GREENBRIER COMPANIES INC
Form DEF 14A
November 25, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

The Greenbrier Companies

(Name of Registrant as Specified In Its Charter)

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

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(4) Date Filed:

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One Centerpointe Drive
Suite 200
Lake Oswego, Oregon 97035

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
January 9, 2009

To Our Shareholders:

The Annual Meeting of Shareholders of The Greenbrier Companies, Inc. (the Company, we, us, and our) will be he
beginning at 2:00 p.m. on Friday, January 9, 2009 at the Benson Hotel, 309 SW Broadway, Portland, Oregon for the following purposes:

1. Electing three directors of the Company;

2. Approving an amendment to The Greenbrier Companies, Inc. 2005 Stock Incentive Plan to increase the number of shares available under the plan;

3. Approving The Greenbrier Companies, Inc. 2009 Employee Stock Purchase Plan;

4. Ratifying the appointment of Deloitte & Touche LLP as the Company s independent auditors for 2009; and

5. Transacting such other business as may properly come before the meeting.

Only holders of record of our Common Stock at the close of business on November 19, 2008 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. Shareholders may vote in person or by proxy.

By Order of the Board of Directors,

/s/ Kenneth D. Stephens
Kenneth D. Stephens
Secretary

Lake Oswego, Oregon
November 25, 2008

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE MARK, SIGN, DATE AND PROMPTLY RETURN YOUR PROXY IN THE ENCLOSED ENVELOPE.

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THE GREENBRIER COMPANIES, INC.

One Centerpointe Drive
Suite 200
Lake Oswego, Oregon 97035

PROXY STATEMENT

2009 Annual Meeting of Shareholders

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of The Greenbrier Companies, Inc. (the Company, we, us, and our) of proxies to be voted at the 2009 Annual Meeting of Shareholder the Company to be held beginning at 2:00 p.m. on Friday, January 9, 2009 at the Benson Hotel, 309 SW Broadway, Portland, Oregon, and at any adjournments or postponements thereof. If proxies in the accompanying form are properly executed, dated and returned prior to the voting at the meeting, the shares of Common Stock represented thereby will be voted as instructed on the proxy. If no instructions are given on a properly executed and returned proxy, the shares of Common Stock represented thereby will be voted for election of the nominees, for approval of the amendment to The Greenbrier Companies, Inc. 2005 Stock Incentive Plan, for approval of The Greenbrier Companies, Inc. 2009 Employee Stock Purchase Plan and for ratification of the appointment of the independent auditors. The persons named in the proxies will have discretion to vote on such other business as may properly come before the meeting or any adjournments or postponements thereof.

Any proxy may be revoked by a shareholder prior to its exercise upon written notice to the Secretary of the Company, by delivering a duly executed proxy bearing a later date, or by the vote of a shareholder cast in person at the meeting. The cost of soliciting proxies will be borne by us. In addition to solicitation by mail, proxies may be solicited personally by our officers and regular employees or by telephone, facsimile, electronic transmission or express mail. We have also engaged Innisfree M&A Incorporated to assist in the distribution of proxy materials and the solicitation of votes as described below. We will pay Innisfree a fee of $15,000 plus customary costs and expenses for these services. The Company has agreed to indemnify Innisfree against certain liabilities arising out of or in connection with its engagement. We will reimburse brokerage houses, banks and other custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding proxies and proxy material to their principals. This Proxy Statement is first being mailed to shareholders on or about November 25, 2008.

VOTING

Holders of record of our Common Stock at the close of business on November 19, 2008, will be entitled to vote at the Annual Meeting or any adjournments or postponements thereof. As of November 19, 2008, there were 16,664,232 shares of Common Stock outstanding and entitled to vote, and a majority, or 8,332,117 of these shares, will constitute a quorum for the transaction of business. Each share of Common Stock entitles the holder to one vote on each matter that may properly come before the meeting. Shareholders are not entitled to cumulative voting in the election of directors. For shares held through a broker or other nominee that is a New York Stock Exchange member organization, if a matter to be voted on is considered routine, the broker has discretion to vote the shares. If the matter to be voted on is determined to be non-routine, the broker may not vote the shares without specific instruction from the shareholder.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board of Directors is comprised of eight directors. The directors are divided into three classes, one class with two directors and two classes with three directors each. One class is elected each year for a three-year term. The three nominees recommended by our Nominating and Corporate Governance Committee and nominated by the Board of Directors for election as Class III directors to serve until the Annual Meeting of Shareholders in 2012, or until their respective successors are elected and qualified, are William A. Furman, Charles J. Swindells and C. Bruce

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Ward. Directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. The three nominees for director receiving the highest number of votes will be elected to the Board of Directors.

Unless marked otherwise, proxies received will be voted FOR the election of the three nominees.

If a nominee is unable or unwilling to serve as a director at the date of the Annual Meeting or any adjournment or postponement thereof, the proxies may be voted for a substitute nominee, designated by the proxy holders or by the present Board of Directors to fill such vacancy, or for the other nominee named without nomination of a substitute, or the number of directors may be reduced accordingly. The Board of Directors has no reason to believe that any of the nominees will be unwilling or unable to serve if elected a director.

Under Oregon law, the directors who receive the greatest number of votes cast will be elected directors. Abstentions and broker non-votes will have no effect on the results of the vote.

The Board of Directors recommends a vote FOR the election of Messrs. Furman, Swindells and Ward.

The following table sets forth certain information about each nominee for election to the Board of Directors and each continuing director.

Name	Age	Positions	Director Since	Expiration of Current Term
Nominees for Election				
Class III				
William A. Furman	64	President, Chief Executive Officer and Director	1981	2009
C. Bruce Ward	78	Director	1994	2009
Charles J. Swindells[(1)(2)(3)]	66	Director	2005	2009
Directors Continuing in Office				
Class I				
Duane C. McDougall[(1)(2)(3)]	56	Director	2003	2010
A. Daniel O Neal, Jr.	72	Director	1994	2010
Donald A. Washburn[(2)(3)]	64	Director	2004	2010
Class II				
Graeme A. Jack[(1)(2)]	58	Director	2006	2011
Benjamin R. Whiteley[(1)(2)(3)]	79	Chairman of the Board of Directors	1994	2011
Director Emeritus				
Victor G. Atiyeh	85	Director Emeritus		

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating and Corporate Governance Committee.

William A. Furman, President, Chief Executive Officer and Director. Mr. Furman has served as a member of the Board and as the Company s President and Chief Executive Officer since 1994. Mr. Furman has been associated with the Company and its predecessor companies since 1974. Prior to 1974, Mr. Furman was Group Vice President for the Leasing Group of TransPacific Financial Corporation. Earlier he was General Manager of the Finance Division of FMC Corporation. Mr. Furman serves as a Director of Schnitzer Steel Industries, Inc., a steel recycling and manufacturing company.

C. Bruce Ward, Director. Mr. Ward has served as a member of the Board since 1994. He served as Chairman of Gunderson LLC, a manufacturing subsidiary, from 1990 to 2005 and was its President and Chief Executive

Officer from 1985 to 1989. Mr. Ward is a former director of Stimson Lumber Company, a privately-held forest products company.

Charles J. Swindells, Director. Mr. Swindells has served as a member of the Board since September 2005. Mr. Swindells has served as the Vice Chairman, Western Region of Bank of America, N.A. since July 2007. Mr. Swindells served as United States Ambassador to New Zealand and Samoa from 2001 to 2005. Before becoming Ambassador, Mr. Swindells was Vice Chairman of US Trust Company, N.A.; Chairman and Chief Executive Officer of Capital Trust Management Corporation; and Managing Director/Founder of Capital Trust Company. He also served as Chairman of World Wide Value Fund, a closed-end investment company listed on the New York Stock Exchange. Mr. Swindells was one of five members on the Oregon Investment Council overseeing the $20 billion Public Employee Retirement Fund Investment Portfolio and was a member of numerous non-profit boards of trustees, including serving as Chairman of the Board for Lewis & Clark College in Portland, Oregon. Mr. Swindells serves as a Director of Swift Energy Company, a NYSE listed oil and natural gas company.

Duane C. McDougall, Director. Mr. McDougall has served as a member of the Board since 2003. Mr. McDougall served as President and Chief Executive Officer of Willamette Industries, Inc., an international forest products company, from 1998 to 2002. Prior to becoming President and Chief Executive Officer, he served as Chief Operating Officer and also Chief Accounting Officer during his 23-year tenure with Willamette Industries, Inc. He also serves as a Director of West Coast Bancorp and Cascade Corporation as well as several privately held companies and non-profit organizations.

A. Daniel O Neal, Jr., Director. Mr. O Neal has served as a member of the Board since 1994. Mr. O Neal served as a Director of Gunderson from 1985 to 2005. Mr. O Neal served as a Commissioner of the Interstate Commerce Commission from 1973 until 1980 and, from 1977 until 1980, served as its Chairman. Since 1985 has served in various executive positions with Greenbrier. Prior to joining Greenbrier in 1985, he was a partner in a business law firm. From 1989 until 1996 he was Chief Executive Officer and owner of a freight transportation services company. He was Chairman of Washington State s Freight Mobility Board from its inception in 1998 until July 2005. Mr. O Neal is a member of the Washington State Transportation Commission. In 2007 the Governor of Washington appointed him to the newly formed Puget Sound Partnership Leadership Board. He is on the board of Cascade Land Conservancy and other non-profit organizations.

Donald A. Washburn, Director. Mr. Washburn has served as a member of the Board since August 2004. Mr. Washburn served as Executive Vice President of Northwest Airlines, Inc., an international airline, and Chairman and President of Northwest Cargo from 1995 to 1998. Mr. Washburn also served as Chairman and President of Northwest Cargo from 1997 to 1998. Prior to becoming Executive Vice President, he served as Senior Vice President for Northwest Airlines, Inc. from 1990 to 1995. Mr. Washburn served in several positions from 1980 to 1990 for Marriott Corporation, an international hospitality company, including as Executive Vice President. He also serves as a director of LaSalle Hotel Properties, Key Technology, Inc, Amedisys, Inc., as well as several privately held companies and non-profit corporations.

Graeme A. Jack, Director. Mr. Jack has served as a member of the Board since October 2006. Mr. Jack is a retired partner of the world-wide accounting firm of PricewaterhouseCoopers LLP. He was admitted to the partnership in 1980 in the Hong Kong office. He served as the lead partner of the management consulting services practice from 1985 to 1990. Mr. Jack has been appointed an independent trustee for Hutchison Provident Fund and the Hutchison Provident and Retirement Plan, two funds established for the retirement of Hutchison Whampoa Limited employees.

Benjamin R. Whiteley, Chairman of the Board of Directors. Mr. Whiteley has served as a member of the Board since 1994 and was elected Chairman of the Board of Directors in October 2004. He is the retired Chairman and Chief Executive Officer of Standard Insurance Company, an Oregon based life insurance company, where he served in a

number of capacities over 44 years ending in 2000. Mr. Whiteley has served as a director of several other publicly held companies and has chaired the boards of a number of non-profit organizations.

Victor G. Atiyeh, Emeritus Director. Mr. Atiyeh served as a member of the Board from 1994 until the completion of his term in January 2008. Mr. Atiyeh has agreed to continue his counsel to the Board as an Emeritus Director. Mr. Atiyeh has been President of Victor Atiyeh & Co., international trade consultants, since 1987. He

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served eight years as Governor of the State of Oregon from January 1979 to January 1987. Prior to being elected Governor, Mr. Atiyeh was President of Atiyeh Brothers, a family retail company.

Board Committees, Meetings and Charters

During the year ended August 31, 2008, the Board of Directors held six meetings. The Company maintains a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Copies of the Company s Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter, Corporate Governance Guidelines and Code of Business Conduct are available to shareholders without charge upon request to: Investor Relations, The Greenbrier Companies, Inc., One Centerpointe Drive, Suite 200, Lake Oswego, Oregon 97035 or on the Company s website at http://www.gbrx.com.

