WESTWOOD HOLDINGS GROUP INC
Form DEF 14A
March 08, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Westwood Holdings Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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Dear Stockholder:

You are cordially invited to attend the 2013 Annual Meeting of Stockholders of Westwood Holdings Group, Inc., which will be held on Thursday, April 18, 2013, at 10:00 a.m., Central time, at The Crescent Club, 200 Crescent Court, Suite 1700, Dallas, Texas 75201. The official Notice of Annual Meeting together with a proxy statement and proxy card are enclosed. Please give this information your careful attention.

Westwood invites all stockholders to attend the meeting in person. Whether or not you expect to attend the annual meeting, we urge you to complete, sign, date and promptly return the accompanying proxy card in the enclosed postage-paid envelope to assure your representation at the meeting. You can revoke your proxy at any time before it is voted by delivering written notice to Brian O. Casey at Westwood s principal executive office, by signing and mailing to us a proxy card bearing a later date, or by attending the meeting and voting in person.

Sincerely,

March 8, 2013

Brian O. Casey
Chief Executive Officer, President and Secretary

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WESTWOOD HOLDINGS GROUP, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON APRIL 18, 2013

To the Stockholders of Westwood Holdings Group, Inc.:

NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of Westwood Holdings Group, Inc. (Westwood, the Company, we, us or our) will be held at The Crescent Club at 200 Crescent Court, Suite 1700, Dallas, Texas 75201 on Thursday, April 18, 2013, at 10:00 a.m., Central time, to consider and vote on the following proposals:

Proposal 1.	The election of seven directors to hold office until the next annual meeting of Westwood s stockholders and until their respective successors shall have been duly elected and qualified;
Proposal 2.	The ratification of the appointment of Grant Thornton LLP as Westwood s independent auditors for the year ending December 31, 2013;
Proposal 3.	The approval of the Share Award Plan of Westwood Holdings Group, Inc. for Service Provided in Canada to its Subsidiaries; and
Proposal 4.	The approval of the Second Amendment to the Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan.

In addition, we will consider the transaction of such other business as may properly come before the meeting or at any adjournments or postponements.

The foregoing items of business are more fully described in the attached proxy statement.

Only stockholders of record at the close of business on March 1, 2013 are entitled to notice of, and to vote at, the annual meeting and any adjournments or postponements thereof. A holder of shares of our common stock as of the record date is entitled to one vote in person or by proxy for each share of common stock owned by such holder on all matters properly brought before the annual meeting or at any adjournments or postponements.

All of our stockholders are invited to attend the annual meeting. Whether or not you expect to attend the annual meeting, we urge you to complete, sign, date and promptly return the accompanying proxy card in the enclosed postage-paid envelope to assure your representation at the meeting. You can revoke your proxy at any time before it is voted by delivering written notice to Brian O. Casey at our principal executive office, which is located at 200 Crescent Court, Suite 1200, Dallas, Texas 75201, by signing and mailing to us a proxy bearing a later date, or by attending the annual meeting and voting in person.

If you are the beneficial owner of shares of our common stock held in street name, you will receive voting instructions from your broker, bank or other nominee (who must be the stockholder of record). The voting instructions will provide details regarding how to vote these shares. Additionally, you may vote these shares in person at the annual meeting if you have requested and received a legal proxy from your broker, bank or other nominee giving you the right to vote the shares at the annual meeting, and you complete the legal proxy and present it to us at the annual meeting. Pursuant to the New York Stock Exchange rules, if you hold your shares in street name, nominees will not have discretion to vote these shares on the election of directors. Accordingly, if your shares are held in street name and you do not submit voting instructions to your broker, bank or other nominee, these shares will not be counted in determining the outcome on Proposal 1 set forth in this proxy statement at the annual meeting. We encourage you to provide voting instructions to your broker, bank or other nominee if you hold your shares in street name so that your voice is heard on these proposals.

This proxy statement and proxy card are being mailed to our stockholders on or about March 15, 2013.

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NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS

Important Notice Regarding Internet Availability of Proxy Materials for the Stockholder Meeting to be Held on April 18, 2013

The proxy materials for the Company s Annual Meeting of Stockholders, including the 2012 Annual Report, the Proxy Statement and any other additional soliciting materials, are available over the Internet by accessing the Company s website at http://ir.westwoodgroup.com/annuals.cfm. Other information on the Company s website does not constitute part of the Company s proxy materials.

By Order of the Board of Directors
Westwood Holdings Group, Inc.

Brian O. Casey
Chief Executive Officer, President and Secretary

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WESTWOOD HOLDINGS GROUP, INC.

PROXY STATEMENT FOR

2013 Annual Meeting OF STOCKHOLDERS

TO BE HELD ON APRIL 18, 2013

GENERAL QUESTIONS AND ANSWERS

The following questions and answers are intended to provide brief answers to frequently asked questions concerning the proposals described in this proxy statement and the proxy solicitation process. These questions and answers do not, and are not intended to, address all the questions that may be important to you. You should carefully read the remainder of this proxy statement. This proxy statement and the accompanying proxy card are being mailed to the stockholders of Westwood Holdings Group, Inc. (Westwood, the Company, we, us or our) on or about March 15, 2013.

The Annual Meeting

Q: When and where is the annual meeting?

A: The annual meeting will be held on Thursday, April 18, 2013, at 10:00 a.m., Central time, at The Crescent Club at 200 Crescent Court, Suite 1700, Dallas, Texas 75201.

Q: What am I being asked to vote on?

A: Our stockholders are being asked to vote on the following proposals at the annual meeting:

- To elect seven directors to hold office until the next annual meeting of Westwood s stockholders and until their respective successors shall have been duly elected and qualified;
- To ratify the appointment of Grant Thornton LLP as Westwood s independent auditors for the year ending December 31, 2013;
- To approve the Share Award Plan of Westwood Holdings Group, Inc. for Service Provided in Canada to its Subsidiaries; and
- To approve the Second Amendment to the Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan.

Q: How does the Board of Directors recommend that I vote?

A: The Board of Directors recommends that you vote your shares (i) FOR each of the seven director nominees for election to the Board of Directors, (ii) FOR the ratification of the appointment of Grant Thornton LLP as Westwood s independent auditors for the year ending December 31, 2013, (iii) FOR the approval of the Share Award Plan of Westwood Holdings Group, Inc. for Services Provided in Canada to its Subsidiaries and (iv) FOR the approval of the Second Amendment to the Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan.

If you submit your properly executed proxy without voting instructions, your shares represented by that proxy will be voted as recommended by the Board of Directors.

Q: Who is entitled to vote at the annual meeting?

A: Stockholders of record at the close of business on March 1, 2013 (the record date) are entitled to notice of, and to vote at, the annual meeting and any adjournments or postponements thereof. A holder of shares of our common stock as of the record date is entitled to one vote in person or by proxy for each share of

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common stock owned by such holder on all matters properly brought before the annual meeting or at any adjournments or postponements thereof. As of March 1, 2013, there were 8,123,263 shares of common stock outstanding and entitled to vote on each of the proposals.

Q: What constitutes a quorum?

A: In order to carry on the business of the annual meeting, we must have a quorum. This means at least a majority of the shares of common stock outstanding as of the record date must be represented at the annual meeting, either by proxy or in person. Abstentions and broker non-votes, which are described in more detail below, are counted as shares present at the annual meeting for purposes of determining whether a quorum exists.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner ?

A: Stockholder of Record: A stockholder of record holds shares registered directly in his or her name with our transfer agent. As a stockholder of record, you have the right to grant your voting proxy directly to us in accordance with the procedures described below or to vote in person at the annual meeting.

Beneficial Owners: If your shares are held through a bank, broker or other nominee, you are the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your bank, broker or other nominee, which is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your bank, broker or other nominee on how to vote by completing the instructions provided to you by your bank, broker or other nominee. However, since you are not a stockholder of record, you may not vote these shares in person at the annual meeting unless you obtain a valid proxy from your bank, broker or other nominee (who must be the stockholder of record) giving you the right to vote the shares.

Q: What is a broker non-vote?

A: Generally, a broker non-vote occurs when a bank, broker or other nominee that holds shares in street name for customers is precluded from exercising voting discretion on a particular proposal because (1) the beneficial owner has not instructed the bank, broker or other nominee how to vote, and (2) the bank, broker or other nominee lacks discretionary voting power to vote such shares. A bank, broker or other nominee does not have discretionary voting power with respect to the approval of non-routine matters absent specific voting instructions from the beneficial owners of such shares.

Under applicable rules, Proposals 1, 3 and 4 are considered non-routine matters, which banks, brokers and other nominees are not allowed to vote on unless they have received voting instructions from the beneficial owners of such shares. The proposal to ratify the appointment of Grant Thornton LLP as Westwood s independent auditor for the year ending December 31, 2013 (Proposal No. 2) is considered a routine matter on which banks, brokers and other nominees may vote in their discretion on behalf of beneficial owners who have not provided voting instructions. Your bank, broker or other nominee will send you instructions on how you can instruct them to vote on Proposal No. 2. If you do not provide voting instructions, your bank, broker or other nominee will have discretionary authority to vote your shares with respect to Proposal No. 2.

Q: What vote is required to approve each proposal?

A: Proposal No. 1: The election of directors requires the affirmative FOR vote of a plurality of the shares represented in person or by proxy at the annual meeting and entitled to vote. This means that the seven director nominees that receive the most votes will be elected. You may vote FOR or WITHHOLD with respect to the election of each director. As the election of directors is a non-routine matter under applicable rules, your bank, broker or other nominee cannot vote without instructions from you. Therefore, although

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there may be broker non-votes on this proposal, only FOR votes will be counted in determining whether a plurality has been cast in favor of a director. Broker non-votes and WITHHOLD votes will not affect the outcome on the election of directors.

