common share as well as a quarterly cash dividend of \$0.02 per common share payable on April 1, 2003 to stockholders of record on March 17, 2003.

On February 1, 2003, April 7, 2003 and August 26, 2003 certain executive officers made principal payments of approximately \$965,000, \$39,000 and \$3,089,000, respectively on loans made by Westwood to executive officers to enable them to purchase shares in the Company from SWS in December 2001. A proportionate share of the discount on the notes receivable from stockholders was accreted through the statement of income for the nine months ended September 30, 2003. As of September 30, 2003, notes receivable from stockholders had been fully repaid.

#### 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.

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)				
<b>Three months ended September 30, 2003</b>					
Net revenues from external sources	\$ 3,633	\$1,267	\$ 390	\$ —	\$ 5,290
Net intersegment revenues	484	—	—	(484)	—
Income before income taxes	1,853	167	124	—	2,144
Segment assets	19,889	3,634	6,519	—	30,042
Segment goodwill	1,790	512	—	—	2,302
<b>Three months ended September 30, 2002</b>					
Net revenues from external sources	\$ 4,293	\$1,192	\$ 56	\$ —	\$ 5,541
Net intersegment revenues	403	—	—	(403)	—
Income (loss) before income taxes	1,882	233	(18)	—	2,097
Segment assets	17,738	4,197	426	—	22,361
Segment goodwill	1,790	512	—	—	2,302

**WESTWOOD HOLDINGS GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**For the nine months ended September 30, 2003 and 2002**  
**(Unaudited)**

	<u>Management</u>	<u>Trust</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated</u>
	(in thousands)				
<b>Nine months ended September 30, 2003</b>					
Net revenues from external sources	\$ 11,249	\$3,496	\$ 627	\$ —	\$ 15,372
Net intersegment revenues	1,285	—	—	(1,285)	—
Income before income taxes	5,426	461	184	—	6,071
Segment assets	19,889	3,634	6,519	—	30,042
Segment goodwill	1,790	512	—	—	2,302
<b>Nine months ended September 30, 2002</b>					
Net revenues from external sources	\$ 12,892	\$3,552	\$ 167	\$ —	\$ 16,611
Net intersegment revenues	1,214	—	—	(1,214)	—
Income before income taxes	5,925	455	93	—	6,473
Segment assets	17,738	4,197	426	—	22,361
Segment goodwill	1,790	512	—	—	2,302

**6. CONTINGENCIES:**

Trust has acted as corporate trustee for the Richard A. Boykin, Jr. Family Trust (the "Boykin Trust") for several years. As corporate trustee, Trust filed a voluntary petition for bankruptcy on behalf of the Boykin Trust because it was subject to various pending legal actions, outstanding judgments and owes money to numerous creditors, including trustee fees and other amounts advanced by Trust that are owed to Trust. The petition seeks the liquidation of the Boykin Trust's assets and seeks to maximize the distribution to the Boykin Trust's creditors on an equitable basis. SWS has agreed to indemnify us and parties related to us from and against any and all past and future liabilities or expenses in excess of \$500,000 (other than unpaid trustee fees due to Trust for the period after the spin-off) arising from or in connection with the Boykin Trust, for which Trust currently serves as trustee. The Company reached the \$500,000 expense ceiling in the quarter ended September 30, 2002. The Company expects that SWS will pay any future liabilities and expenses related to this matter.

## **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, 2002 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 the limited trading history of our common stock, which may make it difficult to predict the prices at which our stock will trade; risks related to our inability to rely on SWS 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 certain provisions in our charter documents discouraging a third party from acquiring control of us; and risks related to conflicts of interests of members of our Board of Directors due to their relationship with SWS.

### **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, our principal asset classes have consistently ranked above the median in performance within their peer groups.