Non-management Board members meet without management present at least once annually at a regularly scheduled executive session. The Company s independent directors generally meet periodically in executive session in conjunction with meetings of the committees of the Board of Directors which are composed entirely of independent directors. The regular executive sessions of the Company s non-management directors are held on an annual basis, after the end of each fiscal year of the Company, and are scheduled to approximately coincide with (either immediately before or immediately after) the first regularly scheduled meeting of the Nominating and Corporate Governance Committee to be held after the end of each fiscal year of the Company. The Board has designated the Chairman of the Board of Directors of the Company to preside at the regularly scheduled meetings of the non-management directors.

Messrs. McDougall, Swindells and Whiteley are members of each of the Audit, Compensation and Nominating and Corporate Governance Committees of the Board of Directors. Mr. Washburn is a member of the Compensation and Nominating and Corporate Governance Committees of the Board of Directors. Mr. Jack is a member of the Audit and Compensation Committees. Mr. Washburn is Chairman of the Nominating and Corporate Governance Committee, Mr. McDougall is the Chairman of the Audit Committee and Mr. Swindells is the Chairman of the Compensation Committee. During the year ended August 31, 2008, the Audit Committee and the Nominating and Corporate Governance Committee held four meetings and the Compensation Committee held six meetings. All directors attended more than 75% of the number of meetings of the Board and its committees on which they served. The reports of the Audit and Compensation Committees for the year are included in this Proxy Statement. Each of the members of these committees is an independent director as defined under the rules of the Securities and Exchange Commission and the corporate governance standards applicable to companies listed on the New York Stock Exchange.

Independence of Directors

The Board has determined that a majority of its directors qualify as independent directors pursuant to the rules adopted by the Securities and Exchange Commission and the corporate governance standards applicable to companies listed on the New York Stock Exchange. Applying the New York Stock Exchange definition of independence, the Board has determined that the following majority of directors qualify as independent: Messrs. Jack, McDougall, Swindells, Washburn and Whiteley.

During 2008, the Nominating and Corporate Governance Committee (the Nominating Committee) fulfilled its responsibilities under its charter, including, among other responsibilities, selecting, or recommending that the Board select, director nominees to be presented for election at annual meetings of shareholders; developing and recommending to the Board of Directors corporate governance principles applicable to the Company; and developing and overseeing programs for the evaluation of the Board of Directors, its committees and management. The Board annually reviews applicable standards and definitions of independence for Nominating Committee members and has determined that each member of the Nominating Committee meets such standards.

The Nominating Committee receives suggestions for potential director nominees from many sources, including members of the Board, advisors, and shareholders. Any such nominations, together with appropriate biographical information, should be submitted to the Nominating Committee in accordance with the Company s policies governing submissions of nominees discussed below. Any candidates submitted by a shareholder or

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shareholder group are reviewed and considered by the Nominating Committee in the same manner as other candidates.

Qualifications for consideration as a nominee for the Board of Directors vary, depending upon the experience and background of incumbent directors as well as particular areas of expertise which the Nominating Committee desires to obtain for the benefit of the Company. The Nominating Committee has identified the following criteria, among others, as appropriate for consideration in identifying Board candidates:

- Financial acumen and experience
- Continuing activity in the business community
- Age and maturity
- Diversity considerations
- Background in manufacturing or related industries

Upon completion of the review process, the Nominating Committee makes its recommendation to the full Board of Directors. The Board then selects candidates for nomination for election by shareholders or appointment to fill vacancies.

We do not currently employ an executive search firm, or pay a fee to any other third party, to locate qualified candidates for director positions.

A shareholder wishing to nominate a candidate for election to the Company s Board of Directors at any annual meeting at which the Board of Directors has determined that one or more directors will be elected should submit a written notice of his or her nomination of a candidate to the Nominating Committee of the Company in accordance with the procedures described in this Proxy Statement under Shareholder Proposals.

Communication with Directors

Shareholders and other interested parties may communicate with members of the Board of Directors by mail addressed to the Chairman, to any other individual member of the Board, to the full Board, to the non-management directors as a group, or to a particular committee of the Board. In each case, such correspondence should be sent to the Company s headquarters at One Centerpointe Drive, Suite 200, Lake Oswego, OR 97035. Such communications are distributed to the Board, to one or more individual members of the Board, to the non-management directors as a group, or to a particular committee of the Board, as appropriate.

Annual Meeting Attendance by Directors

The Company s policy is to encourage Board members to attend the Company s annual meetings of shareholders. All directors of the Company attended the annual meeting of shareholders held on January 8, 2008.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Aircraft Usage Policy. William A. Furman, Director, President and Chief Executive Officer of the Company, is a part owner of two private aircraft managed by a private independent management company. From time to time, the Company s business requires charter use of privately owned aircraft. In such instances, it is possible that charters may

be placed with the company that manages Mr. Furman s aircraft. In such event, any such use will be subject to Greenbrier s travel and entertainment policy, and the fees paid to the management company will be no less favorable than would have been available to Greenbrier for similar services provided by unrelated parties.

Indebtedness of Management. Since the beginning of our last fiscal year, none of our directors or executive officers has been indebted to us in excess of $120,000.

Policy. We follow a policy that all proposed transactions by us with directors, officers, five percent shareholders and their affiliates be entered into only if such transactions are on terms no less favorable to us

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than could be obtained from unaffiliated parties, are reasonably expected to benefit us and are approved by a majority of the disinterested, independent members of the Board of Directors.

Executive Officers of the Company

The following are executive officers of the Company:

William A. Furman, 64, is President, Chief Executive Officer and a director of Greenbrier, positions he has held since 1994. Mr. Furman was Vice President of Greenbrier, or its predecessor company, from 1974 to 1994. Mr. Furman serves as a director of Schnitzer Steel Industries, Inc., a steel recycling and manufacturing company.

Martin R. Baker, 53, is Senior Vice President, Chief Compliance Officer and General Counsel, a position he has held since May 2008. Prior to joining Greenbrier, Mr. Baker held corporate officer positions with Lattice Semiconductor Corporation since 1997.

Robin D. Bisson, 54, is Senior Vice President Marketing and Sales, a position he has held since 1996. Mr. Bisson has been Vice President of Greenbrier Leasing Company LLC, a subsidiary that engages in railcar leasing, since 1987.

Alejandro Centurion, 52, is President of Manufacturing Operations, a position he has held since May of 2007. Mr. Centurion joined Greenbrier in 2005, as the Company s managing director of Gunderson-Concarril and its chief country representative in Mexico. Later in 2005, he was promoted to Senior Vice President, North American Manufacturing Operations. Prior to joining Greenbrier, he held senior manufacturing positions with Bombardier Transportation for eight years.

James W. Cruckshank, 53, is Senior Vice President and Chief Accounting Officer, a position he has held since April 2008. Prior to joining Greenbrier, Mr. Cruckshank held corporate officer positions with MathStar, Inc. since 2005. He was Chief Financial Officer of Synetics Solutions, Inc. from 2004 to 2005. He was an independent consultant from 2003 to 2004, specializing in financing, restructuring and business development.

William G. Glenn, 47, is Vice President of Corporate Development and Staff, a position he has held since April 2007. Prior to joining Greenbrier, Mr. Glenn worked as a consultant for the Company on corporate development from 2002 through 2007. Mr. Glenn held various corporate positions with Louisiana Pacific Corporation from 1994 to 2002.

Lorie L. Leeson, 41, is Vice President, Corporate Finance and Assistant Treasurer, positions she has held since November 2007. Prior to becoming Vice President, Ms. Leeson was Assistant Vice President, Corporate Finance since 2004 and served in various financial management positions for the Company since 1995.

Maren J. Malik, 57, is Vice President of Administration of the Company, a position she has held since June 1991. Prior to 1991 Ms. Malik served in various financial and management positions for Greenbrier s predecessor Company.

Anne T. Manning, 45, is Vice President and Corporate Controller of the Company, a position she has held since November 2007. Ms. Manning has served in various financial management positions for the Company since 1995, most recently as Assistant Corporate Controller.

Mark J. Rittenbaum, 51, is Executive Vice President, Treasurer and Chief Financial Officer, a position he has held since January 2008. Prior to becoming Executive Vice President he was Senior Vice President and Treasurer of the Company since 2001 and Vice President and Treasurer from 1994 to 2001.

James T. Sharp, 54, is President of Greenbrier Leasing Company LLC, a position he has held since February 2004, prior to which he served as Vice President of Marketing and Operations since 1999 and was Vice President of Sales from 1996 to 1999.

Timothy A. Stuckey, 58, is President of Gunderson Rail Services LLC, doing business as Greenbrier Rail Services, a subsidiary engaged in the repair and refurbishment of rail cars. He has served as President since May 1999.

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Executive officers are designated by the Board of Directors. There are no family relationships among any of the executive officers of the Company.

EXECUTIVE COMPENSATION

Compensation Governance

The Compensation Committee of the Board of Directors is established pursuant to the Company s Amended and Restated Bylaws, and operates pursuant to a Charter approved by the Board of Directors. A copy of the Charter is available on the Company s website at http://www.gbrx.com. The Compensation Committee recommends to the Board of Directors policies and processes for the regular and orderly review of the performance and compensation of the Company s senior executive management personnel, including the President and Chief Executive Officer. The Compensation Committee determines the compensation level of the Chief Executive Officer based on the Chief Executive Officer s performance in light of the Company s goals and objectives. The Compensation Committee also approves compensation of executives other than the Chief Executive Officer. The Compensation Committee regularly reviews and, when necessary, recommends changes to the Company s incentive and performance-based compensation plans. The Compensation Committee has sole authority to retain and terminate such consultants, counsel, experts and other personnel as the Committee may deem necessary to enable it to fully perform its duties and fulfill its responsibilities, and to determine the compensation and other terms of engagement for such consultants and experts. There are no express provisions in the Charter delegating Compensation Committee authority to any other person.

The Compensation Committee is comprised of at least two members of the Board of Directors, none of whom may be an active or retired officer or employee of the Company or any of its subsidiaries. Members of the Compensation Committee are appointed annually by the Board of Directors. Messrs. Graeme A. Jack, Duane C. McDougall, Charles J. Swindells, Donald A. Washburn, and Benjamin R. Whiteley were the members of the Compensation Committee during fiscal 2008. Mr. Swindells is the Chairman of the Compensation Committee. The Compensation Committee held six meetings during the year ended August 31, 2008.

Compensation Committee Interlocks and Insider Participation

During the last completed fiscal year, no member of the Compensation Committee was an officer or employee of the Company or any of its subsidiaries, was formerly an officer or employee, or had a relationship with the Company requiring disclosure as a related party transaction.

Compensation Discussion and Analysis

Philosophy

The Board of Directors and executive management at The Greenbrier Companies, Inc. (the Company) believes that the performance and contribution of its executive officers are critical to the overall success of the Company. To attract, retain, and motivate the executives necessary to accomplish the Company s business strategy, the Compensation Committee believes that:

Compensation levels should be sufficiently competitive to attract, retain and motivate highly qualified executives and employees.

Compensation should reflect position and responsibility.

Compensation should be linked to performance and should reinforce cooperation and teamwork in achieving business success.

Compensation for executives and key employees should be weighted toward incentive compensation and equity grants.

Incentive compensation should be flexible, responsive to the Company s cyclical business environment, and strike a balance between short-term and long-term performance.

Equity grants should be targeted to senior management and key employees and should be issued on a recurring basis considering market conditions.

The tax deductibility of compensation should be maximized and administrative costs should be minimized through simplified program structures.