Proposal No. 2: The ratification of the appointment of Grant Thornton LLP as Westwood s independent auditors for the year ending December 31, 2013 requires the affirmative FOR vote of a majority of the votes cast at the annual meeting. Abstentions will have no effect on the outcome of this proposal.

Proposal No. 3: The approval of the Share Award Plan of Westwood Holdings Group, Inc. for Service Provided in Canada to its Subsidiaries requires the affirmative FOR vote of a majority of the votes cast at the annual meeting (provided that the total votes cast upon this proposal represent over fifty percent (50%) of all shares entitled to vote on this proposal). As the approval of the Share Award Plan of Westwood Holdings Group, Inc. for Service Provided in Canada to its Subsidiaries is a non-routine matter under applicable rules, your bank, broker or other nominee cannot vote without instructions from you. An abstention is a vote cast under current NYSE rules, and, as a result, abstentions will have the effect of a vote AGAINST this proposal. A broker non-vote, however, is not a vote cast under current New York Stock Exchange (NYSE) rules, and, as a result will have no effect on the outcome of this proposal.

Proposal No. 4: The approval of the Second Amendment to the Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan requires the affirmative FOR vote of a majority of the votes cast at the annual meeting (provided that the total votes cast upon this proposal represent over fifty percent (50%) of all shares entitled to vote on this proposal). As the approval of the Second Amendment to the Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan is a non-routine matter under applicable rules, your bank, broker or other nominee cannot vote without instructions from you. An abstention is a vote cast under current NYSE rules, and, as a result, abstentions will have the effect of a vote AGAINST this proposal. A broker non-vote, however, is not a vote cast under current NYSE rules, and, as a result will have no effect on the outcome of this proposal.

Procedures for Voting

Q: Who is entitled to vote?

A: Only stockholders of record as of the close of business on March 1, 2013, the record date, will be entitled to vote on the proposals at the annual meeting. Each share of common stock is entitled to one vote.

Q: How do I vote?

A: If you are the record holder of your shares, you can vote by attending the annual meeting in person or by completing, signing and returning your proxy card in the enclosed postage-paid envelope.

If your shares are held by your broker as your nominee (that is, in street name), you will need to obtain a proxy form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker to vote your shares. If your shares are held in street name, your proxy card may contain instructions from your broker that allow you to vote your shares using the Internet or telephone. Please consult with your broker if you have any questions regarding the electronic voting of shares held in street name.

Q: Is my proxy revocable and can I change my vote?

A: If you are a stockholder of record you may revoke your proxy at any time before it is voted by doing one of the following:

- Sending a written notice revoking your proxy to Brian O. Casey, our Secretary, at 200 Crescent Court, Suite 1200, Dallas, Texas 75201;

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Signing and mailing to us a proxy bearing a later date; or

Attending our annual meeting and voting in person.

If you are not a stockholder of record, but instead hold your shares in street name through a bank, broker or other nominee, the above-described options for revoking your proxy do not apply. Instead, you will need to follow the instructions provided to you by your bank, broker or other nominee in order to revoke your proxy and submit new voting instructions.

Q: Is my vote confidential?

A: Yes. Only the inspector of votes and certain of our employees will have access to your proxy card. All comments will remain confidential, unless you ask that your name be disclosed.

Our Current Stock Ownership

Q: What percentage of stock do the directors and executive officers own?

A: Collectively, our executive officers and directors beneficially owned approximately 1,143,056 shares, or approximately 14.1 percent, of our outstanding common stock as of March 1, 2013.

We believe that our executive officers and directors intend to vote their shares of our common stock on each of the proposals presented in this proxy statement as recommended by the Board of Directors.

Q: Who are the largest principal stockholders?

A: Based on our review of Schedule 13G, Schedule 13D and Form 4 filings, as of March 1, 2013, our ten largest institutional stockholders were GAMCO Investors, Inc. (9.9% ownership of our outstanding common stock), Royce & Associates (7.7%), Third Avenue Management LLC (6.1%), BlackRock (5.0%), Conestoga Capital (4.9%), Vanguard Group (3.5%), Wells Fargo & Co. (3.0%), Dimensional Fund Advisors, Inc. (2.0%), State Street Corp. (1.3%) and Northern Trust Investments (1.2%).

Susan M. Byrne, our Chairman, owned 6.4%, and Brian O. Casey, our President and Chief Executive Officer, owned 3.8% of our outstanding common stock as of March 1, 2013. Our employees and directors, including Ms. Byrne and Mr. Casey, collectively owned approximately 29.7% of our outstanding common stock as of March 1, 2013.

Other Information

Q: What is the deadline to propose actions for consideration at the 2014 annual meeting of stockholders?

A: To be included in the proxy statement for the 2014 annual meeting, stockholder proposals must be in writing and must be received by Westwood at our principal executive office at the following address: 200 Crescent Court, Suite 1200, Dallas, Texas 75201, Attn: Secretary, no later than November 15, 2013. In addition, all proposals will need to comply with Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act), which lists the requirements for the inclusion of shareholder proposals in company-sponsored proxy materials.

Q: How may I recommend or nominate individuals to serve as directors, and what is the deadline to propose or nominate individuals to serve as directors?

A: You may propose director candidates for consideration by the Governance/Nominating Committee of our Board of Directors. Any such recommendations must be in writing to our Corporate Secretary at our principal executive office and received not less than 120 calendar days before the one-year anniversary of the date that the proxy statement for the previous year s annual meeting was released to stockholders.

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However, if we did not hold an annual meeting during the previous year, or if the date of the current year s annual meeting has been changed by more than 30 days from the date of the previous year s annual meeting, then the deadline is a reasonable time before we begin to print and mail our proxy materials. For the 2014 annual meeting, the deadline is November 15, 2013. Director candidates recommended by stockholders are evaluated by the Governance/Nominating Committee based on the same criteria applied by the Governance/Nominating Committee to director candidates identified by that committee. To be valid, a stockholder s notice to the Corporate Secretary must set forth certain information, as further described in Corporate Governance Information Director Nominees.

Q: Who is soliciting my proxy and who will pay the solicitation expenses?

A: The Company is soliciting your proxy by and on behalf of our Board of Directors, and we will pay the cost of preparing and distributing this proxy statement and the cost of soliciting votes. We will reimburse stockbrokers and other custodians, nominees and fiduciaries for forwarding proxy and solicitation material to the owners of our common stock.

Q: Who can help answer my additional questions?

A: Stockholders who would like additional copies, without charge, of this proxy statement or have additional questions about this proxy statement, including the procedures for voting their shares, should contact:

Mark A. Wallace, Chief Financial Officer

Westwood Holdings Group, Inc.

200 Crescent Court, Suite 1200

Dallas, Texas 75201

Telephone: (214) 756-6900

This question and answer section is qualified in its entirety by the more detailed information contained in this proxy statement. **You are strongly urged to carefully read this proxy statement in its entirety before you vote.**

This proxy statement contains important information that should be read before you vote on the proposals herein. You are strongly urged to read this proxy statement, including Appendix A and Appendix B hereto, in its entirety. You are also strongly urged to read our Annual Report on Form 10-K for the period ended December 31, 2012, which is being sent to you with this proxy statement.

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PROPOSAL 1:

Election of Directors

Our bylaws provide that the Board of Directors of the Company (the Board) will consist of between three and eleven directors, as determined from time to time by resolution of the Board. The Board has previously set the number of directors at eight, all of whose terms expire at the 2013 Annual Meeting. Director Tom C. Davis is not standing for re-election to the Board at the 2013 Annual Meeting. Accordingly, the Board of Directors has reduced the size of the Board and established the number of directors as seven. Each director elected at the 2013 Annual Meeting will serve until the 2014 Annual Meeting and thereafter until his or her successor has been elected and qualified or until the director s earlier death, resignation or removal. The Board of Directors, upon the recommendation of the Governance/Nominating Committee, has nominated the nominees listed below. Each nominee has consented to being named in this proxy statement and to serve if elected.

We have no reason to believe that any of the nominees will not serve if elected, but if any of them should become unavailable to serve as a director, and if the Board of Directors designates a substitute nominee, the persons named in the accompanying proxy will vote for the substitute nominee designated by the Board of Directors, unless a contrary instruction is given in the proxy.

Each stockholder is entitled to cast one vote for each director nominee per share of common stock held by them at the close of business on March 1, 2013. A plurality of the shares represented in person or by proxy at the annual meeting and entitled to vote is required for the election of directors. This means that the seven director nominees that receive the most votes will be elected. Votes may be cast in favor of a director nominee or withheld. Stockholders may withhold authority to vote for any nominee by striking a line through the name of such nominee in the space provided for such purpose on the proxy card. Broker non-votes and votes that are withheld will be excluded entirely from the vote and will have no effect. Votes that are withheld for a particular nominee will be excluded from the vote for that nominee only.

Nominees

The persons nominated to be directors are listed below. The following information is submitted concerning the nominees for election as directors:

Name	Age	Position(s) With Westwood
Brian O. Casey	49	Chief Executive Officer, President, Secretary and Director
Susan M. Byrne	66	Chairman of the Board of Directors and Director
Richard M. Frank	65	Director
Robert D. McTeer	70	Director
Geoffrey R. Norman	69	Director
Martin J. Weiland	64	Director
Raymond E. Wooldridge	74	Director

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THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE

FOR THE APPROVAL OF EACH OF THE DIRECTOR NOMINEES.