### **Spin-off from SWS Group, Inc.**

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

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[Table of Contents](#)**Revenues**

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

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

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

**Assets Under Management**

Assets under management decreased \$276 million, or 7.0%, to \$3.6 billion at September 30, 2003, compared with \$3.9 billion at September 30, 2002. Average assets under management for the third quarter of 2003 were \$4.0 billion compared to \$4.3 billion for the third quarter of 2002, a decrease of 6.8%. The decline in assets under management was principally attributable to the withdrawal of assets by certain clients offset to some extent by market appreciation of assets under management and inflows from new clients. The following table sets forth Management and Trust's assets under management as of September 30, 2003 and September 30, 2002:

	As of September 30, (1) (in millions)		% Change
	2003	2002	September 30, 2003 vs. September 30, 2002
<b>Westwood Management Corp.</b>			
Separate Accounts	\$1,750	\$1,729	1.2%
Subadvisory	535	1,057	(49.4)
Gabelli Westwood Funds Managed Accounts	426	433	(1.6)
	134	100	34.0
Total	2,845	3,319	(14.3)
<b>Westwood Trust</b>			
Commingled Funds	668	468	42.7
Private Accounts	83	68	22.1
Agency/Custody Accounts	49	66	(25.8)
Total	800	602	32.9
<b>Total Assets Under Management</b>	<b>\$3,645</b>	<b>\$3,921</b>	<b>(7.0)%</b>

(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 \$224 million and \$450 million as of September 30, 2003 and 2002, 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.

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“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.

### Results of Operations

The following table and discussion of our results of operations for the three and nine months ended September 30, 2003 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 September 30,		Nine months ended September 30,		% Change	
	2003	2002	2003	2002	Three months ended September 30, 2003 vs. September 30, 2002	Nine months ended September 30, 2003 vs. September 30, 2002
<b>Revenues</b>						
Advisory fees	\$3,491	\$4,156	\$10,804	\$12,482	(16.0)%	(13.4)%
Trust fees	1,260	1,127	3,470	3,432	11.8	1.1
Other revenues	539	258	1,098	697	108.9	57.5
<b>Total revenues</b>	<b>5,290</b>	<b>5,541</b>	<b>15,372</b>	<b>16,611</b>	<b>(4.5)</b>	<b>(7.5)</b>
<b>Expenses</b>						
Employee compensation and benefits	2,176	2,583	6,497	6,930	(15.8)	(6.2)
Sales and marketing	130	114	451	394	14.0	14.5
Information technology	214	228	597	688	(6.1)	(13.2)
Professional services	258	184	676	991	40.2	(31.8)
General and administrative	368	335	1,080	1,135	9.9	(4.8)
<b>Total expenses</b>	<b>3,146</b>	<b>3,444</b>	<b>9,301</b>	<b>10,138</b>	<b>(8.7)</b>	<b>(8.3)</b>
Income before income taxes	2,144	2,097	6,071	6,473	2.2	(6.2)
Provision for income tax expense	825	893	2,303	2,625	(7.6)	(12.3)
<b>Net income</b>	<b>\$1,319</b>	<b>\$1,204</b>	<b>\$ 3,768</b>	<b>\$ 3,848</b>	<b>9.6%</b>	<b>(2.1)%</b>

#### Three months ended September 30, 2003 compared to three months ended September 30, 2002

*Total Revenues.* Our total revenues decreased by 4.5% to \$5.3 million for the three months ended September 30, 2003 compared with \$5.5 million for the three months ended September 30, 2002. Advisory fees decreased by 16.0% to \$3.5 million for the three months ended September 30, 2003 compared with \$4.2 million for the three months ended September 30, 2002 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 11.8% to \$1.3 million for the three months ended September 30, 2003 compared with \$1.1 million for the three months ended September 30, 2002 primarily due to a higher average fee due to a change in the mix of Trust assets under management as well as increased average assets under management due to inflows from new and existing clients and market appreciation of assets. Other revenues, which generally consists of interest and investment income as well as consulting fees, increased by 108.9% to \$539,000 for the three months ended September 30, 2003 compared with \$258,000 for the three months ended September 30, 2002. Other revenues increased primarily as a result of increased interest income due to accretion of discount on notes receivable from stockholders created by principal payments by certain executive officers.