The Compensation Committee believes executive compensation packages provided by the Company to its executives should include both cash and equity-based compensation. Our executive compensation program is intended to have sufficient flexibility to help achieve the goals of each business segment, but within the overall objectives and performance of the Company as a whole. Individual executive compensation is based upon contribution to the organization, experience and expertise, unique skills and other relevant factors. The Compensation Committee discusses with the Chief Executive Officer (CEO) annually the performance of each executive officer (other than the CEO, whose performance is reviewed by the Compensation Committee), and based upon these discussions, makes compensation decisions, including salary adjustments and incentive award amounts. The CEO plays a significant role in the compensation-setting process. The CEO evaluates the performance of the other executive officers and makes recommendations regarding salary and incentive awards for the other executive officers.

Use of Compensation Consultants

The Compensation Committee has directly engaged Mercer Human Resource Consulting (Mercer) as a compensation consultant. Mercer reports directly to the Compensation Committee and is responsible for providing advice and counsel to the Compensation Committee on program design and compensation issues. The Compensation Committee also looks to Mercer for assistance in determining a peer group for comparison of executive compensation. The Committee believes that information regarding compensation at peer companies is useful, as it understands that the Company s compensation practices must be competitive in the marketplace. However, the level of specific elements of compensation awarded by peer companies is only one of the many factors that the Company considers in assessing the reasonableness of the compensation of executive officers.

Compensation Summaries

The Compensation Committee reviews the total annual compensation received by each executive officer, including base salary, cash bonuses, long-term incentives, accumulative realized and unrealized stock option and restricted stock gains, dollar value of perquisites and other personal benefits, and post-employment benefits, including actual current payment obligations of the Company in order to fund the Company s obligations under the supplemental executive retirement plan. The Compensation Committee uses compensation summaries which include dollar amounts for each of the named executive officers to facilitate this review.

Elements of Executive Compensation

For the year ended August 31, 2008, the principal components of compensation for executive officers were:

Base salary;

Short-term incentive cash bonuses;

Long-term incentive restricted stock awards;

Retirement and insurance benefits;

Perquisites and other personal benefits; and

Post-employment benefits.

Base Salary

Base salaries are determined for each executive based on his or her position and responsibilities relative to other executive officers and are, in some cases, determined pursuant to negotiated employment agreements. We regularly monitor competitive compensation rates in local and industry-specific markets, and take that information into account in setting and reviewing base salaries. Salary levels are typically reviewed annually as part of the Company s performance review process as well as upon an executive s promotion or other change in responsibility. Merit-based increases to salaries are based on an assessment of the individual executive s performance.

Short-Term Incentives Cash Bonuses

Cash bonuses are intended to provide executive officers with an opportunity to receive additional cash compensation based upon Company and individual performance. The bonus program provides the Compensation Committee with the latitude to award cash incentive compensation to executive officers as a reward for the growth and profitability of the Company and places a significant percentage of each executive officer s compensation at risk.

Mr. Furman s annual bonus is determined based upon the Company s return on shareholders equity, pursuant to a formula set forth in his employment agreement, as described below under the heading Employment Agreements and Other Arrangements. Mr. Furman s employment agreement has been approved by the Company s shareholders, and his annual bonus is considered to be performance-based, non-equity incentive plan compensation. For the year ended August 31, 2008, the minimum return on shareholders equity requirements were not met, and accordingly, Mr. Furman did not receive a bonus. Annual bonuses paid to named executive officers other than Mr. Furman are discretionary and are recommended to the Compensation Committee for approval by Mr. Furman based on non-formulaic assessments of individual performance against objectives, including performance of the business unit or other corporate function for which the executive officer is responsible. External market and other factors beyond the control of the executive officer are generally not considered in evaluating performance.

Long-Term Incentive Restricted Stock Awards

Awards of restricted stock form the basis of the Company s long-term incentive program, which is intended to retain and motivate executives over the long term, and align their interests with the interests of the Company s shareholders. The long-term incentive program is designed to emphasize the need for executives to focus on the long-range strategic goals of the Company.

Stock-based awards are made pursuant to the Company s 2005 Stock Incentive Plan, which is administered by the Compensation Committee. Pursuant to the 2005 Stock Incentive Plan, an aggregate of 1,300,000 shares of Common Stock were reserved for grants of incentive stock options, non-qualified stock options and restricted stock awards to officers, directors, employees, and consultants. As of August 31, 2008, 260,337 shares of Common Stock remained available for grant under the 2005 Stock Incentive Plan. The Company is now seeking the approval of shareholders to increase the shares available for grant under the 2005 Stock Incentive Plan by 525,000 shares. See proposal number 2 in this Proxy Statement.

Most restricted stock awards granted in recent years and certain restricted stock awards granted in 2008 vest over a period of five years in annual increments of 20 percent of each award. Most of Mr. Furman s 2008 restricted stock award, and certain restricted stock awards made to other executive officers in 2008, vest over a three-year period, contingent on achievement of revenue growth, earnings growth, and return on equity targets. Vesting of the portion of Mr. Furman s restricted stock award that is subject to the achievement of performance goals is further conditioned on sufficient progress being made in CEO succession planning.

The Compensation Committee is committed to granting a substantial portion of equity awards (at least 50%) to named executive officers based upon performance vesting criteria and that the performance criteria measured will be disclosed in the proxy statement for each annual meeting of shareholders. The performance-based vesting conditions are designed to further align long-term incentive compensation with achievement of goals that will have long-term benefits for the Company s shareholders.

The Company awarded restricted stock grants totaling 443,387 shares under the 2005 Stock Incentive Plan during fiscal 2008, including 202,000 shares awarded to the Company s named executive officers as disclosed in the Grants of Plan-Based Awards Table and described in the accompanying narrative.

The Compensation Committee also administers the Company s Stock Incentive Plan 2000 (the 2000 Plan) under which an aggregate of 1,000,000 shares of Common Stock were reserved for option and restricted stock awards to officers, directors, employees, and consultants. There are 2,500 shares available for issuance under the 2000 Plan. No awards were made under the 2000 Plan in fiscal 2008.

Executive Retirement and Insurance Benefits

Target Benefit Plan

Certain of the Company s named executive officers other than Mr. Furman participate in a supplemental retirement benefit plan maintained by a Company subsidiary, the Greenbrier Leasing Company LLC Manager Owned Target Benefit Plan (the Target Benefit Plan). The Target Benefit Plan provides for supplemental retirement income compensation for participating executives. It is not a deferred compensation plan nor a tax-qualified retirement plan; contributions made on behalf of executives under the Target Benefit Plan are taxed to the participating executives currently. The Target Benefit Plan is designed to provide supplemental retirement income to executives in an amount equal to 50% of the executive s final base salary, although no level of benefits is guaranteed under the Target Benefit Plan. Contributions by the Company to the Target Benefit Plan are used to purchase annuity contracts that are owned by participating executives. In order to determine the Company s contribution under the Target Benefit Plan, the Company projects the executive s annual salary at age 65 by taking the executive s current annual base salary, adjusting it for assumed future salary increases including cost of living increases, compounded annually, until the executive reaches age 65. Using that projected annual salary at age 65, the Company determines the amount of annuities necessary, in light of prior annuity purchases and future anticipated purchases, to reach the target benefit of 50% of final year base salary. The Company, however, has discretion to purchase, or not purchase, annuities in any given year sufficient to cover such estimated target benefits for plan participants. The normal form of annuity benefit payments are monthly payments commencing at age 65 and continuing for 180 months. Participants may elect a different form of payment and benefit commencement date, but the amount of benefits received in such alternate form will be actuarially equivalent to the amount payable in the normal benefit form. Contributions related to the Target Benefit Plan amounted to $1.2 million for fiscal 2008. Included in this amount are payments to be made on behalf of participating executives to help defray the executives income tax liability resulting from the Company s contributions on their behalf under the Target Benefit Plan. Upon a change of control (as defined in the Target Benefit Plan), the Company s obligation to make contributions on executives behalf is accelerated.

Executive Life Insurance

The Company provides an executive life insurance program to certain executives, including the named executive officers, whereby the Company has agreed to pay the premiums on life insurance policies insuring the executives lives, to recognize such premium payments as compensation to the executives, and to pay the executives an additional bonus to help defray the executives income tax liability resulting from the payment of such premiums being treated as current compensation. Mr. Furman does not participate in the executive life insurance program.

Mr. Furman s employment agreement provides for a supplemental retirement benefit of $407,000 per year, payable until age 70. Of this payment, $185,000 is intended to defray the premiums on a life insurance policy insuring his life and the remainder, $222,000, is intended to defray the income taxes resulting from treating this payment as compensation. The Company remits $185,000 of the benefit amount to the trustee of a trust that holds the life insurance policy for payment of the annual premium. The Company directly remits the remaining $222,000 to the

appropriate state and federal tax authorities.

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Perquisites and Other Personal Benefits

The Company provides executive officers with perquisites and other personal benefits that the Company and the Compensation Committee believe are reasonable and consistent with its overall compensation program goal of enabling the Company to attract, retain, and motivate employees for key positions. The Company is selective in its use of perquisites, utilizing perquisites that are commonly provided, the value of which is generally modest. The Compensation Committee periodically reviews the levels of perquisites provided to executive officers. The primary perquisites are use of Company-owned automobiles and payment of club membership dues. During fiscal 2006 the Compensation Committee approved the establishment of an Executive Home Sale Assistance Program and adopted guidelines for the program, under which the Company will assist selected transferred or newly hired executives in selling their homes, in order to facilitate a successful relocation of the executive.

Compensation Committee Report

As required by Item 407(e)(5) of Regulation S-K, the Compensation Committee reviewed and discussed with the Company s management the above Compensation Discussion and Analysis prepared by the Company s management as required by Item 402(b) of Regulation S-K. Based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Charles J. Swindells, Chairman
Duane C. McDougall
Donald A. Washburn
Benjamin R. Whiteley

November 6, 2008

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SUMMARY COMPENSATION TABLE

The following table summarizes the compensation of the named executive officers for the fiscal year ended August 31, 2008. The named executive officers are William A. Furman, Mark J. Rittenbaum, Robin D. Bisson, Larry G. Brady, Alejandro Centurion and Timothy A. Stuckey. Mr. Brady is included as a named executive officer for fiscal year 2008 because he served as the Company s Chief Financial Officer until his resignation on January 8, 2008. The Company did not grant any stock options to the named executive officers in 2008, and does not maintain any pension or non-qualified deferred compensation plans. Accordingly, columns for such elements of compensation are not included in the Summary Compensation Table.

Name and Principal Position	Year	Salary ($)	Bonus[(1)] ($)	Stock Awards[(2)] ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation[(3)] ($)	Total ($)
William A. Furman	2008	708,333	N/A	232,038	-0-	454,275	1,394,646
President and Chief Executive Officer	2007	625,000	N/A	N/A	-0-	441,982	1,066,982
Mark J. Rittenbaum	2008	285,000	75,000	241,092	N/A	204,170	805,262
Executive Vice President, Treasurer and Chief Financial Officer	2007	252,000	150,000	191,050	N/A	195,671	788,721
Robin D. Bisson	2008	265,000	50,000	225,971	N/A	293,627	834,598
Senior Vice President, Marketing and Sales	2007	260,000	65,000	191,050	N/A	292,386	808,436
Larry G. Brady	2008	285,000	-0-	77,806	N/A	422,001	784,807
former Senior Vice President and Chief Financial Officer	2007	178,000	150,000	164,023	N/A	82,430	574,453
Alejandro Centurion	2008	285,000	65,000	110,358	N/A	696,489	1,156,847
President, Greenbrier Manufacturing Operations	2007	255,000	135,000	75,754	N/A	97,455	563,209
Timothy A. Stuckey	2008	260,000	65,000	121,476	N/A	296,045	742,521
President, Greenbrier Rail Services	2007	221,000	155,000	80,279	N/A	241,139	697,418

(1) Mr. Furman s bonus is performance-based and is therefore included in the Non-Equity Incentive Plan Compensation column.