The biographical information for each director nominee is set forth below.

Brian O. Casey has served as Chief Executive Officer of Westwood since January 2006, as President, Secretary and director of Westwood since its inception in December 2001, and as Chief Operating Officer of Westwood from 2001 to 2005. Mr. Casey has served as Chief Executive Officer of Westwood Management since January 2006, as Secretary since 2003, as President since 2002, and as a director since 2000. Mr. Casey served as Chief Operating Officer of Westwood Management from 2000 to 2005, as Executive Vice President from 2000 to 2002, and as Vice President from 1992 to 1996. Mr. Casey has served as President and director of Westwood Trust since 1996. Since 2002, Mr. Casey has served on the Tartan Board of Directors, a group exclusively devoted to raising money for the Texas Scottish Rite Hospital for Children. Since 2006, he has been a member of the Governor s Business Council for the State of Texas. He was appointed in 2008 to the board of the Baylor Health Care System Foundation, which helps raise money to support Baylor Health Care System s mission of patient care, education, research and community service. In 2011, he was appointed to the Board of the Cooper Institute, an organization that is dedicated to scientific research in the field of preventative medicine and public health.

As the Chief Executive Officer of the Company and with over 20 years in senior executive roles with the Company, Mr. Casey brings an extensive knowledge of and experience with the Company and its business as well as valuable leadership and management experience. Mr. Casey has deep knowledge of the Company s operations, strategies and competitive environment as well as the asset management industry as a whole. As a board member of several private organizations, Mr. Casey also brings valuable experience in governance matters.

Susan M. Byrne has served as Chairman of the Board of Directors and director of Westwood since its inception in December 2001. Ms. Byrne served as Co-Chief Investment Officer from January 2011 to February 2012, Chief Investment Officer of Westwood from January 2006 to January 2011, and as Chief Executive Officer from December 2001 to December 2005. Ms. Byrne is the founder of Westwood Management, and has served as its Chairman of the Board since 1983, as Chief Investment Officer from 1983 to February 2012, and as Chief Executive Officer from 1983 to 2005, and as President from 1983 to 2002. She served as a director of Westwood Trust from 1996 to 1999. She has previously served as a member of the Board of Presbyterian Communities Service Foundation, a member of the Board of the University of Texas Investment Management Company, and as a member of the Board of Trustees for the City of Dallas Employees Retirement Fund.

As the Founder and Chairman of the Board of the Company and as a result of her tenure with the Company and its subsidiaries for over 30 years, Ms. Byrne brings an extensive knowledge of and experience with the Company and its business as well as valuable leadership and management experience. Ms. Byrne has deep knowledge of the Company s operations, strategies and competitive environment as well as the asset management industry as a whole. With over 40 years of experience in the investment management business, Ms. Byrne is uniquely qualified to provide insight to the Board on the Company s investment management strategies and operations. As a board member of several private organizations, Ms. Byrne also brings valuable experience in governance matters.

Richard M. Frank has served as a director of Westwood and Westwood Trust since February 2006. Since December 2008, Mr. Frank has served as Executive Chairman of the Board of CEC Entertainment, Inc. (CEC), a Dallas-based NYSE-listed company that operates a chain of pizza and children s entertainment restaurants. He has served as a Director of CEC since June 1985. He served as Chairman of the Board and Chief Executive Officer of CEC from March 1986 to December 2008, and served as CEC s President and Chief Operating Officer from June 1985 until October 1988.

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Mr. Frank brings extensive knowledge with regard to executive and board level oversight of a public company through his significant experience as chief executive officer, chairman and director of CEC. Mr. Frank also has a deep understanding of business, governance, compensation and financial matters through his service with CEC.

Robert D. McTeer has served as a director of Westwood and Westwood Trust since July 2007. Mr. McTeer has served as a Distinguished Fellow at the National Center for Policy Analysis (NCPA) since January 2007. Prior to joining the NCPA, he was Chancellor of the Texas A&M University System from November 2004 through November 2006. Before that, he had a 36-year career with the Federal Reserve System, including almost 14 years as President of the Federal Reserve Bank of Dallas and a member of the Federal Open Market Committee (FOMC). Mr. McTeer currently serves on the Board of Directors of Refocus Group, a nonpublic company, headquartered in Dallas, engaged in research and development of surgical procedures for vision disorders. He also serves as a Director of Beal Bank (Plano) and Beal Bank USA (nonpublic). He is a former Director of Aquinas Companies (nonpublic), Guaranty Bank (public), the University of Georgia s College of Business (nonprofit), and the National Council on Economic Education (nonprofit). He is a former Director and President of the Association of Private Enterprise Education (nonprofit).

Mr. McTeer brings extensive knowledge of capital markets and the global economy, having served with the Federal Reserve System for 36 years. Mr. McTeer also brings valuable experience in business, governance, compensation and financial matters through his current and prior service as a director for other public and private companies.

Geoffrey R. Norman has served as a director of Westwood and Westwood Trust since April 2007. He was employed by General Electric from 1968 to 2004, serving in various roles including Comptroller of GE Española, Chief Financial Officer of GE International Contractor Equipment, Vice President & Treasurer of GE Capital, and Executive Vice President of GE Asset Management from April 1988 to March 2004. Mr. Norman graduated from GE s Financial Management Program and spent three years on GE s Corporate Audit Staff, conducting numerous audits of GE businesses in the United States and internationally. Mr. Norman serves on an advisory board for buildOn, a not-for-profit entity that builds schools in underdeveloped countries and organizes after-school clubs in US high schools. Mr. Norman also serves as a member of the Distribution Committee and as an advisor to 5AM Ventures, an early-stage venture capital biotech firm based in Menlo Park, California.

Mr. Norman brings extensive financial, operational, regulatory and strategy expertise to the Board, having served in several finance and executive management roles over a 36-year career at General Electric. As a former executive with GE Asset Management, where he led the creation of GE s external money management business and served on the Board of Trustees of GE Canada s Pension Plan, and current member of the Board of Trustees of the Canadian General Electric Pension Trust, Mr. Norman brings extensive knowledge of the institutional investment management business from both the asset manager and plan sponsor perspective.

Martin J. Weiland has served as a director of Westwood and Westwood Trust since December 2010. He retired as Chairman, President and Chief Executive Officer of Northern Trust Bank of Texas N.A. in May of 2009. Before his appointment in 1997 to CEO, Mr. Weiland served as Chief Fiduciary Officer of Northern Trust Bank of Texas N.A. He has more than 35 years experience in the trust and investment management industry. Mr. Weiland began his career at Continental Illinois National Bank in 1973. He then moved to Texas to become Manager of Employee Benefits for Texas Commerce Bank. In 1987, he joined First Republic (Bank of America) to manage Corporate and Institutional Trust. He is a past Chairman of the Trust Financial Services Division of the Texas Bankers Association and has served on various industry related committees including the American Bankers Association, as well as the Texas Bankers Association. He is currently on the Board of The Dallas Opera, having served as President/Chairman on two separate occasions.

Mr. Weiland brings extensive knowledge of the trust and investment management industries to the Board, having served over 35 years with Northern Trust, First Republic Bank, Texas Commerce Bank and Continental Illinois Bank. Mr. Weiland brings a thorough understanding of competitive, regulatory, client service and strategic issues facing the Company.

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Raymond E. Wooldridge has served as a director of Westwood since it became a public company in December 2001. He has served as a director of Westwood Trust since 2000. He is a director of CEC Entertainment, Inc., a Dallas-based NYSE-listed company that operates a chain of pizza and children s entertainment restaurants. He is Chairman of the Board of Reeves Bancshares, Inc., a one-bank holding company whose principal subsidiary is Stockmans Bank, which serves southwestern Oklahoma. Mr. Wooldridge was a Director for Davidson Companies, Inc., a financial services holding company headquartered in Montana, from 1994 to 2009. He also served as a Director of Davidson Trust Company, a wealth management and trust firm, from 2001 to 2005. From 1986 to 1999, he was a director of SWS Group, Inc. (SWS); from 1996 to 1999, he served as the Vice Chairman and Chairman of the Executive Committee of SWS; from 1993 to 1996, he served as Chief Executive Officer of SWS; and from 1986 to 1993, he served as President and Chief Operating Officer of SWS. He is a past Chairman of the National Securities Clearing Corporation, a national clearing agency registered with the SEC, and past Vice Chairman of the Board of Governors of the National Association of Securities Dealers.

Mr. Wooldridge brings extensive financial, operational, regulatory and strategy expertise to the Board, having served in senior executive roles with SWS for over 13 years. In addition, as a former senior executive and director of SWS, our former parent company, Mr. Wooldridge developed intimate knowledge of the Company s operations, firm history and competitive landscape. Mr. Wooldridge also brings valuable experience in business, governance, compensation and financial matters through his current and prior service as a director for other public and private companies.

Tom C. Davis, who served as a director of Westwood in 2012, will not be standing for re-election at the 2013 Annual Meeting.

Corporate Governance Information

The Board of Directors held five meetings during 2012. All of the director nominees attended all of the meetings held in 2012. The standing committees of the Board of Directors currently consist of the Audit Committee, the Compensation Committee and the Governance/Nominating Committee. The membership and duties of these committees are described below.