*Employee Compensation and Benefits.* Employee compensation and benefits costs generally consist of salaries, benefits and incentive compensation. Employee compensation and benefits decreased by 15.8% to \$2.2 million for the three months ended September 30, 2003 compared with \$2.6 million for the three months ended September 30, 2002. This decrease resulted primarily from lower incentive compensation expense due to lower

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income before income taxes as well as an increased emphasis on equity-based compensation. The decrease in incentive compensation was offset to some extent by restricted stock expense that was recognized in the 2003 period but not in the 2002 period. At September 30, 2003 we had 42 full-time employees compared with 43 full-time employees at September 30, 2002.

*Sales and Marketing.* Sales and marketing costs generally consist of costs associated with our marketing efforts, including travel, advertising and consultant marketing costs. Sales and marketing costs increased by 14.0% to \$130,000 for the three months ended September 30, 2003 compared with \$114,000 for the three months ended September 30, 2002. The increase is primarily the result of increased expenditures for marketing to institutional investment consultants as well as increased travel and entertainment costs. These increases were partially offset by lower advertising costs.

*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 6.1% to \$214,000 for the three months ended September 30, 2003 compared with \$228,000 for the three months ended September 30, 2002. The decrease is primarily due to costs related to redeveloping our website, which were incurred in the 2002 period but not in the 2003 period.

*Professional Services.* Professional services expenses generally consist of costs associated with legal, audit and other professional services. Professional services expenses increased by 40.2% to \$258,000 for the three months ended September 30, 2003 compared with \$184,000 for the three months ended September 30, 2002. The increase is primarily the result of increased assets under management in common trust funds sponsored by Westwood Trust, which resulted in higher advisory fees paid to external subadvisors. Higher internal audit costs also contributed to the increase.

*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 9.9% to \$368,000 for the three months ended September 30, 2003 compared with \$335,000 for the three months ended September 30, 2002. The increase is primarily due to increased corporate insurance costs.

*Provision for Income Tax Expense.* Provision for income tax expense decreased by 7.6% to \$825,000 for the three months ended September 30, 2003 compared with \$893,000 for the three months ended September 30, 2002, reflecting an effective tax rate of 38.5% and 42.6% for the three months ended September 30, 2003 and September 30, 2002, respectively.

### ***Nine months ended September 30, 2003 compared to nine months ended September 30, 2002***

*Total Revenues.* Our total revenues decreased by 7.5% to \$15.4 million for the nine months ended September 30, 2003 compared with \$16.6 million for the nine months ended September 30, 2002. Advisory fees decreased by 13.4% to \$10.8 million for the nine months ended September 30, 2003 compared with \$12.5 million for the nine months ended September 30, 2002 primarily as a result of decreased average assets under management due to the withdrawal of assets by certain clients. Trust fees increased by 1.1% to \$3.5 million for the nine months ended September 30, 2003 compared with \$3.4 million for the nine months ended September 30, 2002 primarily as a result of increased average assets under management due to inflows from new and existing clients and market appreciation of assets. Other revenues increased by 57.5% to \$1.1 million for the nine months ended September 30, 2003 compared with \$697,000 for the nine months ended September 30, 2002. Other revenues increased primarily as a result of increased interest income due to accretion of discount on notes receivable from stockholders created by principal payments by certain executive officers.

*Employee Compensation and Benefits.* Employee compensation and benefits decreased by 6.2% to \$6.5 million for the nine months ended September 30, 2003 compared with \$6.9 million for the nine months ended September 30, 2002. This decrease resulted primarily from lower incentive compensation expense due to lower income before income taxes as well as an increased emphasis on equity-based compensation. The decrease in incentive compensation was offset to some extent by higher salary expense, due to a higher average professional staff headcount, as well as increased restricted stock and stock option expenses. For the nine months ended

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September 30, 2003 we recognized stock option expense of \$202,000 and restricted stock expense of \$190,000, while for the nine months ended September 30, 2002 we recognized stock option expense of \$74,000 and did not incur an expense for restricted stock.