(2) The amount shown is the stock based compensation expense recognized by the Company in fiscal years 2008 and 2007 for restricted stock granted to the named executive officers as determined pursuant to FAS 123R. Amounts shown do not reflect compensation actually received by the named executive officers who received restricted stock grants during fiscal years 2008 and 2007, nor does it necessarily reflect the actual value that will be realized

by them if and when the restricted stock awards vest. The assumptions used to calculate the value of restricted stock awards are set forth under Note 2 Summary of Significant Accounting Polices to the Company s consolidated financial statements included in our Annual Reports on Form 10-K for the fiscal years ended August 31, 2008 and August 31, 2007.

(3) See All Other Compensation Table below for detail on amounts included in this column, which include perquisites, contributions to the Target Benefit Plan, tax reimbursement payments, Company match on executive contributions to the 401(k) plan, executive life insurance program benefits and various other compensation amounts.

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All Other Compensation Table for Fiscal 2008

Name	Perquisites and Personal Benefits ($)	Target Benefit Plan Contributions ($)[1]	401(k) Matching Contributions[2] ($)	Executive Life Insurance ($)	Tax Reimbursement Payments ($)[7]	Other ($)	Total ($)
William A. Furman	47,275[3]	-0-	-0-	185,000[5]	222,000	-0-	454,275
Mark J. Rittenbaum	14,459[3]	81,000	5,711	11,000[6]	92,000	-0-	204,170
Robin D. Bisson	10,209[3]	81,000	5,198	58,110[6]	139,110	-0-	293,627
Larry G. Brady	15,901[3]	169,000	-0-	34,050[6]	203,050	-0-	422,001
Alejandro Centurion	20,330[3]	282,000[4]	-0-	1,217[6]	283,217	109,725[8]	696,489
Timothy A. Stuckey	25,743[3]	107,000	5,810	25,246[6]	132,246	-0-	296,045

(1) Except with respect to Mr. Centurion, these amounts represent the Company s contributions under the Target Benefit Plan made in January 2008 on behalf of the named executive officer with respect to the plan year ended December 31, 2007.

(2) These amounts represent the Company s matching contribution to each named executive officers 401(k) plan account.

(3) Includes payments made on behalf of: Mr. Furman of $19,356 for car allowance, $15,000 for the value of a gift of artwork from Company employees, $7,500 for financial, investment and tax advisors and $5,419 for club dues; Mr. Rittenbaum of $14,459 for car allowance; Mr. Brady of $15,901 for car allowance; Mr. Bisson of $4,922 for car allowance and $5,287 for club dues; Mr. Centurion of $17,280 for car allowance and $3,050 for tax advisors; and Mr. Stuckey of $19,337 for car allowance and $6,406 for club dues.

(4) Represents contributions under the Target Benefit Plan made in January 2008 on behalf of Mr. Centurion with respect to the plan years ended December 31, 2007, 2006 and 2005.

(5) Consists of supplemental retirement benefit of $185,000 provided for under Mr. Furman s employment agreement, which is intended to defray the cost of executive life insurance premiums.

(6) These amounts represent the taxable income related to payment of premiums for individual life insurance for the benefit of the executives.

(7) These amounts represent cash payments to named executive officers to cover the estimated tax liability, and resulting tax liability from the gross-up tax payments, resulting from, in the case of Mr. Furman, the supplemental retirement benefit payment and the taxable income attributable to him as a result, and in the case of the other named executive officers, the contributions made on behalf of the named executive officers under the Target Benefit Plan and the taxable income attributable to the named executive officers under the Executive Life Insurance program.

(8) Consists of a payment under the Executive Home Sale Assistance Program.

All Other Compensation Table for Fiscal 2007

Name	Perquisites and Personal Benefits ($)	Target Benefit Plan Contributions ($)[1]	401(k) Matching Contributions[2] ($)	Executive Life Insurance ($)	Tax Reimbursement Payments ($)[6]	Other	Total ($)
William A. Furman	34,982(3)	-0-	-0-	185,000(4)	222,000	-0-	441,982
Mark J. Rittenbaum	15,351(3)	76,968	4,384	11,000(5)	87,968	-0-	195,671
Robin D. Bisson	7,287(3)	81,877	5,125	58,110(5)	139,987	-0-	292,386
Larry G. Brady	14,330(3)	-0-	-0-	34,050(5)	34,050	-0-	82,430
Alejandro Centurion	29,455(3)	-0-	-0-	34,000(5)	34,000	-0-	97,455
Timothy A. Stuckey	22,792(3)	98,628	5,391	7,850(5)	106,478	-0-	241,139

(1) Consists of the Company s contributions under the Target Benefit Plan made in January 2007 on behalf of the named executive officer with respect to the plan year ended December 31, 2006.

(2) These amounts represent the Company s matching contribution to each named executive officers 401(k) plan account.

(3) Includes payments made on behalf of: Mr. Furman of $18,993 for car allowance, $9,700 for financial, investment and tax advisors and $6,289 for club dues; Mr. Rittenbaum of $15,351 for car allowance; Mr. Bisson of $2,720 for car allowance and $4,567 for club dues; Mr. Brady of $14,330 for car allowance; Mr. Centurion of $17,645 for car allowance and $11,810 for children s school tuition; and Mr. Stuckey of $15,680 for car allowance and $7,112 for club dues.

(4) Consists of the supplemental retirement benefit of $185,000 provided for under Mr. Furman s employment agreement, intended to defray the cost of executive life insurance premiums.

(5) These amounts represent the taxable income related to payment of premiums for individual life insurance for the benefit of the executives.

(6) These amounts represent cash payments to named executive officers to cover the estimated tax liability, and resulting tax liability from the gross-up tax payments, resulting from, in the case of Mr. Furman, the supplemental retirement benefit payment and the taxable income attributable to him as a result, and in the case of the other named executive officers, the contributions made on behalf of the named executive officers under the Target Benefit Plan and the taxable income attributable to the named executive officers under the Executive Life Insurance program.

Grants of Plan-Based Awards in Fiscal 2008

		Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock Awards
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**(#)**	**($)[1]**
William A. Furman	1-8-08	N/A	N/A	N/A	100,000	1,796,000
					60,000	1,077,600
Mark J. Rittenbaum	1-8-08	N/A	N/A	N/A	10,000	179,600
Robin D. Bisson	4-7-08	N/A	N/A	N/A	8,000	202,080
Alejandro Centurion	4-7-08	N/A	N/A	N/A	8,000	202,080
Timothy A. Stuckey	4-7-08	N/A	N/A	N/A	8,000	202,080

(1) The Company amended its 2005 Stock Incentive Plan effective April 3, 2007 to provide that fair market value will be determined based upon the closing price of the Company s stock on the date of grant. Prior to that amendment, the Plan provided that fair market value would be determined based on the mean of the high and low

sales price of the Company s stock on the date of grant or, if no prices were reported on such date, the most recent preceding date on which prices were reported. All restricted awards made during fiscal 2008 are subject to the terms of the Plan as amended, and are valued using the closing price of the Company s stock on the date of grant.

Material Terms of Employment Agreements and Other Arrangements

The Company has employment agreements with each of the named executive officers except Mr. Centurion.

Pursuant to the terms of his employment agreement, entered into effective September 1, 2004, as amended, Mr. Furman received a base salary at an annual rate of $750,000 during fiscal year 2008. Base salaries for Mr. Bisson, Mr. Brady, Mr. Stuckey and Mr. Rittenbaum also are determined pursuant to the terms of employment agreements entered into with each of those officers respectively on May 11, 2006, March 2, 2007, February 15, 2004, June 26, 2007 and April 7, 2006, in each case (if applicable) as amended, or as amended and restated. In fiscal year 2008, Mr. Bisson s base salary was $265,000, Mr. Brady s base salary was $285,000, Mr. Stuckey s base salary was $260,000 and Mr. Rittenbaum s base salary was $285,000. In each case, the base salary may be adjusted annually by the Chief Executive Officer and the Compensation Committee.

Mr. Furman s annual bonus is determined based upon the Company s return on shareholders equity, pursuant to a formula set forth in his employment agreement. If the Company s return on equity (ROE) is less than 10%, no cash bonus is paid. If the ROE is as least 10%, Mr. Furman is entitled to receive a bonus equal to 36% of annual base salary; if ROE is at least 12% but less than 14%, the bonus is equal to 54% of base salary; if ROE is at least 14% but less than 16%, the bonus is equal to 72% of base salary; if ROE is at least 16% but less than 18%, the bonus is equal to 110% of base salary; and if ROE is 18% or greater, the bonus is equal to 150% of base salary. The return on equity in fiscal 2008 was 7.75%. Accordingly, Mr. Furman did not receive a bonus for the year ended August 31, 2008. The Compensation Committee has discretion to decrease the amount of the bonus by up to 50%, based upon the Chief Executive Officer s performance.

Pursuant to the terms of their employment agreements, each of Messrs. Bisson, Stuckey and Rittenbaum may receive an annual target bonus equal to 50% of his base salary, with greater or lesser amounts payable based on performance as determined by the Chief Executive Officer, in consultation with the Compensation Committee. Mr. Brady is eligible to receive annual discretionary cash bonuses in accordance with the Company s practice applicable to other senior executive officers, pursuant to the terms of his employment agreement.

Employment agreements with Messrs. Furman, Brady, Bisson, Rittenbaum and Stuckey provide for certain payments and benefits in the event the executive s employment is terminated by the Company without cause, and, except in the case of Mr. Brady, provide for payments and benefits in the event that the executive is terminated following a change in control of the Company. Details of the payments and benefits triggered by different termination events are discussed and disclosed in tabular format under the heading Potential Post-Termination Payments, following the Equity Compensation Plan Information table.

Effective January 8, 2008, the Company entered into a second amended and restated employment agreement with Mr. Brady, who served as Senior Vice President and Chief Financial Officer of the Company until January 8, 2008. The employment agreement provides that the Company is employing Mr. Brady as a non-officer employee for a term beginning January 8, 2008 and ending August 31, 2008. The employment agreement further provides that Mr. Brady will, for a period of 60 months following expiration of the initial term, provide services to the Company on an as-needed basis as requested by the Company s Chief Executive Officer.

The employment agreement provides that during the initial term the Company will pay Mr. Brady a base salary at an annualized rate of $285,000 per year. The employment agreement provides that during the extended term, which began September 1, 2008, the Company will pay Mr. Brady an annual base salary of $120,000.

During fiscal 2008 the Company granted restricted stock awards of 100,000 and 60,000 to Mr. Furman, 8,000 shares to each of Messrs. Bisson, Centurion, and Stuckey, and 10,000 to Mr. Rittenbaum. The vesting requirements for such grants are as set forth in the footnotes to the table below entitled Outstanding Equity Awards at August 31, 2008.

Restricted Stock Subject to Time Vesting Provisions. All unvested shares of restricted stock subject to time vesting provisions (time-based shares) held by Messrs. Furman, Bisson, Centurion, Rittenbaum and Stuckey will automatically vest upon death, disability or retirement. In addition, all time-based shares held by Messrs. Bisson, Rittenbaum and Stuckey will immediately vest upon the Company s termination of the executive other than for cause or other than in the event of a change of control of the Company (as such terms are defined in the executives respective employment agreements). In the event of a change of control of the Company (as defined in the executives respective employment agreements), all time-based shares held by Messrs. Bisson, Rittenbaum and Stuckey will vest upon (i) the Company s termination of the executive other than for cause or the executive s termination of his employment for good reason (as such terms are defined in the executives respective employment agreements) following the change of control (in the case of Mr. Rittenbaum, if such termination occurs during the two-year period following the change of control) or (ii) the executive s termination of his employment without reason during the

30 days following the first anniversary of the change of control. Following a change of control of the Company (as defined in Mr. Centurion s Change of Control Agreement), time-based shares held by Mr. Centurion will vest upon (i) the Company s termination of Mr. Centurion other than for cause or disability during the change of control period (as such terms are defined in his Change of Control Agreement) or (ii) Mr. Centurion s termination of his employment for good reason (as defined in his Change of Control

Agreement) during the change of control period or without reason during the 30 days following the first anniversary of the change of control.