Independent Directors (1)	Audit Committee	Compensation Committee	Governance/Nominating Committee
Tom C. Davis (2)	M		M
Richard M. Frank	M	C	M
Robert D. McTeer	M		
Geoffrey R. Norman (2)	M	M	
Martin J. Weiland (3)	M	M	C
Raymond E. Wooldridge (4)	C	M	M

M Committee member
C Committee chairman

(1) The Board of Directors has determined that all members of the Audit, Compensation and Governance/Nominating Committees are independent directors within the meaning of the NYSE Corporate Governance Listing Standards.

(2) The Board of Directors has determined that Geoffrey R. Norman is qualified as an Audit Committee financial expert within the meaning of the regulations of the Securities and Exchange Commission (SEC) and has accounting and related financial management expertise within the meaning of the NYSE Corporate Governance Listing Standards. Tom C. Davis served as the Company s Audit Committee financial expert in 2012. Mr. Davis is not standing for re-election at the 2013 Annual Meeting.

(3) Martin J. Weiland was appointed to the Compensation Committee in February 2012.

(4) Raymond E. Wooldridge is Lead Director, and as such, he chairs executive sessions of the Board of Directors.

Board Committees

Audit Committee. The Audit Committee operates pursuant to a charter approved by our Board of Directors, which the Audit Committee reviews periodically to determine if revisions are necessary or appropriate. A copy of the charter is posted on our website at www.westwoodgroup.com. In addition, a copy of the charter is available upon written request to our Corporate Secretary at our principal executive office (200 Crescent Court, Suite 1200, Dallas, Texas 75201). The Audit Committee monitors our independent auditors as well as the preparation of our financial statements. The Audit Committee considers and selects an independent accounting firm to conduct the annual audit, monitors the independence of our independent accountants and monitors our accounting and financial reporting processes and audits of our financial statements. The Audit Committee is responsible for reviewing reports from our management relating to our financial condition and other matters that may have a material impact on our financial statements and compliance policies. The Audit Committee is also responsible for inquiring of our management and independent auditors regarding the appropriateness of the accounting principles we follow, as well as reviewing changes in accounting principles and their impact on our financial statements in terms of scope of audits conducted or scheduled to be conducted. The Audit Committee is further responsible for preparing a report stating, among other things, whether our audited financial statements should be included in our Annual Report. The Audit Committee met five times during 2012. All of the members of the Audit Committee attended all of the meetings held in 2012.

Compensation Committee. The Compensation Committee operates pursuant to a charter approved by our Board of Directors, a copy of which is posted on our website at www.westwoodgroup.com. In addition, a copy of the charter is available upon written request to our Corporate Secretary at our principal executive office. The Compensation Committee authorizes and determines all compensation for our executive officers, administers our incentive compensation plans in accordance with the powers and authority granted in such plans, determines any incentive awards to be made to our officers, administers all of our stock incentive plans and other equity ownership, compensation, retirement and benefit plans, approves the performance-based compensation of individuals pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (Code Section 162(m)), and administers other matters relating to compensation or benefits. The Compensation Committee met six times during 2012. All of the members of the Compensation Committee attended all of the meetings held in 2012.

Governance/Nominating Committee. The Governance/Nominating Committee operates pursuant to a charter approved by our Board of Directors, a copy of which is posted on our website at www.westwoodgroup.com. In addition, a copy of the charter is available upon written request to our Corporate Secretary at our principal executive office. The primary function of the Governance/Nominating Committee is to develop and oversee the application of corporate governance principles to Westwood, to identify and evaluate qualified candidates for Board membership and recommend to the Board director nominees to be voted on at the annual meeting of stockholders, and communicate with members of the Board regarding Board and committee meeting format and procedures. The Governance/Nominating Committee met four times during 2012. All of the members of the Governance/Nominating Committee attended all of the meetings held in 2012.

Director Independence

Our Board of Directors has adopted Corporate Governance Guidelines, which concern director independence, among other matters. The full text of our Corporate Governance Guidelines is available on our website at www.westwoodgroup.com. In addition, a copy of our Corporate Governance Guidelines is available upon written request to our Corporate Secretary at our principal executive office.

Pursuant to our Corporate Governance Guidelines, a majority of the members of our Board of Directors, as well as all members of each committee of the Board, must be non-management directors who meet the independence requirements of the NYSE Corporate Governance Listing Standards and other governing laws and regulations. In addition, all members of the Audit Committee must meet additional independence standards required under the Exchange Act. Our Board of Directors annually reviews director independence. In the 2012 review, the Board of Directors reviewed directors responses to a questionnaire asking about their relationships, and the relationships of their family members, with us, and other potential conflicts of interest. In connection with this review, our Board of Directors specifically considered that Mr. Wooldridge has a former relationship with SWS Group, Inc., the company from which we were spun-off in 2002. In addition, our Board of Directors was aware that certain of our directors and individuals or entities affiliated with such directors have asset management accounts that are held by one of our subsidiaries and managed by us. After noting such items, and based upon its review, the Board of Directors unanimously decided that none of these relationships constituted a material relationship with us that would affect the independence of any such director under the NYSE rules.

As a result, the Board affirmatively determined that Messrs. Davis, Frank, McTeer, Norman, Weiland and Wooldridge are all independent as defined under SEC and NYSE rules. Ms. Byrne and Mr. Casey (each of whom was an executive officer of the Company during 2012) are not independent directors.

Board Leadership Structure

Our Board of Directors currently separates the roles of Chief Executive Officer and Chairman of the Board, however the Board does not have a policy in place that requires these two roles to remain separate. Brian O. Casey serves as our President, Chief Executive Officer and director, and Susan M. Byrne serves as our Chairman of the Board. As President and Chief Executive Officer, Mr. Casey has primary responsibility for the day-to-day operations of the Company and provides leadership on the Company s key strategic objectives. As Chairman of the Board, Ms. Byrne provides leadership to the Board and chairs its meetings.

Pursuant to our Corporate Governance Guidelines, if the Chairman of the Board is an employee of the Company, the Board will designate a non-management director as Lead Director. Since Ms. Byrne, the Chairman of the Board, is an employee of the Company, the Board has appointed Mr. Wooldridge to serve as Lead Director. As such, he (i) chairs executive sessions of the non-management directors, (ii) serves as the principal liaison between the Chairman of the Board and the independent directors, and (iii) advises the Chairman of the Board with respect to agenda items. In accordance with our Corporate Governance Guidelines, our non-management directors meet in executive session without the presence of management on a regular basis.

With a supermajority of independent directors, an Audit Committee, a Compensation Committee and a Governance/Nominating Committee each comprised entirely of independent directors, a Lead Director to chair all executive sessions of the non-management directors, and a Chairman of the Board with extensive experience as a leader in the asset management industry and intimate knowledge of the Company s strategy and daily operations, the Board of Directors believes that its existing leadership structure provides an appropriate balance that best serves the Company and its stockholders.

Board s Role in Risk Oversight

The Board s role in the Company s risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic risks. The Audit Committee is responsible for oversight of risks relating to the Company s accounting matters, financial reporting and legal and regulatory compliance. To satisfy these oversight responsibilities, the Audit Committee meets regularly with management, the Company s internal auditor and Grant Thornton LLP, the Company s independent auditor. The Compensation Committee is responsible for overseeing risks relating to employment policies and the Company s compensation and benefits programs. To satisfy these oversight responsibilities, the Compensation Committee meets regularly with management to better understand the implications of compensation decisions, particularly the risks the

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Company s compensation policies pose to the Company s financial condition, human resources and stockholders. The Governance/Nominating Committee is responsible for overseeing risks relating to overall corporate governance and Board succession planning. To satisfy these oversight responsibilities, the Governance/Nominating Committee annually reviews Board composition and Board and committee performance and periodically reports to the Board on corporate governance matters.

Additionally, the Board s risk oversight function is supported by the directorships of Mr. Casey and Ms. Byrne, whose industry knowledge and experience provide the Board with a deep understanding of the risks that the Company faces. Accordingly, the Board of Directors believes that having Mr. Casey and Ms. Byrne both serve on the Board, together with a supermajority of independent directors, three independent Board committees and a Lead Director, provide the appropriate leadership structure to assist in effective risk oversight by the Board.

Risks Related to Compensation Policies and Practices

As part of its oversight of the Company s executive and non-executive compensation programs, the Compensation Committee considers the impact of the Company s compensation programs, and the incentives created by the compensation awards that it administers, on the Company s risk profile. In addition, the Company reviews all of its compensation policies and procedures, including the incentives that they create and factors that may reduce the likelihood of excessive risk-taking, to determine whether they present a material risk to the Company. The Compensation Committee also considers the following risk mitigating factors:

- Overall compensation levels that are competitive with the market;
- Limits on annual cash incentive awards;
- The Compensation Committee s discretionary authority to reduce annual cash incentive awards;
- Use of long-term equity incentive awards to reward executives and other key employees for driving sustainable, profitable growth for stockholders and clients;
- Vesting periods for long-term equity incentive awards that encourage executives and other key employees to focus on sustained stock price appreciation; and
- The Company s internal control over financial reporting and other financial, operational and compliance policies and practices currently in place that are intended to prevent manipulation of performance.