*Sales and Marketing.* Sales and marketing costs increased by 14.5% to \$451,000 for the nine months ended September 30, 2003 compared with \$394,000 for the nine months ended September 30, 2002. The increase is primarily the result of increased expenditures for marketing to institutional investment consultants as well as increased travel and entertainment costs. These increases were partially offset by lower advertising costs.

*Information Technology.* Information technology costs decreased by 13.2% to \$597,000 for the nine months ended September 30, 2003 compared with \$688,000 for the nine months ended September 30, 2002. The decrease is primarily due to costs related to redeveloping our website, which were incurred in the 2002 period but not in the 2003 period.

*Professional Services.* Professional services expenses decreased by 31.8% to \$676,000 for the nine months ended September 30, 2003 compared with \$991,000 for the nine months ended September 30, 2002. The decrease is primarily the result of the absence from the 2003 period of spin-off related legal and accounting expenses as well as legal expenses related to the Boykin matter that were incurred in the 2002 period. See Note 6 in the Notes to Interim Consolidated Financial Statements included herewith for more information on the Boykin matter. This decline was partially offset by increased legal and accounting costs associated with being an independent public company as well as higher advisory fees paid to external subadvisors for certain common trust funds sponsored by Westwood Trust.

*General and Administrative.* General and administrative expenses decreased by 4.8% to \$1.1 million for the nine months ended September 30, 2003. The decrease is primarily the result of the initial listing fee paid to the New York Stock Exchange related to the listing of our common stock which was incurred in the 2002 period. The absence of this fee in the 2003 period was partially offset by increased corporate insurance costs in the 2003 period.

*Provision for Income Tax Expense.* Provision for income tax expense decreased by 12.3% to \$2.3 million for the nine months ended September 30, 2003 compared with \$2.6 million for the nine months ended September 30, 2002, reflecting an effective tax rate of 37.9% and 40.6% for the nine months ended September 30, 2003 and September 30, 2002, respectively.

### **Liquidity and Capital Resources**

We fund our operations and cash requirements with cash generated from operating activities. As of September 30, 2003, we had no long-term debt. The changes in net cash provided by operating activities generally reflect the changes in earnings plus the effect of non-cash items and changes in working capital. Changes in working capital, especially accounts receivable and accounts payable, are generally the result of timing differences between collection of fees billed and payment of operating expenses.

During the nine months ended September 30, 2003, cash flow provided by operating activities, principally our investment advisory business, was \$1.7 million. At September 30, 2003, we had working capital of \$17.4 million. Cash flow used in investing activities during the nine months ended September 30, 2003 was \$1.2 million, primarily related to investments in money market funds. Cash flow provided by financing activities during the nine months ended September 30, 2003 was \$3.4 million and was due to loan principal payments received from certain executive officers totaling approximately \$4.1 million offset by cash dividends paid. As of September 30, 2003, notes receivable from stockholders had been fully repaid.

We had cash and investments net of dividends payable of \$18.9 million at September 30, 2003, compared to \$18.5 million at December 31, 2002. Dividends payable were \$5.7 million and \$108,000 as of September 30, 2003 and December 31, 2002, respectively. We had no liabilities for borrowed money at September 30, 2003, and our accounts payable were paid in the ordinary course of business for each of the periods then ended.

Our future liquidity and capital requirements will depend upon numerous factors. We believe that current cash and short-term investment balances and cash generated from operations will be sufficient to meet the operating and capital requirements of our ordinary business operations through at least the next twelve months. However,

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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.

### **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.

#### **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.

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**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
  - 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

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(b) Reports on Form 8-K

Current Report on Form 8-K filed on July 30, 2003 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: October 21, 2003

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)

**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: October 21, 2003

/s/ Susan M. Byrne

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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: October 21, 2003

/s/ Brian O. Casey

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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 September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Susan M. Byrne, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

October 21, 2003

/s/ Susan M. Byrne

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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 September 30, 2003 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.

October 21, 2003

/s/ Brian O. Casey

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Brian O. Casey  
President and Chief Operating Officer