Restricted Stock Subject to Performance Vesting Provisions. All unvested shares of restricted stock subject to performance vesting provisions (performance-based shares) held by Messrs. Furman, Bisson, Centurion, Rittenbaum and Stuckey will automatically vest (i) upon death or disability or (ii) on January 7, 2011 if a change of control (as defined in the Company s 2005 Stock Incentive Plan) occurs prior to August 31, 2010.

In addition, all performance-based shares held by Messrs. Bisson, Rittenbaum and Stuckey will immediately vest upon the Company s termination of the executive other than for cause or other than in the event of a change of control of the Company (as such terms are defined in the executives respective employment agreements). In the event of a change of control of the Company (as defined in the executives respective employment agreements), all performance-based shares held by Messrs. Bisson, Rittenbaum and Stuckey will vest upon (i) the Company s termination of the executive other than for cause or the executive s termination of his employment for good reason (as such terms are defined in the executives respective employment agreements) following the change of control (in the case of Mr. Rittenbaum, if such termination occurs during the two-year period following the change of control) or (ii) the executive s termination of his employment without reason during the 30 days following the first anniversary of the change of control. Following a change of control of the Company (as defined in Mr. Centurion s Change of Control Agreement), performance-based shares held by Mr. Centurion will vest upon (i) the Company s termination of Mr. Centurion other than for cause or disability during the change of control period (as such terms are defined in his Change of Control Agreement) or (ii) Mr. Centurion s termination of his employment for good reason (as defined in his Change of Control Agreement) during the change of control period or without reason during the 30 days following the first anniversary of the change of control.

Outstanding Equity Awards at August 31, 2008

	Option Awards				Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Options Exercise Price ($)**	**Options Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Unites or Other Rights That Have Not Vested ($)**
William A. Furman	N/A	N/A	N/A	N/A	60,000(1)	1,203,000	100,000(2)	2,005,000
Mark J. Rittenbaum	10,000	N/A	91,875	1/8/2009	12,000(3)	240,600		

					8,000(4)	160,400		
					10,000(1)	200,500		
Robin D. Bisson	N/A	N/A	N/A	N/A	12,000(3)	240,600	4,000(7)	80,200
					8,000(4)	160,400		
					4,000(6)	80,200		
Larry G. Brady	N/A	N/A	N/A	N/A	3,500(5)	70,175		
Alejandro Centurion	N/A	N/A	N/A	N/A	4,000(3)	80,200	4,000(7)	80,200
					8,000(4)	160,400		
					4,000(6)	80,200		
Timothy A. Stuckey	N/A	N/A	N/A	N/A	4,000(3)	80,200	4,000(7)	80,200
					10,000(4)	200,500		
					4,000(6)	80,200		

(1) Restricted stock award for Mr. Furman was granted on January 8, 2008 and vests over a period of three years in annual increments of one third of each award beginning one year from grant date. Restricted stock award for Mr. Rittenbaum was granted on January 8, 2008 and vests over a period of five years in annual increments of 20 percent of each award beginning one year from grant date.

(2) Restricted stock award for Mr. Furman was granted on January 8, 2008 and vests on the third anniversary of the award only if all of the following criteria are met in the three-year vesting period ending August 31, 2010: (i) the Company s consolidated revenue increases over the period at an average annual rate of not less than 10 percent; (ii) the Company s consolidated net earnings increase over the period at an average annual rate of not less than 12 percent; (iii) the Company achieves over the period a return on average stockholders equity averaging at least 15 percent; and (iv) the Company and its Board of Directors identify and employ for at least 12 months, and continuing to and including January 8, 2011, an individual with the potential to become Chief Executive Officer of the Company. The Compensation Committee of the Board of Directors has retained discretion to adjust net earnings and average stockholders equity in applying the vesting criteria to take into account specific non-recurring items that are not reflective of ongoing Company operations.

(3) Restricted stock awards for each of Messrs. Bisson, Rittenbaum and Stuckey were granted on August 1, 2005 and vest over a period of five years in annual increments of 20 percent of each award beginning one year from grant date.

(4) Restricted stock awards for each of Messrs. Bisson, Rittenbaum and Stuckey were granted on April 4, 2007 and vest over a period of five years in annual increments of 20 percent of each award beginning one year from grant date.

(5) Restricted stock award for Mr. Brady was granted on April 4, 2007 and vests over a period of two years in annual increments of 50 percent beginning one year from grant date.

(6) Restricted stock awards for each of Messrs. Bisson, Stuckey and Centurion were granted on April 7, 2008 and vest over a period of five years in annual increments of 20 percent of each award beginning one year from grant date.

(7) Restricted stock awards for each of Messrs. Bisson, Stuckey and Centurion were granted on April 7, 2008. Such shares will vest on the third anniversary of the award only if all of the following criteria have been met in the three-year period ending August 31, 2010: (i) the Company s consolidated revenue increases over the period at an average annual rate of not less than 10 percent; (ii) the Company s consolidated net earnings increase over the period at an average annual rate of not less than 12 percent; and (iii) the Company achieves over the period return on average stockholders equity averaging at least 15 percent. Revenue, net earnings and stockholders equity are defined as the respective amounts shown in the Company s audited consolidated financial statements. The Compensation Committee of the Board of Directors has retained discretion to adjust net earnings and average stockholders equity in applying the vesting criteria to take into account specific non-recurring items that are not reflective of ongoing Company operations. In the event of a change of control (as defined in the 2005 Stock Incentive Plan) before August 31, 2010, the performance-based shares will automatically vest on January 7, 2011.

Option Exercises and Stock Vested During Fiscal 2008

	Option Awards		**Stock Awards**	
	Number of Shares Acquired	**Value Realized on Exercise**	**Number of Shares Acquired on Vesting**	**Value Realized on Vesting During the Year Ended August 31, 2008**

Name	on Exercise (#)	($)	(#)	($)
William A. Furman	N/A	N/A	N/A	N/A
Mark J. Rittenbaum	N/A	N/A	8,000	172,260
Robin D. Bisson	N/A	N/A	8,000	172,260
Larry G. Brady	N/A	N/A	3,500	85,785
Alejandro Centurion	N/A	N/A	4,000	90,100
Timothy A. Stuckey	N/A	N/A	4,500	102,355

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Equity Compensation Plan Information

The following table provides certain information as of August 31, 2008 with respect to our equity compensation plans under which our equity securities are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders[1]	31,660	$ 7.42	262,837
Equity compensation plans not approved by security holders	None	None	None

[1] Includes the Stock Incentive Plan 2000 (The 2000 Plan) and the 2005 Stock Incentive Plan.

Potential Post-Termination Payments

Benefits Triggered upon Termination Following a Change of Control

Employment agreements entered into with Mr. Furman, Mr. Rittenbaum, Mr. Stuckey and Mr. Bisson provide for certain benefits to these officers if the officer s employment is terminated by us without cause or by the officer for good reason within 24 months after a change in control of the Company, or if the officer terminated his employment for any reason during the 30-day period immediately following the first anniversary of the change of control. Mr. Centurion has a Change of Control Agreement that provides for substantially the same benefits upon his termination of employment under these scenarios. Mr. Brady s employment agreement does not provide for special benefits in the event of a change of control.

In the above-described agreements, change of control generally is defined to include the acquisition by any individual, entity or group of 30 percent or more (in the case of Mr. Stuckey s and Mr. Bisson s employment agreements, 50 percent or more) of our stock, consummation of a merger or consolidation that results in 50 percent of more of our stock being owned by persons who were not stockholders prior to the transaction, a sale of substantially all of our assets, the dissolution or liquidation of the Company, or replacement of a majority of the members of the Board by individuals whose nomination, election or appointment was not approved by the incumbent Board.

Although the individual employment agreements and Mr. Centurion s Change of Control Agreement contain some negotiated differences in the definitions of terms, cause generally is defined to include gross negligence or willful misconduct in the performance of material duties, conviction of or a plea of no contest to certain crimes, conduct involving moral turpitude, and failure to carry out reasonable, material directives. Good reason generally is defined to include a change in position or responsibilities that does not represent a promotion, a decrease in compensation, and a home office relocation of over 35 miles.

The following table shows the estimated change of control benefits that would have been payable to the Named Executive Officers if a change of control (as defined in the applicable agreement) had occurred on August 31, 2008 and, except as noted, each officer s employment had been terminated on that date either by us without cause or by the officer with good reason.

Name	Cash Severance Benefit[1]	Annual Insurance Continuation[2]	Restricted Stock Acceleration[3]	Annual Retirement Benefit	Other	Total	280G Capped Amount[8]
William A. Furman	$ 2,250,000	$ 10,723	$ 3,208,000	$ 407,000(4)	$ 48,849[6]	$ 5,924,572	$ 4,304,811
Mark J. Rittenbaum	$ 993,750	$ 9,668	$ 601,500	$ 602,316(5)	$ 27,232[6]	$ 2,234,466	$ 2,329,221
Robin D. Bisson	$ 967,500	$ 16,106	$ 561,400	$ 538,395(5)	$ 39,232[6](7)	$ 2,122,633	$ 2,876,664
Larry G. Brady	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alejandro Centurion	$ 962,500	$ 16,106	$ 401,000	$ 924,813(5)	$ 42,808[6]	$ 2,347,227	$ 1,280,512
Timothy A. Stuckey	$ 925,000	$ 5,380	$ 441,100	$ 483,492(5)	$ 27,849[6]	$ 1,882,821	$ 1,825,352

(1) **Cash Severance Benefit.** The employment agreements with Mr. Furman and Mr. Bisson provide for cash severance payments equal to three times the sum of their current base salary plus the average of the last two year s cash bonus payments. The agreements with Mr. Rittenbaum, Mr. Stuckey and Mr. Centurion provide for a payment equal to two and one half times the sum of his current base salary plus the average of the two most recent annual bonuses (the average bonus amount). Messrs. Bisson, Stuckey and Rittenbaum are also entitled to receive a pro-rated bonus for the year of termination, based on the average bonus amount and the number of days worked during the year of termination. Since it is assumed that termination is on August 31, 2008, the cash severance benefit amount includes 100% of the average bonus amount, in addition to the multiples of salary and bonus described above. All payments are to be made in a single lump sum within 30 days after the date of termination.

(2) **Insurance Continuation.** If cash severance benefits are triggered, the employment agreements with Messrs. Bisson, Stuckey and Rittenbaum, and the Change of Control Agreement with Mr. Centurion, also provide that we will pay the cost of all health and welfare benefits paid for by us at the time of termination for up to 24 months following the termination of employment (in Mr. Centurion s case, for up to 30 months following termination of employment), except to the extent similar benefits are provided by a subsequent employer. The employment agreement with Mr. Furman provides for continuation of health and welfare benefits for up to 36 months following termination of employment. The amounts in the table above represent 12 months of life, accident and health insurance premium payments at the rates paid by us for each of these officers as of August 31, 2008.