Based on this review, the Company has concluded that its compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

Director Nominees

The Board of Directors has delegated to the Governance/Nominating Committee specified responsibilities relating to selection of directors to serve on the Board. The Governance/Nominating Committee of the Board has the responsibility for identifying potential candidates for Board membership and for making a recommendation to the Board of a slate of director candidates to stand for election at the annual meeting of our stockholders. The Governance/Nominating Committee seeks to identify, and the Board selects, director candidates who (i) have significant business experience that is relevant and beneficial to the Board and Westwood, (ii) are willing and able to make a sufficient time commitment to the affairs of Westwood in order to effectively perform the duties of a director, including regular attendance of Board meetings and committee meetings, (iii) are committed to the long-term growth and profitability of Westwood, (iv) are individuals of character and integrity, (v) are individuals with inquiring minds who are willing to speak their minds and challenge and stimulate management and (vi) represent the interests of Westwood as a whole and not just the interests of a particular stockholder or

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group. The Governance/Nominating Committee does not have a specific policy considering diversity in identifying director candidates, but rather uses the criteria listed above. The Governance/Nominating Committee believes these criteria are the key factors in identifying qualified director candidates.

The Governance/Nominating Committee has a policy for considering new director candidates recommended by our stockholders if such recommendations are made in compliance with the following procedures. A stockholder wishing to recommend a candidate for inclusion as a director nominee in the proxy statement for our annual meeting must submit a written notice of the recommendation to our Corporate Secretary at our principal executive office. The submission must be received at our principal executive office not less than 120 calendar days before the one-year anniversary of the date that the proxy statement for the previous year s annual meeting was released to stockholders. However, if we did not hold an annual meeting during the previous year, or if the date of the current year s annual meeting has been changed by more than 30 days from the date of the previous year s meeting, then the deadline is a reasonable time before we begin to print and mail our proxy materials. For the 2014 annual meeting, the deadline is November 15, 2013. Director candidates recommended by stockholders are evaluated by the Governance/Nominating Committee based on the same criteria applied by the Governance/Nominating Committee to director candidates identified by that committee, as described in the previous paragraph.

To be valid, a stockholder s notice to the Corporate Secretary must set forth (i) the name and address of the stockholder recommending such candidate, as such information appears on our books (if the stockholder is a record holder), (ii) the class and number of shares of Westwood stock that are beneficially owned by the stockholder, (iii) the name, age, business address and residence address of each candidate proposed in the notice, (iv) each candidate s biographical data and qualifications, (v) the class and number of shares of Westwood stock beneficially owned by the candidate, if any, (vi) a description of all arrangements or understandings between the stockholder (or between any person(s) at whose request the stockholder is making the recommendation) and each candidate and (vii) any other information required to be disclosed in solicitations of proxies for election of directors or otherwise required pursuant to Regulation 14A under the Exchange Act. The foregoing information must be provided with respect to any person that the stockholder proposes to recommend for election or re-election as a director. The candidate s signed written consent to being named in the proxy statement as a nominee and to serving as a director if elected must also be provided.

For the 2013 Annual Meeting, our Governance/Nominating Committee has not received a candidate recommendation from any stockholder (or group of stockholders), including any stockholder (or group of stockholders) that beneficially owns more than five percent of our common stock.

Communications with the Board

Stockholders or other interested parties may communicate with the Board of Directors or particular Board members (including our Lead Director or non-management directors as a group) by mailing a written communication to our Corporate Compliance Officer at 200 Crescent Court, Suite 1200, Dallas, Texas 75201, by email to compliance@westwoodgroup.com or by telephone to 214-756-6900. All communications are received and processed by the Corporate Compliance Officer before being referred to the appropriate Board member(s). Complaints relating to our accounting, internal accounting controls or auditing matters, and concerns regarding questionable accounting or auditing matters, are referred to the Chairman of the Audit Committee. Other communications intended for the Board of Directors at large are referred to our Lead Director, while communications intended for specific Board members are referred to those Board members. Advertisements, solicitations for periodical or other subscriptions, and similar communications are not forwarded to Board members. In the event that a complaint or concern appears to involve the Corporate Compliance Officer, then the stockholder or other interested party is encouraged to contact directly the Chairman of the Audit Committee, Raymond E. Wooldridge, at rwooldridge@westwoodgroup.com.

Stockholders may also communicate directly with Board members at the annual meetings of stockholders, as it is our policy that Board members should attend such meetings and make themselves available to address any matters properly brought before the meetings. All of our Board members attended the 2012 annual meeting of stockholders.

Code of Ethics

All of our employees, including our principal executive officer, principal financial officer and principal accounting officer, and all of our directors are required by our Code of Business Conduct and Ethics (the Code of Ethics) to conduct our business in the highest legal and ethical manner. The full text of the Code of Ethics is available on our website at www.westwoodgroup.com. In addition, a copy of the Code of Ethics is available upon written request to our Corporate Secretary at our principal executive office address. We intend to post amendments to or waivers from the Code of Ethics as required by applicable rules on our website.

Our employees are required to report any conduct that they believe could in any way be construed as a fraudulent or illegal act or otherwise in violation of the Code of Ethics. The Audit Committee has established procedures to receive, retain and address complaints regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of related concerns.

Director Compensation

We pay each non-employee member of our Board of Directors a $20,000 annual retainer, $5,000 for each regularly scheduled quarterly meeting of the Board of Directors attended by the member and $5,000 per Board or committee meeting attended other than regularly scheduled quarterly meetings. The Lead Director receives an additional $5,000 annual retainer. Additionally, upon election or re-election as a member of our Board of Directors, each non-employee director is awarded 1,500 restricted shares of our common stock, which generally vest 12 months from the date of grant. In 2011, the Board established a policy that directors should own a minimum of 3,000 shares of our common stock within three years of their election or the establishment of this policy. The Compensation Committee reviews our compensation arrangements for directors from time to time. Brian O. Casey, our President and Chief Executive Officer, and Susan M. Byrne, our Chairman of the Board, are not included in this table as they are Company employees and receive no compensation for their service as directors. The Company s executive officers do not make recommendations regarding the non-employee directors compensation.

2012 Director Summary Compensation Table

Name **(a)**	**Fees Earned or Paid in Cash ($) (b)**	**Stock Awards ($) (c)**	**Total ($) (h)**
Tom C. Davis	45,000	56,145	101,145
Richard M. Frank	50,000	56,145	106,145
Robert D. McTeer	45,000	56,145	101,145
Geoffrey R. Norman	50,000	56,145	106,145
Martin J. Weiland	50,000	56,145	106,145
Raymond E. Wooldridge	55,000	56,145	111,145

Notes, by column letter:

(c) The amounts contained in column (c) reflect the grant date fair value of the time-based restricted stock granted to directors in 2012 in accordance with Accounting Standards Codification Topic 718 (ASC 718), Stock Compensation (except no assumptions for forfeitures were included). The assumptions used in the valuation of the restricted stock awards are discussed in footnote 10 Employee Benefits of our audited

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financial statements, which are included in our 2012 Form 10-K filed with the SEC on February 28, 2013. All restricted stock grants were made under the Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan and are subject to a one-year vesting period as described above.

As of December 31, 2012, our directors held the following unvested restricted stock:

Name (a)	Unvested Restricted Stock (b)
Tom C. Davis	1,500
Richard M. Frank	1,500
Robert D. McTeer	1,500
Geoffrey R. Norman	1,500
Martin J. Weiland	1,500
Raymond E. Wooldridge	1,500

Notes, by column letter:

(b) The unvested restricted shares were issued on April 19, 2012 and have a vesting date of April 18, 2013, subject to such director s continued service as a director through the vesting date.

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EXECUTIVE OFFICERS

Biographical information regarding Westwood s current executive officers and other key employees is as follows:

Brian O. Casey. See biographical information under the caption Proposal 1 Election of Directors.

Susan M. Byrne. See biographical information under the caption Proposal 1 Election of Directors.

Mark Freeman, age 45, has served as Executive Vice President and Chief Investment Officer since February 2012. Mr. Freeman served as Executive Vice President and Co-Chief Investment Officer from January 2011 to February 2012. He served as Senior Vice President and Portfolio Manager for Westwood from July 2006 to December 2010. He joined Westwood in 1999 as Assistant Vice President and served as Vice President and Portfolio Manager from July 2000 to July 2006. Mr. Freeman is a member of the American Economics Association, the CFA Institute, and the CFA Society of Dallas/Fort Worth. Additionally, he is a member of the Board of Trustees of Millsaps College, and serves as a board member for the Wilson Fund.

Mark A. Wallace, age 55, has served as Vice President and Chief Financial Officer of Westwood since November 2012. Mr. Wallace has extensive experience in senior financial officer roles at NYSE listed corporations. His experience includes financial reporting for SEC registrants, capital markets, corporate governance, global tax and treasury matters, mergers and acquisitions, and technology solutions. Prior to joining the Company, Mr. Wallace served as Chief Financial Officer of HCP, Inc., an S&P 500 real estate investment trust, from March 2004 until March 2009. Following HCP, Mr. Wallace served as Chief Financial Officer of Westcore Properties, a privately held international real estate firm, from August 2010 until December 2010, as a financial consultant to Goodman Networks, Inc., a telecommunication services company, from May 2011 until August 2012, and as Chief Financial Officer of Leading Edge Aviation Services, Inc., a privately held aerospace services company, from September 2012 until November 2012. Mr. Wallace also served as Chief Financial Officer of Titanium Metals Corporation and Tremont Corporation, both NYSE listed companies, and as Assistant Controller of Valhi, Inc. His career includes 11 years with Arthur Andersen LLP. Mr. Wallace holds a Bachelor s and Master s degree in business administration, and is a certified public accountant.

William R. Hardcastle, Jr., age 45, served as Vice President and Chief Financial Officer of Westwood from July 2005 until November 2012, when he resigned as Chief Financial Officer to focus his attention on business development and strategic initiatives at the Company. Mr. Hardcastle served as Treasurer of Westwood from July 2002 to July 2005 and as Assistant to the President of Westwood from December 2001 to July 2002. Mr. Hardcastle is a member of the CFA Institute.

There are no family relationships among the directors, executive officers and other key employees of Westwood, except as described under Certain Relationships and Related Party Transactions Review and Approval of Related Party Transactions.

SEC rules require that we discuss the compensation of all individuals that served as a named executive officer during the year. As a result, Ms. Byrne, who served as Co-Chief Investment Officer until February 2012, and Mr. Hardcastle, who served as Chief Financial Officer until November 2012, are discussed in those capacities.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis provides information regarding our executive compensation program in 2012 for the following executive officers of the Company (collectively, the named executive officers):

- Brian O. Casey, our President and Chief Executive Officer;
- Mark A. Wallace, our Vice President and Chief Financial Officer;
- William R. Hardcastle, Jr., our Vice President and former Chief Financial Officer;
- Mark R. Freeman, our Executive Vice President and Chief Investment Officer; and
- Susan M. Byrne, our Chairman of the Board and former Co-Chief Investment Officer.

During 2012, we had only five executive officers, all of whom are set forth above.

Effective February 7, 2012, Mark R. Freeman was named our Chief Investment Officer. Prior to this appointment, Mr. Freeman and Susan Byrne, our Founder and Chairman of the Board, shared this role as Co-Chief Investment Officers.

While Ms. Byrne no longer serves as Co-Chief Investment Officer, she remains on our Board of Directors and serves as its Chairman. Ms. Byrne also continues to work with the Company on strategic global initiatives and offer her investment experience to the Company. Our Amended and Restated Bylaws were amended and restated effective April 19, 2012, to provide, among other things, that the Chairman of the Board will not, by virtue of that position alone, be deemed an officer of the Company.

Effective November 6, 2012, Mark A. Wallace was appointed our Chief Financial Officer, replacing William R. Hardcastle Jr., who resigned as our Chief Financial Officer effective November 6, 2012, in order to focus his attention on other business development and strategic initiatives at the Company.

Overview of our Executive Compensation Program

The intellectual capital of our employees is one of the most important assets to our firm. As an asset manager, our financial results are primarily based upon the amount of assets we manage, which is dependent on our ability to generate competitive long-term investment performance, build strong relationships with clients, investment consulting firms and other financial intermediaries, provide attentive client service and develop new client relationships, all of which depends, in part, on the intellectual capital of our employees, including the named executive officers.

Highlights of our 2012 performance included the following:

- We established Westwood International Advisors Inc., based in Toronto, Canada, to manage global equity and emerging markets equity strategies, with assets under management growing to $888 million as of December 31, 2012.
- Assets under management as of December 31, 2012 were a record $14.2 billion, an 8% increase compared to $13.1 billion as of December 31, 2011.

Average assets under management for 2012 were $13.7 billion, a 6% increase compared to 2011.

As of December 31, 2012, on an asset-weighted basis, over 90% of our investment strategies have outperformed their respective benchmarks since inception.

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With the addition of three funds in late 2012, our Westwood Funds™ family of mutual funds now includes ten funds and ended the year with $1.6 billion in assets under management.

Our Income Opportunity strategy, with its focus on current income and lower volatility, had net asset inflows of over $600 million, achieved a 5-star overall rating from Morningstar, and finished the year with $1.7 billion in assets under management.

Total revenue was a record $77.5 million, a 12% increase over the prior year.

We believe that the quality, expertise and commitment of our named executive officers are critical to achieving our short-term and long-term business objectives and strategies. To this end, a principal objective of our executive compensation program is to deliver competitive total direct compensation (i.e., base salary, annual cash incentive award and long-term equity awards) that will attract, motivate and retain talented executives who can contribute to the success of our business.

Significant Aspects of our 2012 Executive Compensation Program

Base Salaries	Mr. Casey s base salary remained flat at 2011 levels; Mr. Freeman s base salary increased 81.8% in recognition of, among other things, the additional responsibilities he assumed as our Chief Investment Officer; Ms. Byrne s base salary decreased 33.3% as a result of her relinquishing her previous responsibilities as Co-Chief Investment Officer; and Mr. Hardcastle received a merit increase of 2.7% in his base salary.
Annual Cash Incentive Awards	Messrs. Casey and Freeman and Ms. Byrne received an annual cash incentive award of $1,275,700, $637,850, and $1,070,315, respectively, which was based upon our adjusted pre-tax income for 2012 (as defined below under 2012 Executive Compensation Components-Annual Cash Incentive Awards) provided that Ms. Byrne s award was based upon our adjusted pre-tax income through April 30, 2012 (the expiration date of her employment agreement).
	Mr. Freeman earned a mutual fund award of $1,000,000 based on the Westwood Income Opportunity Fund receiving a 5-star overall rating from Morningstar for the performance period ending December 31, 2012. This mutual fund award is scheduled to vest on December 31, 2013 provided Mr. Freeman remains continuously employed by the Company through the vesting date.
	Mr. Hardcastle earned an annual cash incentive award of $165,000, an increase of 10% from his 2011 annual cash incentive award, from the Company cash bonus pool.
	Mr. Wallace, pursuant to the terms of his at-will employment offer letter (Offer Letter), received a performance bonus of $50,000.
Long-Term Equity Awards	In connection with their performance-based restricted stock awards, Messrs. Casey and Freeman vested in 35,000 shares and 20,000 shares, respectively, as a result of the Company achieving 2012 adjusted pre-tax income (as defined below under 2012 Executive Compensation Components-Annual Cash Incentive Awards) of at least $26,661,105.

Mr. Hardcastle received a time-based restricted stock award of 5,500 shares, which was the same he received last year.

Mr. Freeman received a time-based restricted stock award of 9,548 shares, in recognition of his performance discussed below.

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	Mr. Wallace received a time-based restricted stock award of 5,000 shares in connection with his hire as our Chief Financial Officer as discussed below.
Perquisites and Personal Benefits	We did not provide significant perquisites or personal benefits to the named executive officers in 2012, other than $50,000 in relocation benefits to Mr. Wallace in the form of reimbursement of his moving and househunting expenses.
At-Risk Compensation	A significant portion of Messrs. Casey s, Freeman s and Hardcastle s and Ms. Byrne s 2012 total direct compensation approximately 64% to 85% was at risk compensation, delivered in the form of annual cash incentive awards and long-term equity awards.

Stockholders Advisory Vote on Executive Compensation

As further discussed below, we did not conduct an advisory vote on executive compensation at last year s Annual Meeting of Stockholders.

To date, we have conducted one advisory vote on executive compensation, which occurred at our 2011 Annual Meeting of Stockholders. While this vote was not binding on the Committee, the Board of Directors or the Company, the Committee values the opinions of the Company s stockholders on executive compensation matters. Based upon the Inspector of Election s report, this advisory vote on executive compensation received the favorable support of 97.6% of the votes cast thereon, reflecting strong stockholder support for our 2010 executive compensation program. The Committee evaluated the results of this advisory vote, together with the other factors and data discussed in this Compensation Discussion and Analysis, in determining our 2012 executive compensation program. In light of the strong stockholder support of our 2010 executive compensation program, the Committee did not make any changes to our 2012 executive compensation program solely as a result of this advisory vote.

The majority of the votes cast at our 2011 Annual Meeting of Stockholders were in favor of conducting the advisory vote on executive compensation once every three years. Partly in response to this stockholder support, we have adopted a policy of conducting the advisory vote on executive compensation once every three years. We will revisit this policy following the next advisory vote on the frequency of advisory votes on executive compensation, and we may revise this policy in the interim as we deem appropriate.

The Committee nevertheless made the following changes in the first quarter of 2013 to our executive compensation program:

In February 2013, the Compensation Committee established the performance goal applicable to the 2013 tranche of Messrs. Casey and Freeman s performance-based restricted stock awards, as adjusted pre-tax income, as defined, of $27,000,000. This represents a five-year compound annual growth rate in excess of 10% over annual adjusted pre-tax income in 2008 (excluding a 2008, non-recurring performance fee of $8.7 million). Our adjusted pre-tax income is determined based on our audited financial statements and is equal to our income before income taxes increased by the expenses incurred for the year for (i) incentive compensation for all officers and employees and (ii) performance-based restricted stock awards, and excluding start up, non-recurring, and similar expense items.

The Committee increased Mr. Casey s base salary from $500,000 to $600,000 effective February 15, 2013 in recognition of (i) his individual performance factors, discussed below, and (ii) to increase the competitiveness of his base salary.

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Compensation Philosophy and Objectives

Our 2012 executive compensation program and compensation decisions were grounded in the following principles:

- Deliver competitive total direct compensation to attract, motivate and retain talented executives who contribute to the success of our business;
- Award compensation that motivates and recognizes valuable, short and long-term individual and company performance; and
- Align the named executive officers interests with those of our stockholders.

As further discussed below, in 2012 the Committee reviewed and considered the market compensation data derived from the McLagan Survey and the Custom Peer Group to ensure, in its subjective judgment, that the named executive officers total direct compensation (i.e., base salary, annual cash incentive award and long-term equity awards) was competitive in our marketplace for executive talent. Furthermore, a significant portion of Messrs. Casey s, Freeman s and Hardcastle s and Ms. Byrne s 2012 total direct compensation approximately 64% to 85% was at risk compensation, delivered in the form of annual cash incentive awards and long-term equity awards. The Committee designed the annual cash incentive awards and long-term equity awards with the intention that such awards would focus the named executive officers on achieving our short-term business objectives and strategies and align their interests with our stockholders.