(3) **Restricted Stock Acceleration.** All unvested shares of restricted stock subject to time vesting provisions (time-based shares) held by Messrs. Furman, Bisson, Centurion, Rittenbaum and Stuckey will automatically vest upon death, disability or retirement. In addition, all time-based shares held by Messrs. Bisson, Rittenbaum and Stuckey will immediately vest upon the Company s termination of the executive other than for cause or other than in the event of a change of control of the Company (as such terms are defined in the executives respective employment agreements). In the event of a change of control of the Company (as defined in the executives respective employment agreements), all time-based shares held by Messrs. Bisson, Rittenbaum and Stuckey will vest upon (i) the Company s termination of the executive other than for cause or the executive s termination of his employment for good reason (as such terms are defined in the executives respective employment agreements) following the change of control (in the case of Mr. Rittenbaum, if such termination occurs during the two-year period following the change of control) or (ii) the executive s termination of his employment without reason during the 30 days following the first anniversary of the change of control. Following a change of control of the Company (as defined in Mr. Centurion s Change of Control Agreement), time-based shares held by Mr. Centurion will vest upon (i) the Company s termination of Mr. Centurion other than for cause or disability during the change of control period (as such terms are defined in his Change of Control Agreement) or (ii) Mr. Centurion s termination of his employment for good reason (as defined in his Change of Control Agreement) during the change of control period or without reason during the 30 days following the first anniversary of the change of control.

All unvested shares of restricted stock subject to performance vesting provisions (performance-based shares) held by Messrs. Furman, Bisson, Centurion, Rittenbaum and Stuckey will automatically vest (i) upon death or disability or (ii) on January 7, 2011 if a change of control (as defined in the Company s 2005 Stock Incentive Plan) occurs prior to August 31, 2010. In addition, all performance-based shares held by Messrs. Bisson, Rittenbaum and Stuckey will immediately vest upon the Company s termination of the executive other than for cause or other than in the event of a change of control of the Company (as such terms are defined in the executives respective employment agreements). In the event of a change of control of the Company (as defined in the executives respective employment agreements), all performance-based shares held by Messrs. Bisson, Rittenbaum and

Stuckey will vest upon (i) the Company s termination of the executive other than for cause or the executive s termination of his employment for good reason (as such terms are defined in the executives respective employment agreements) following the change of control (in the case of Mr. Rittenbaum, if such termination occurs during the two-year period following the change of control) or (ii) the executive s termination of his employment without reason during the 30 days following the first anniversary of the change of control. Following a change of control of the Company (as defined in

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Mr. Centurion s Change of Control Agreement), performance-based shares held by Mr. Centurion will vest upon (i) the Company s termination of Mr. Centurion other than for cause or disability during the change of control period (as such terms are defined in his Change of Control Agreement) or (ii) Mr. Centurion s termination of his employment for good reason (as defined in his Change of Control Agreement) during the change of control period or without reason during the 30 days following the first anniversary of the change of control. The amounts in the table above represent the number of shares of unvested restricted stock multiplied by a stock price of $20.05 per share, which was the closing price of our Common Stock on August 31, 2008. The expense that the Company would record would differ from the amount above as under FAS 123R the amount of unamortized expense is based upon the stock price as the date of grant not at vesting.

(4) **Retirement Benefit.** Pursuant to his employment agreement, the Company will make an annual payment to Mr. Furman in the amount of $407,000 until he attains age 70, regardless of whether Mr. Furman s employment terminates prior to that date. Pursuant to his employment agreement, the Company will make an annual payment to Mr. Furman in the amount of $407,000 until he attains age 70, regardless of whether Mr. Furman s employment terminates prior to that date. Of this payment, $185,000 is intended to defray the premiums on a life insurance policy insuring his life and the remainder, $222,000, is intended to defray the income taxes resulting from treating this payment as compensation. This benefit is provided in place of any executive life insurance or other supplemental retirement benefit.

(5) **Target Benefit Plan Benefit.** Under the terms of the Target Benefit Plan, in the event of a change in control of the Company (as defined in the Target Benefit Plan), the Company is obligated to contribute to the Plan on behalf of each participating Named Executive Officer an amount equal to the discounted present value of the contributions that would have been required had the executive remained employed until age 65 (Normal Retirement Age under the Target Benefit Plan). Therefore, in the event that a participating executive s employment is terminated following a change in control (as defined in the Target Benefit Plan), the executive will receive a monthly retirement benefit equal to the benefit he would have received if he had remained employed until age 65. The amount shown in the table above is the purchase price of the amount of the additional annuity to be purchased so that the aggregate annuities result in a payment equal to the amount of the estimated annual target benefit payable to the executive under the Target Benefit Plan, assuming that the executive terminated employment as of August 31, 2008 following a change in control (as defined in the Target Benefit Plan). Monthly benefits commence when the executive attains age 65 and continue for 15 years (180 months) from that date.

(6) **Other.** Pursuant to their employment agreements, the Company will provide Messrs. Bisson, Rittenbaum and Stuckey with continuation of the Company s customary automobile benefit at the Company s expense, for a period of two years following termination of employment. Pursuant to his employment agreement, Mr. Furman will continue to receive the Company s customary automobile benefit for three years following termination of employment. Pursuant to his Change of Control Agreement, Mr. Centurion will continue to receive tax preparation services as well as the Company s customary automobile benefit for two and one half years following termination of employment. For each executive other than Mr. Centurion, the amount above represents the cost of the post-termination automobile benefit for the applicable period, based on the current annual cost of the executive s leased car. For Mr. Centurion, the amount above represents the cost of post-termination tax preparation and automobile benefits for two and one half years, based on the current annual cost of Mr. Centurion s tax preparation services and leased car.

(7) **Consulting Arrangement.** Pursuant to Mr. Bisson s employment agreement, the Company will enter into a consulting agreement with Mr. Bisson for a period of 60 months following his termination of employment, which provides for payment of $1,000 per month for consulting services not to exceed 20 hours per month, and the provision of medical, dental and vision coverage for Mr. Bisson and his dependents during that period, provided such coverage is available for non-employee consultants under the Company s group health plans. The Company

will pay the cost of COBRA coverage for the maximum period of time available following the end of the consulting period, and will thereafter provide Mr. Bisson and his spouse with health benefits until each of them becomes eligible for Medicare, up to a maximum cost per person of $2 million.

(8) **280G Capped Amount.** Under all of the change of control provisions described above, the amount of change of control benefits each officer will receive are capped at an amount that will prevent any payments being non-deductible under section 280G of the Internal Revenue Code of 1986, as amended (the Code) or subject to

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excise tax under Code section 4999. The amounts shown in this column are the capped amounts, which are equal to one dollar less than the product of three-times the amount of the officers base amount, which, as calculated under Code section 280G, is equal to the average of the officer s W-2 wages over the five-year period preceding the change of control event (or such shorter period as the officer has been employed by the Company).

Benefits Triggered on Involuntary Termination of Employment without Cause

The following table shows the estimated benefits that would have been paid to each of the Named Executive Officers if the officer s employment had been terminated on August 31, 2008, either by us without cause or, with respect to certain benefits, by the officers with good reason, pursuant to the terms of such officer s employment agreement with the Company.

Name	Cash Severance Benefit	Annual Insurance Continuation(2)	Restricted Stock Acceleration(3)	Annual Retirement Benefit	Other(6)	Total
William A. Furman	$ 1,500,000(1)	$ 10,723	$ 3,208,000	$ 407,000(4)	$ 32,566	$ 5,158,289
Mark J. Rittenbaum	$ 795,000(1)	$ 9,668	$ 601,500	$ 90,113(5)	$ 27,232	$ 1,523,513
Robin D. Bisson	$ 645,000(1)	$ 16,106	$ 561,400	$ 118,914(5)	$ 27,232	$ 1,368,652
Larry G. Brady	$ 720,000(1)	$ N/A	$ 70,175	$ N/A	$ N/A	$ 790,175
Alejandro Centurion	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Timothy A. Stuckey	$ 740,000(1)	$ 5,380	$ 441,100	$ 86,402(5)	$ 27,849	$ 1,300,731

(1) **Cash Severance Benefit.** Employment agreements with each of Messrs. Furman, Bisson, Stuckey and Rittenbaum provide for lump sum cash severance payments equal to two times the sum of base salary plus the average bonus amount. Messrs. Bisson, Stuckey and Rittenbaum also are entitled to receive a pro-rated bonus for the year of termination, based on the average bonus amount and the number of days worked during the year of termination. Since it is assumed that termination is on August 31, 2008, the cash severance benefit amount includes 100% of the average bonus amount, in addition to the multiples of salary and bonus described above. Mr. Brady is entitled to receive a lump sum cash severance benefit equal to his base salary for the remainder of the term of his agreement with the Company plus $2,000 per month for the remainder of the term to defray the cost of employee benefits during that period. All payments are to be made in a single lump sum within 30 days after the executive signs a release of claims against the Company.

(2) **Insurance Continuation.** Employment agreements with Messrs. Furman, Bisson, Rittenbaum and Stuckey also provide for continuation of life, accident and health insurance benefits paid by us for up to 24 months following the termination of employment, except to the extent similar benefits are provided by a subsequent employer. The amounts in the table above represent 12 months of life, accident and health insurance premium payments at the rates paid by us for each of these officers as of August 31, 2008.

(3) **Restricted Stock Acceleration.** All unvested shares of restricted stock will immediately vest upon termination of each Named Executive Officer (other than Mr. Centurion) by the Company without cause, under the terms of the officers employment agreements. Information regarding unvested restricted stock held by the Named Executive Officers is set forth in the Outstanding Equity Awards table above. The amounts in the table above represent the number of shares of unvested restricted stock multiplied by a stock price of $20.05 per share, which was the closing price of our Common Stock on August 31, 2008. The expense that the Company would record would differ from the amount above as, under FAS 123R, the amount of unamortized expense is based upon the stock

price on the date of grant and not on the vesting date.

(4) **Retirement Benefit.** Pursuant to his employment agreement, the Company will make an annual payment to Mr. Furman in the amount of $407,000 until he attains age 70, regardless of whether Mr. Furman s employment terminates prior to that date. Of this payment, $185,000 is intended to defray the premiums on a life insurance policy insuring his life and the remainder, $222,000, is intended to defray the income taxes resulting from treating this payment as compensation. This benefit is provided in place of any executive life insurance or other supplemental retirement benefit.

(5) **Target Benefit Plan Benefit.** Under the terms of the Target Benefit Plan, in the event that a participating executive terminates employment for any reason (other than following a change in control, as defined in the Target Benefit Plan) prior to the attainment of age 65, the Company will make no further contributions to the Plan on behalf of the executive. The executive will receive a monthly retirement benefit based upon the amounts payable under individual annuity contracts purchased by the Company on the executive s behalf prior to his termination of employment. The amount shown in the table above is the estimated annual benefit payable to the executive under the Target Benefit Plan, assuming that the executive s employment was involuntarily terminated as of August 31, 2008 (benefit amounts do not vary under the Target Benefit Plan based on whether termination of employment prior to retirement age was voluntary or involuntary, or with or without cause). Monthly benefits commence when the executive attains age 65 and continue for 15 years (180 months) from that date.

(6) **Other.** Pursuant to their employment agreements, the Company will provide Messrs. Bisson, Rittenbaum and Stuckey with continued participation in the Company auto program, at the Company s expense, for a period of two years following termination of employment. The amount above represents the current annual cost of the employees participation in the Company s automobile program for the two year period.

The Company s obligation to pay severance benefits is, in all cases, contingent upon the officer executing a release of claims in favor of the Company. Mr. Brady s entitlement to severance benefits is also contingent upon his compliance with the terms of a covenant not to compete in favor of the Company during the initial and extended terms under his employment agreement, as described above. The Company s obligation to pay severance benefits to each of Messrs. Bisson, Rittenbaum and Stuckey is contingent upon the officer s compliance with the terms of a covenant not to compete in favor of the Company for one year following termination of employment. The Company s obligation to pay severance benefits to Mr. Centurion is contingent on his compliance with the terms of a covenant not to compete in favor of the Company for two years following termination of employment.

Benefits Triggered on Retirement

The following table shows estimated benefits that would have been payable to the Named Executive Officers if each officer s employment terminated on August 31, 2008 by reason of retirement, excluding amounts payable under the Company s 401(k) Plan.