Role of Executive Officers in Compensation Decisions

In 2012, Mr. Casey worked closely with the Committee to formulate specific plan and award designs necessary to align our executive compensation program with our business objectives and strategies.

Mr. Casey provided the Committee his recommendations on the level and form of the compensation of Messrs. Wallace, Hardcastle and Freeman. With respect to Messrs. Hardcastle and Freeman, Mr. Casey s recommendations were based upon his annual review of these executive officer s individual performance and their applicable employment arrangements, if any. With respect to Mr. Wallace, Mr. Casey s recommendations were based upon his review of the market compensation data derived from the McLagan Survey and the Custom Peer Group as further described below. The Committee has complete discretion to accept, reject, or modify Mr. Casey s recommendations. In 2012, the Committee accepted, without modification, Mr. Casey s recommendations regarding the base salary adjustments, if any, annual cash incentive award and long-term equity awards for Messrs. Wallace, Hardcastle and Freeman.

Mr. Casey does not make recommendations to the Committee as to his own compensation or the compensation of Ms. Byrne.

Setting Executive Compensation

Based on the foregoing philosophy and objectives, the Committee aims to structure the executive compensation program to motivate the named executive officers to achieve the business strategies and goals set by the Company and to reward the executives for achieving such strategies and goals. In establishing the total direct compensation (i.e., base salary, annual cash incentive award and long-term equity awards) of each of the named executive officers, the Committee performed one or more of the following reviews:

- *Assessment of Company Performance*. Our financial performance has an impact on the compensation of all of our employees, including the named executive officers. In general, in establishing one or more of the compensation components of Messrs. Casey, Hardcastle and Freeman and Ms. Byrne, the Committee considered each of the following measures of Company performance: adjusted pre-tax income (as defined below), growth in assets under management, and investment performance of the portfolios managed by us as further described below.

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In approving the (i) annual base salaries of Messrs. Casey, Hardcastle, Freeman and Ms. Byrne and (ii) annual cash incentive awards and equity awards of Messrs. Casey, Hardcastle and Freeman, the Committee did not assess the above performance measures based upon predetermined goals, formulas or weighted factors; rather, the Committee considered all of these measures subjectively and collectively. However, as we discuss below, the Committee did use our annual adjusted pre-tax income (as defined below) as the starting point for determining (a) the Company cash bonus pool, in which Mr. Hardcastle and Mr. Wallace participated in 2012, and (b) the performance formula for determining the annual cash incentive awards of Messrs. Casey and Freeman, and Ms. Byrne and the 2012 tranche of Messrs. Casey and Freeman s performance-based restricted stock shares.

The Committee chose the above performance measures because it believes that such measures are meaningful indicators of our profitability and performance and align our executive s compensation with the interests of our stockholders. As further described below, our performance was only one of several factors considered by the Committee in approving executive compensation.

Assessment of Individual Performance. Individual performance has an impact on the compensation of all Company employees, including the named executive officers. The assessment of the individual performance of each of the named executive officers is a subjective evaluation of his or her accomplishment and contribution to the Company and is not based on the achievement of specific quantitative goals. Annually, the Committee reviews the performance of Mr. Casey and Ms. Byrne for the prior year. As discussed above, Mr. Casey reviews the annual performance of Messrs. Wallace, Hardcastle and Freeman and informs the Committee of the results of his reviews to the Committee for their consideration.

In approving the compensation of Messrs. Casey, Hardcastle and Freeman and Ms. Byrne in 2012, the Committee considered the following subjective individual accomplishments and contributions:

Brian O. Casey. In assessing Mr. Casey s base salary and assessing whether the Committee should exercise any discretion to reduce Mr. Casey s annual cash incentive award, the Committee considered Mr. Casey s:

- Comprehensive oversight and management responsibilities across the entire organization;
- Contribution to the significant organic growth the Company has achieved over the past several years, with net inflows over the last five years of $2.7 billion representing 43% of our growth in assets under management;
- Effective leadership in establishing and integrating Westwood International Advisors in 2012, and overseeing the growth of Westwood International s assets under management to $888 million at December 31, 2012;
- Oversight of our strategic relationship with the National Bank of Canada, which led to (i) the selection of Westwood International Advisors serving as portfolio manager to the Westwood Emerging Markets Fund, a mutual fund for Canadian investors, and (ii) the subsequent launch of the Global Equity and Global Dividend funds for Canadian investors; and
- Success in attracting and retaining a talented team of management and investment professionals.

William R. Hardcastle, Jr. In assessing Mr. Hardcastle s base salary, annual cash incentive award and equity award, the Committee considered Mr. Hardcastle s:

- Substantial contribution to our strategic and corporate development initiatives over the past several years, including the Philadelphia Fund acquisition in 2009, the McCarthy Group Advisors, LLC acquisition in late 2010, and the establishment of Westwood International Advisors Inc. in 2012;

Significant contribution to start-up activities related to Westwood International Advisors;

Substantial involvement in the successful launch of three new mutual funds in 2012 including Westwood Emerging Markets, Westwood Global Equity, and Westwood Global Dividend; and

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- Role in overseeing the Company s financial reporting process and internal control over financial reporting.

Mark R. Freeman. In assessing Mr. Freeman s base salary, annual cash incentive award, mutual fund bonus award, and equity award, the Committee considered Mr. Freeman s:

- Leadership with respect to the management and marketing of the Income Opportunity strategy, which completed a 10-year track record of outstanding performance in 2012, achieved a 5-star overall rating from Morningstar, and generating more than $600 million in net inflows in 2012;
- Substantial involvement in the ongoing development of the Company s investment management and research capabilities;
- Effective representation of our investment department to clients, prospects and consultants; and
- Leadership with respect to the Company s competitive investment performance, including our Master Limited Partnership (MLP) strategy and SmallCap Value strategy, both of which performed well for consecutive years.

Susan M. Byrne. In assessing Ms. Byrne s base salary and assessing whether the Committee should exercise any discretion to reduce Ms. Byrne s annual cash incentive award, the Committee considered Ms. Byrne s:

- Contributions to our ongoing strategic global and corporate development initiatives;
- Oversight of our investment strategy and investment function; and
- Role in setting portfolio-level risk controls and monitoring portfolio risk on an ongoing basis.

The Committee did not assign individual weights to any of the above considerations, but assessed them collectively in making its compensation determinations. As further described below, individual performance was only one of several factors considered by the Committee in approving executive compensation.

- *Market Compensation Data.* The Committee derived and reviewed market compensation data from the McLagan 2012 U.S. Investment Management Survey U.S., a widely used source for compensation information within public and private investment firms (the McLagan Survey) and a custom peer group of publicly traded asset management companies (collectively, the Custom Peer Group).

The McLagan Survey provides detailed analyses of compensation for a greater depth of investment management employees than is available from our public peers and is specifically focused on the asset management industry. The McLagan Survey provides market compensation data for approximately 158 public and private investment management firms. However, the compensation analysis for a particular officer position in the McLagan Survey does not provide the identities of the individual investment management and advisory firms. Instead, the market compensation data is presented in several different groupings, including, but not limited to, headquarter location, range of assets under management and job function. Confidentiality obligations to McLagan Partners and to its survey participants prevent us from disclosing the firms included in the survey.

The Custom Peer Group, which is periodically reviewed and updated by the Committee, consists of companies against which the Committee believes the Company may compete with in one or more aspects of its business. For 2012, the companies comprising the Custom Peer Group were:

Affiliated Managers Group, Inc.	GAMCO Investors, Inc.
Calamos Asset Management, Inc.	T. Rowe Price Group, Inc.
Cohen & Steers, Inc.	Waddell & Reed Financial Inc.
Epoch Holding Corporation	

Most of the companies that comprise the Custom Peer Group are much larger companies than the Company in terms of assets under management and revenues. The Committee realizes this size

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disparity and takes it into account when looking at the market compensation data derived from the Custom Peer Group in the context of evaluating and approving compensation for the named executive officers. There were no changes in the composition of the Custom Peer Group from 2011 to 2012.

The Committee considers the market compensation data derived from the McLagan Survey and the Custom Peer Group equally relevant and important, with neither source of information being a determinative factor in setting executive compensation levels. The Committee uses both sources of information as a market check to ensure, in its subjective judgment, that individual pay components remain competitive. The Committee does not target any individual pay component of the named executive officers to fall within a specific range or percentile of the market compensation data derived from the McLagan Survey or the Custom Peer Group.

There is no pre-established target for the allocation between (i) cash and equity-based compensation and (ii) short-term and long-term incentive compensation. Rather, the Committee considers, among other things, Company performance, individual performance, and the market compensation data derived from the McLagan Survey and Custom Peer Group, as well as its own subjective judgment to determine the appropriate level and mix of each component of the executive compensation program.

2012 Executive Compensation Components

For 2012, the principal components of compensation for the named executive officers were:

- Base salary;
- Annual cash incentive awards;
- Long-term equity awards; and
- Employee and post-retirement benefits.

Base Salary

Base salary is the fixed component of the named executive officers annual cash compensation. We provide the named executive officers with a base salary to compensate them for services rendered during the fiscal year and in recognition of their expertise, skills, knowledge and experience.

Salary levels are typically considered annually as part of our performance review process, as well as upon a promotion, change in job responsibilities, or in connection with the negotiation of terms of employment.