Name	Estimated Cash Benefit(1)	Annual Insurance Continuation(2)	Restricted Stock Acceleration(3)	Annual Retirement Benefit	Total
William A. Furman	-0-	$ 10,723	$ 3,208,000	$ 407,000(4)	$ 3,625,723
Mark J. Rittenbaum	N/A	N/A	$ 601,500	$ 90,113(5)	$ 691,613
Robin D. Bisson	N/A	N/A	$ 561,400	$ 118,914(5)	$ 680,314
Larry G. Brady	N/A	N/A	N/A	N/A	N/A
Alejandro Centurion	N/A	N/A	$ 401,000	$ 52,471(5)	$ 453,471
Timothy A. Stuckey	N/A	N/A	$ 441,100	$ 86,402(5)	$ 527,502

(1) **Cash Benefit.** Under the terms of his employment agreement, in the event of termination due to retirement, Mr. Furman is entitled to receive an amount equal to the pro rated portion of the cash bonus which would have been payable to him for the portion of the fiscal year during which he was employed by the Company. Since it is assumed that the triggering event occurs on August 31, 2008, the amount of estimated cash benefit is equal to a

full year s cash bonus, estimated to be amount of the average of the most recent two years cash bonuses actually paid to Mr. Furman.

(2) **Insurance Continuation.** The Company is required to provide continued health insurance at the Company s expense for Mr. Furman and his spouse until such time that Mr. Furman and/or his spouse become eligible for Medicare. The amount in the table represents the annual premium payments at the rates paid by us for Mr. Furman as of August 31, 2008.

(3) **Restricted Stock Acceleration.** Under the terms of the Company s standard forms of Restricted Share Agreement for restricted shares with time-based vesting (time-based shares), all unvested time-based shares become fully vested upon termination due to death, disability or retirement. The amounts in the table above

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represent the number of unvested time-based shares, multiplied by a stock price of $20.05 per share, which was the closing price of our Common Stock on August 31, 2008. The expense that the Company would record would differ from the amount above as, under FAS 123R, the amount of unamortized expense is based upon the stock price on the date of grant and not on the vesting date.

(4) **Retirement Benefit.** Pursuant to his employment agreement, the Company will make an annual payment to Mr. Furman in the amount of $407,000 until he attains age 70, regardless of whether Mr. Furman s employment terminates prior to that date. Of this payment, $185,000 is intended to defray the premiums on a life insurance policy insuring his life and the remainder, $222,000, is intended to defray the income taxes resulting from treating this payment as compensation. This benefit is provided in place of any executive life insurance or other supplemental retirement benefit.

(5) **Target Benefit Plan Benefit.** Under the terms of the Target Benefit Plan, in the event that a participating executive terminates employment due to retirement at age 65, the executive will receive monthly payments commencing at age 65 and continuing for 180 months. The amount shown in the table above is the estimated annual benefit payable to the executive under the Target Benefit Plan, assuming that the executive s employment terminated on August 31, 2008. Monthly benefits commence when the executive attains age 65 and continue for 15 years (180 months) from that date.

Benefits Triggered on Disability or Death

The following table shows estimated benefits that would have been payable to the Named Executive Officers if each officer s employment terminated on August 31, 2008 by reason of death or disability.

Name	Estimated Cash Benefit[1]	Annual Insurance Continuation[2]	Restricted Stock Acceleration[3]	Annual Retirement Benefit	Total
William A. Furman	-0-	$ 10,723	$ 3,208,000	$ 407,000(4)	$ 3,625,723
Mark J. Rittenbaum	N/A	N/A	$ 601,500	$ 90,113(5)	$ 691,613
Robin D. Bisson	N/A	N/A	$ 561,400	$ 118,914(5)	$ 680,314
Larry G. Brady	N/A	N/A	N/A	N/A	N/A
Alejandro Centurion	N/A	N/A	$ 401,000	$ 52,471(5)	$ 453,471
Timothy A. Stuckey	N/A	N/A	$ 441,100	$ 86,402(5)	$ 527,502

(1) **Cash Benefit.** Under the terms of his employment agreement, in the event of termination due to death or disability, Mr. Furman (or his estate) is entitled to receive an amount equal to the pro rated portion of the cash bonus which would have been payable to him for the portion of the fiscal year during which he was employed by the Company. Since it is assumed that the triggering event occurs on August 31, 2008, the amount of estimated cash benefit is equal to a full year s cash bonus, estimated to be amount of the average of the most recent two years cash bonuses actually paid to Mr. Furman.

(2) **Insurance Continuation.** The Company is required to provide continued health insurance at the Company s expense for Mr. Furman and his spouse until such time that Mr. Furman and his spouse become eligible for Medicare. The amount in the table represents the annual premium payments at the rates paid by us for Mr. Furman as of August 31, 2008.

(3) **Restricted Stock Acceleration.** Under the terms of the Company s standard forms of Restricted Share Agreement, all unvested shares of restricted stock become fully vested upon termination due to death or disability. The amounts in the table above represent the number of shares of unvested restricted stock multiplied by a stock price of $20.05 per share, which was the closing price of our Common Stock on August 31, 2008. The expense that the Company would record would differ from the amount above as, under FAS 123R, the amount of unamortized expense is based upon the stock price on the date of grant and not on the vesting date.

(4) **Retirement Benefit.** Pursuant to his employment agreement, the Company will make an annual payment to Mr. Furman in the amount of $407,000 until he attains age 70, regardless of whether Mr. Furman s employment terminates prior to that date. Of this payment, $185,000 is intended to defray the premiums on a life insurance policy insuring his life and the remainder, $222,000, is intended to defray the income taxes resulting from

treating this payment as compensation. This benefit is provided in place of any executive life insurance or other supplemental retirement benefit.

(5) **Target Benefit Plan Benefit.** Under the terms of the Target Benefit Plan, in the event that a participating executive s employment terminates due to the executive s death the executive s beneficiary will receive monthly payments commencing on the date the executive would have attained age 65, and continuing for 180 months, unless the beneficiary elects to receive the amounts held under the annuity contracts purchased for the executive s benefit in a single lump sum. In the event that a participating executive s employment terminates due to the executive s disability, the executive will receive a monthly benefit commencing at age 65 and continuing for 180 months. The amount shown in the table above is the estimated annual benefit payable to the executive (or his beneficiary, in the case of death) under the Target Benefit Plan, assuming that the executive s employment terminated as of August 31, 2008 due to the executive s death or disability.

Compensation Of Directors

The following table summarizes the compensation of the members of the Board of Directors who are not employees of the Company for the fiscal year ended August 31, 2008.

	Fees Earned or Paid		**Change in Pension Value and Nonqualified Deferred Compensation**	$ 53,319	$ —$ —$3,166 $56,485
Total financial instruments	$ 53,319	$—	$ —	$3,166	$56,485

(1) Comprised of certain investments measured at fair value using net asset value ("NAV") as a practical expedient. These investments were recategorized and are no longer included within Level 2 of the valuation hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on our consolidated balance sheets.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of acquired assets over the fair value of the underlying identifiable assets at the date of acquisition. Goodwill is not amortized but is tested for impairment at least annually. We completed our annual goodwill impairment assessment during the third quarter of 2016 and determined that no impairment loss was required. No impairments on goodwill were recorded during the three months ended March 31, 2017 or 2016.

Other Intangible Assets

Our intangible assets represent the acquisition date fair value of acquired client relationships, trade names and non-compete agreements and internally developed software and are reflected net of amortization. In valuing these assets, we made significant estimates regarding their useful lives, growth rates and potential attrition. We periodically review intangible assets for events or circumstances that would indicate impairment. No impairments on intangible assets were recorded during the three months ended March 31, 2017 or 2016.

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

7. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss were as follows (in thousands):

	As of March 31, 2017	As of December 31, 2016
Foreign currency translation adjustment	$(4,080)	$ (4,287)
Accumulated other comprehensive loss	$(4,080)	$ (4,287)

8. VARIABLE INTEREST ENTITIES

We have evaluated all of our advisory relationships with the UCITS Fund, the Westwood Funds®, limited liability companies ("LLCs") and our relationship as sponsor of the Common Trust Funds ("CTFs") to determine whether each of these entities is a variable interest entity ("VIE") or voting ownership entity ("VOE"). Based on our analysis, we determined that the limited liability companies and CTFs were VIEs, as the at-risk equity holders do not have the ability to direct the activities that most significantly impact the entity’s economic performance, and the Company and its representatives have a majority control of the entity's Board of Directors and can influence the entity's management and affairs. Although we have related parties on the UCITS Fund board of directors, the shareholders have rights to remove the current directors with a simple majority vote, so we determined the UCITS Fund is not a VIE. As the Company and its representatives do not have representation on the Westwood Funds'® independent board of directors, which directs the activities that most significantly impact the entity's economic performance, we determined that the Westwood Funds® were not VIEs. Therefore, the UCITS Fund and the Westwood Funds® should be analyzed under the VOE consolidation method. Based on our analysis of our seed investments in these entities for the periods ending March 31, 2017 and December 31, 2016, we have not consolidated the limited liability companies or CTFs under the VIE method or the UCITS Fund or the Westwood Funds® under the VOE method, and therefore the results of these entities are not included in the Company’s consolidated financial results.

In May 2015, the Company provided seed investments of $5.4 million for two new Westwood mutual funds. In both December 2015 and January 2014, the Company provided seed investments of $2.0 million to two common trust funds. In October 2014, the Company provided a seed investment of €1.6 million, or $2.0 million at the then prevailing exchange rate, to the UCITS Fund. These seed investments were provided for the sole purpose of showing the economic substance needed to establish the funds or sub-funds. The Company's seed investments in these funds are included in “Investments, at fair value” on our condensed consolidated balance sheet at March 31, 2017.

Otherwise, we have not provided any financial support we were not previously contractually obligated to provide and there are no arrangements that would require us to provide additional financial support to any of these entities. Our seed investments in the Westwood Funds®, the UCITS Fund and the CTFs are accounted for as investments in accordance with our other investments described in Note 4 “Investments.” We recognized fee revenue from the Westwood VIEs and Westwood VOEs of $12.8 million and $13.0 million for the three months ended March 31, 2017 and 2016, respectively.

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

The following table displays the assets under management, the amounts of our seed investments that are included in "Investments, at fair value" on our consolidated balance sheets, and the risk of loss in each vehicle (in millions):

	As of March 31, 2017		
	Assets Under Management	Corporate Investment	Amount at Risk
VIEs/VOEs:			
Westwood Funds®	$3,963	$ 6	$ 6
Common Trust Funds	2,621	3	3
LLCs	108	—	—
UCITS Fund	564	2	2
All other assets:			
Private Wealth	2,945		
Institutional	11,872		
Total AUM	$22,073		

9. LONG-TERM INCENTIVE COMPENSATION

Restricted Stock Awards

We have issued restricted shares to our employees and non-employee directors. The Third Amended and Restated Westwood Holdings Group, Inc. Stock Incentive Plan, as amended (the “Plan”), reserves shares of Westwood common stock for issuance to eligible employees, directors and consultants of Westwood or its subsidiaries in the form of restricted stock. The total number of shares issuable under the Plan (including predecessor plans to the Plan) may not exceed 4,398,100 shares. At March 31, 2017, approximately 172,000 shares remain available for issuance under the Plan.

The following table presents the total stock-based compensation expense recorded for stock-based compensation arrangements for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2017	2016
Service condition stock-based compensation expense	$2,629	$2,550
Performance condition stock-based compensation expense	1,123	1,243
Stock-based compensation expense under the Plan	3,752	3,793
Canadian EB Plan stock-based compensation expense	145	210
Total stock-based compensation expense	$3,897	$4,003

Restricted Stock

Under the Plan, we have granted to employees and non-employee directors restricted stock subject to service conditions, and to certain key employees restricted stock subject to both service and performance conditions.