The base salaries of the named executive officers as of the beginning and end of the 2012 fiscal year, including any adjustments made during the year, were as follows:

Name Executive Officer	Base Salary as of 1/1/12	Base Salary as of 12/31/12	Percentage Change
Brian O. Casey President and Chief Executive Officer	$ 500,000	$ 500,000	
Susan M. Byrne Chairman of the Board and former Co-Chief Investment Officer	$ 750,000	$ 500,000	33.3%
Mark R. Freeman Executive Vice President and Chief Investment Officer	$ 275,000	$ 500,000	81.8%

William R. Hardcastle, Jr. Vice President and former Chief Financial Officer	$ 185,000	$ 190,000	2.7%
Mark A. Wallace [(1)] Vice President and Chief Financial Officer		$ 200,000	

(1) Mr. Wallace joined the Company on November 5, 2012.

Mr. Hardcastle received a 2.7% merit increase in his base salary in recognition of his individual performance factors discussed above.

Mr. Freeman received an 81.8% increase in his base salary in connection with his promotion as Chief Investment Officer effective February 7, 2012. The Committee determined that this increase was appropriate in recognition of (i) the significant additional responsibilities he assumed as our Chief Investment Officer and (ii) his individual performance factors discussed above, as well as to increase the competitiveness of his base salary.

In connection with Ms. Byrne s resignation as Co-Chief Investment Officer, her base salary was decreased 33.3%. The Committee determined this adjustment to be appropriate in light of (i) her relinquishing her previous responsibilities as Co-Chief Investment Officer and (ii) her still significant role at the Company focused on strategic global initiatives. Ms. Byrne continues her service to the Company as our non-executive Chairman of the Board and will continue to work with the Company on strategic global initiatives and offer her investment experience to the Company.

While the Committee reviewed the market compensation data derived from the McLagan Survey and the Custom Peer Group when setting the base salary of Messrs. Wallace, Hardcastle and Freeman and Ms. Byrne, the Committee did not target their respective base salary to fall within a specific range or percentile of the market compensation data.

Annual Cash Incentive Awards

In general, the Committee awards annual cash incentive awards to each of the named executive officers. These awards are intended to focus the named executive officers on achieving our short-term business objectives and strategies and allow them to participate in our growth and profitability.

Annual Cash Incentive Awards of Messrs. Casey and Freeman and Ms. Byrne

Under the Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan (the Stock Incentive Plan), in 2012 Messrs. Casey and Freeman and Ms. Byrne were each eligible to earn a maximum annual cash incentive award equal to 3%, 1.5% and 8%, respectively, of the Company s 2012 adjusted pre-tax income. Ms. Byrne s maximum annual cash incentive award was based upon our adjusted pre-tax income through April 30, 2012 (the expiration date of her employment agreement).

Each of these 2012 cash incentive awards were subject to the Committee s oversight, including the Committee s oversight of Company performance. The Committee also retained discretion to reduce (but not to increase) the amount payable pursuant to each of these awards. In 2012, the Committee did not exercise its discretion to reduce the annual cash incentive award of Messrs. Casey or Freeman or Ms. Byrne.

The Committee chose adjusted pre-tax income as the basis for the performance formula for Messrs. Casey and Freeman and Ms. Byrne because it believes that such performance measure is a meaningful indicator of our performance and profitability and also believes that structuring the annual cash incentive award in this way closely aligns the interests of these executives with our stockholders. The Committee chose the 3%, 1.5% and 8% levels based on its review of the market compensation data as well as its subjective judgment of the proper allocation of the annual cash incentive award to total direct compensation of these executives.

Our adjusted pre-tax income for 2012 was determined based on our audited financial statements and is equal to our income before income taxes (i) increased by the expenses incurred for the year (a) for the annual cash incentive awards earned by Messrs. Casey and Freeman and Ms. Byrne and one other employee, (b) for incentive compensation for all other Company employees, (c) for performance-based restricted stock awards to Messrs. Casey and Freeman and one other employee and (ii) excluding revenues and expenses associated with Westwood

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International Advisors Inc., as determined by the Committee. The Company s adjusted pre-tax income through April 30, 2012 and for the entire 2012 fiscal was $13,378,936 and $42,523,347, respectively. Messrs. Casey s and Freeman s and Ms. Byrne s annual cash incentive awards that were earned in 2012, but paid in February 2013 are listed in column (f) in the 2012 Summary Compensation Table below.

Mutual Fund Award of Mr. Freeman

Pursuant to his employment agreement, Mr. Freeman is eligible throughout the term of his employment agreement to receive mutual fund share bonus awards as may be granted from time to time by our Board or the Committee. These mutual fund share bonus awards are annual performance bonus awards the amounts and payment of which are conditioned on one or more of our mutual funds achieving one or more performance goals established by the Committee. Mr. Freeman s employment agreement provides that any mutual fund bonus award granted to him must be pursuant to an agreement similar to the 2012 MFSI Agreement (described below) and (i) provide a target bonus amount that is no less than the amount of his then-current base salary, and (ii) be subject to performance criteria tied to bonus award amounts that provide Mr. Freeman an equal or better opportunity for success than he has under the terms of 2012 MFSI Agreement.

For 2012, Mr. Freeman received a mutual fund bonus award, the terms of which are set forth in the Mutual Fund Share Incentive Agreement dated February 7, 2012 (as amended, 2012 MFSI Agreement). The 2012 MFSI Agreement provided that Mr. Freeman would earn $500,000 (i.e., the target bonus amount) if the Westwood Income Opportunity Fund (the fund) received a 4-star overall rating from Morningstar for the fund performance period ended December 31, 2012 (the performance period) and $1 million (i.e., the maximum bonus amount) if the fund received a 5-star overall rating from Morningstar for the performance period. If the Committee determined that the fund received a 4 or 5-star overall rating from Morningstar, then the amount of $500,000 or $1 million, as applicable, would be notionally credited to a bookkeeping account (the account) maintained by the Company and converted, on a notional basis, to a number of fund shares equal to the amount divided by the net closing value of a fund share on the date the amount is credited to the account. The value of the account would be adjusted (up or down) to reflect changes in the net value of fund shares credited to the account. If and when distributions are paid by the fund with respect to its shares, the Company would credit the account with additional fund shares having a value equal to the amount of the distributions that would have been payable if the shares credited to the account were issued and outstanding. Mr. Freeman s right to receive payment of the amount credited to this account will vest on the earliest of (i) December 31, 2013 provided Mr. Freeman remains continuously employed by the Company through that date, (ii) the date of his death or permanent and total disability, (iii) upon a change in control of the Company where the successor does not honor the terms of the 2012 MFSI Agreement, or (iv) upon Mr. Freeman s involuntary termination without cause or voluntary termination for good reason following a change in control. Payment of the amount credited to this account may, in the Committee s discretion, be in fund shares, cash or other property, and subject to any applicable tax withholding. Payment will be made within 30 days of the applicable date of vesting.

On February 7, 2013, the Committee certified that the fund received a 5-star overall rating from Morningstar. As a result, on January 14, 2013, $1 million was notionally credited to the account and converted to 79,491 fund shares.

The Committee awarded Mr. Freeman the mutual fund bonus award in an effort to provide a significant motivation for Mr. Freeman to maximize the performance of the fund, which the Committee expected to substantially benefit the Company by attracting investments into the fund.

Annual Cash Incentive Award of Mr. Hardcastle

We maintain a Company bonus pool in which nearly every U.S. employee of the Company is eligible to participate, including Messrs. Hardcastle and Wallace, but excluding Messrs. Casey, and Freeman and Ms. Byrne, in 2012. In 2012, the total amount of the Company bonus pool was approximately $7,251,000, which represented approximately 17% of the Company s 2012 adjusted pre-tax income (as defined above). The

Committee annually reviews the level of the bonus pool to ensure, in its subjective judgment, such levels reflect industry practices, will adequately fund potential bonuses, and provide sufficient capacity to reward extraordinary performance, when and if earned. The amount and calculation of the bonus pool are subject to change at any time at the discretion of the Committee.

In 2012, the Committee granted Mr. Hardcastle an annual cash incentive award of $165,000 from the Company bonus pool, a 10% increase from his 2011 award. In determining Mr. Hardcastle s 2012 cash incentive award, the Committee subjectively considered the Company performance factors discussed above, his individual performance factors discussed above and the market compensation data compiled from the McLagan Survey and the Custom Peer Group.

Sign-On Performance Bonus of Mr. Wallace

Pursuant to the terms of Mr. Wallace s Offer Letter, he is guaranteed a cash performance bonus of $50,000 for 2012, payable in February 2013 provided he is in good standing with the Company at the time of payment.

In 2013, Mr. Wallace will participate in the Company bonus pool (as discussed above); provided that he is guaranteed a minimum annual cash incentive award of $100,000 (if he is in good standing with the Company at the time of payment) pursuant to the terms of his Offer Letter.

While the Committee reviewed the market compensation data derived from the McLagan Survey and the Custom Peer Group when approving Mr. Hardcastle s 2012 cash incentive award and Mr. Wallace s 2012 sign-on performance bonus, the Committee did not target their respective cash award to fall within a specific range or percentile of the market compensation data. Messrs. Hardcastle s and Wallace s respective cash award that was earned in 2012 and paid in February 2013 is listed in column (d) in the 2012 Summary Compensation Table below.

Long-Term Equity Awards

For 2012, the Committee granted the named executive officers long-term equity awards under the Stock Incentive Plan. These equity awards were intended to attract, retain and motivate the named executive officers, as well as focus them on our long-term performance.

While the Stock Incentive Plan authorizes the grant of several types of equity awards, the Commit