As of March 31, 2017, there was approximately $34.4 million of unrecognized compensation cost for restricted stock grants under the Plan, which we expect to recognize over a weighted-average period of 2.6 years. Our two types of restricted stock grants under the Plan are discussed below.

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

Restricted Stock Subject Only to a Service Condition
We calculate compensation cost for restricted stock grants by using the fair market value of our common stock at the date of grant, the number of shares issued, and an adjustment for restrictions on dividends. This compensation cost is amortized on a straight-line basis over the applicable vesting period. As discussed in Note 2 "Summary of Significant Accounting Policies," the Company made an accounting policy election to account for forfeitures as they occur upon the adoption of ASU 2016-09 on January 1, 2017.
The following table details the status and changes in our restricted stock grants subject only to a service condition for the three months ended March 31, 2017:

	Shares	Weighted Average Grant Date Fair Value
Non-vested, January 1, 2017	607,501	$ 54.67
Granted	131,569	61.56
Vested	(168,324)	57.23
Forfeited	(12,955)	55.78
Non-vested, March 31, 2017	557,791	$ 55.50

Restricted Stock Subject to Service and Performance Conditions
Under the Plan, certain key employees were provided agreements for grants of restricted shares that vest over multiple year periods subject to achieving annual performance goals established by the Compensation Committee of Westwood's Board of Directors. Each year the Compensation Committee establishes a specific goal for that year's vesting of the restricted shares. For 2017, the goal is based on Income before income tax from our audited consolidated statement of comprehensive income for fiscal 2017. The date that the Compensation Committee establishes the annual goal is considered to be the grant date and the fair value measurement date to determine expense on the shares that are likely to vest. The vesting period ends when the Compensation Committee formally approves the performance-based restricted stock vesting based on the Income before income tax from the Company's audited consolidated financial statements. If a portion of the performance-based restricted shares does not vest, no compensation expense is recognized for that portion and any previously recognized compensation expense related to shares that do not vest is reversed. In March 2017, the Compensation Committee established the fiscal 2017 goal for our Chief Executive Officer and Chief Investment Officer as Income before income tax of $24.0 million for 50% of their respective awards, and an Income before income tax target of $34.0 million (ranging from 25% of target for threshold performance of $30.3 million to 185% of target for maximum performance of $42.5 million) for the remaining 50% of their respective awards. For all other restricted stock grants subject to performance conditions, the Compensation Committee established the fiscal 2017 goal as Income before income tax of at least $24.0 million. At the end of the first quarter of 2017, we concluded that it was probable that we would meet the target performance goals required to vest the applicable percentage of the performance-based restricted shares this year and began recording expense related to those shares.
The following table details the status and changes in our restricted stock grants subject to service and performance conditions for the three months ended March 31, 2017:

	Shares	Weighted Average Grant Date Fair Value

Non-vested, January 1, 2017	153,620	$ 55.90
Granted	147,557	56.41
Vested	(102,367)	56.58
Forfeited	(45,675)	55.86
Non-vested, March 31, 2017	153,135	$ 55.95

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

The above amounts as of March 31, 2017 do not include 18,422 non-vested restricted shares that potentially vest over performance years subsequent to 2017 inasmuch as the Compensation Committee has not set annual performance goals for later years and therefore no grant date has been established.

Canadian Plan

The Share Award Plan of Westwood Holdings Group, Inc. for Service Provided in Canada to its Subsidiaries (the "Canadian Plan") provides compensation in the form of common stock for services performed by employees of Westwood International. Under the Canadian Plan, no more than $10 million CDN ($7.5 million in U.S. Dollars using the exchange rate on March 31, 2017) may be funded to the plan trustee for purchases of common stock with respect to awards granted under the Canadian Plan. At March 31, 2017, approximately $4.3 million CDN ($3.2 million in U.S. Dollars using the exchange rate on March 31, 2017) remains available for issuance under the Canadian Plan, or approximately 60,400 shares based on the closing share price of our stock of $53.41 as of March 31, 2017. During the first three months of 2017, the trust formed pursuant to the Canadian Plan purchased in the open market 23,822 Westwood common shares for approximately $1.3 million. As of March 31, 2017, the trust holds 55,418 shares of Westwood common stock. As of March 31, 2017, unrecognized compensation cost related to restricted stock grants under the Canadian Plan totaled $1.2 million, which we expect to recognize over a weighted-average period of 2.1 years.

Mutual Fund Share Incentive Awards

We grant annually to certain employees mutual fund incentive awards, which are bonus awards based on our mutual funds achieving specific performance goals. Awards granted are notionally credited to a participant account maintained by us that contains a number of mutual fund shares equal to the award amount divided by the net closing value of a fund share on the date the amount is credited to the account.

For awards earned prior to 2017, the award vested after approximately one year of service following the year in which the participant earned the award. Beginning in 2017, the award vests after approximately two years of service following the year in which the participant earned the award. We begin accruing a liability for mutual fund incentive awards when we believe it is probable that the award will be earned and record expense for these awards over the service period of the award, which is approximately two or three years. During the year in which the amount of the award is determined, we record expense based on the expected value of the award. After the award is earned, we record expense based on the value of the shares awarded and the percentage of the vesting period that has elapsed. Our liability under these awards may increase or decrease based on changes in the value of the mutual fund shares awarded, including reinvested income from the mutual funds during the vesting period. Upon vesting, participants receive the value of the mutual fund share awards adjusted for earnings or losses attributable to the underlying mutual funds. For the three months ended March 31, 2017 and 2016, we recorded expense of approximately $288,000 and $262,000, respectively, related to mutual fund share incentive awards. As of March 31, 2017 and December 31, 2016, we had an accrued liability of approximately $938,000 and $1.7 million, respectively, related to mutual fund share incentive awards.

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

10. INCOME TAXES

Our effective income tax rate was 22.0% for the first quarter of 2017, compared with 37.6% for the first quarter of 2016. The decrease is primarily related to the adoption of ASU 2016-09 Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting, which requires recognition of excess tax benefits related to employees' restricted stock vesting to be recorded within income tax expense. Prior to adoption of ASU 2016-09, excess tax benefits were recorded through Additional paid-in capital, with no impact to the effective tax rate or our consolidated statement of comprehensive income. See further discussion in Note 2 "Summary of Significant Accounting Policies."

As of March 31, 2017 and December 31, 2016, the Company's gross liability related to uncertain tax positions was $2.1 million and $2.5 million, respectively. A number of years may elapse before an uncertain tax position is finally resolved. To the extent that the Company has favorable tax settlements, or determines that accrued amounts are no longer needed due to a lapse in the applicable statute of limitations or other changes in circumstances, such liabilities, as well as any related interest and penalties, would be reversed as a reduction of income tax expense, net of federal tax effects, in the period such determination is made. A reconciliation of the change in recorded uncertain tax positions during the three months ended March 31, 2017 is as follows (in thousands):

Balance at January 1, 2017	$2,462
Additions for tax positions related to the current year	57
Additions for tax positions related to prior years	—
Reductions for tax positions related to prior years	(42)
Payments for tax positions related to prior years	(352)
Balance at March 31, 2017	$2,125

Within the next twelve months, it is reasonably possible that the liability for uncertain tax positions could decrease by as much as $2.1 million as a result of settlements with certain taxing authorities, which, if recognized, would decrease our provision for income taxes by $1.4 million.

11. RELATED PARTY TRANSACTIONS

Some of our directors, executive officers and their affiliates invest their personal funds directly in trust accounts that we manage. For the three months ended March 31, 2017 and 2016, we recorded trust fees from these accounts of $95,000 and $112,000, respectively. There was $93,000 and $97,000 due from these accounts as of March 31, 2017 and December 31, 2016, respectively.

The Company engages in transactions with its affiliates in the ordinary course of business. Westwood International and Westwood Management provide investment advisory services to the UCITS Fund and the Westwood Funds®. Certain members of our management serve on the board of directors of the UCITS Fund, and we have capital invested in three of the Westwood Funds®. Under the terms of the investment advisory agreements, the Company earns quarterly fees paid by clients of the fund or directly by the funds. The fees are based on negotiated fee schedules applied to assets under management. These fees are commensurate with market rates. For the three months ended March 31, 2017 and 2016, the Company earned approximately $800,000 and $319,000, respectively, in fees from the affiliated funds. These fees do not include fees paid directly to Westwood International by certain clients invested in the UCITS Fund that have an investment management agreement with Westwood International. As of March 31, 2017 and December 31, 2016, $292,000 and $270,000, respectively, of these fees were unpaid and included in “Accounts receivable” on our condensed consolidated balance sheets.

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

12. COMMITMENTS AND CONTINGENCIES

On August 3, 2012, AGF Management Limited and AGF Investments Inc. (collectively, "AGF") filed a lawsuit in the Ontario Superior Court of Justice against Westwood, certain Westwood employees and the executive recruiting firm of Warren International, LLC. ("Warren"). The action relates to the hiring of certain members of Westwood's global and emerging markets investment team previously employed by AGF. AGF is alleging that the former employees breached certain obligations when they resigned from AGF and that Westwood and Warren induced such breaches. AGF is seeking an unspecified amount of damages and punitive damages of $10 million CDN in the lawsuit. On November 5, 2012, Westwood responded to AGF's lawsuit with a counterclaim against AGF for defamation. Westwood is seeking $1 million CDN in general damages, $10 million CDN in special damages, $1 million CDN in punitive damages, and costs. On November 6, 2012, AGF filed a second lawsuit against Westwood, Westwood Management and an employee of a Westwood subsidiary, alleging that the employee made defamatory statements about AGF. In this second lawsuit, AGF is seeking $5 million CDN in general damages, $1 million CDN per defendant in punitive damages, unspecified special damages, interest and costs. The pleadings phase was completed in 2013, and we continue to be in the discovery phase.

While we intend to vigorously defend both actions and pursue our counterclaims, we are currently unable to estimate the ultimate aggregate amount of monetary gain, loss or financial impact of these actions and counterclaims. Defending these actions and pursuing these counterclaims may be expensive for us, as well as time consuming for our personnel. While we do not currently believe these proceedings will have a material impact, adverse resolution of these actions and counterclaims could have a material adverse effect on our business, financial condition or results of operations and cash flows.

Our policy is to not accrue legal fees and directly related costs as part of potential loss contingencies. We have agreed with our Directors & Officers insurance provider that 50% of the defense costs related to both AGF claims, excluding Westwood's counterclaim against AGF, are covered by insurance. We expense legal fees and directly related costs as incurred. We did not receive insurance proceeds during the three months ended March 31, 2017. We received insurance proceeds of approximately $214,000 during the three months ended March 31, 2016. We had a receivable of $245,000 and $186,000 as of March 31, 2017 and December 31, 2016, respectively, which represents our current minimum estimate of expenses that we expect to recover under our insurance policy. This receivable is part of "Other current assets" on our condensed consolidated balance sheets.

13. SEGMENT REPORTING

We operate two segments: Advisory and Trust. These segments are managed separately based on the types of products and services offered and their related client bases. The Company's segment information is prepared on the same basis that management reviews the financial information for operational decision-making purposes. The Company's chief operating decision maker, our Chief Executive Officer, evaluates the performance of our segments based primarily on fee revenues and Economic Earnings. Westwood Holdings Group, Inc., the parent company of Advisory and Trust, does not have revenues and is the entity in which we record typical holding company expenses including employee compensation and benefits for holding company employees, directors' fees and investor relations costs. All segment accounting policies are the same as those described in the summary of significant accounting policies. Intersegment balances that eliminate in consolidation have been applied to the appropriate segment.

Advisory

Our Advisory segment provides investment advisory services to corporate retirement plans, public retirement plans, endowments, foundations, individuals, the Westwood Funds®, and the UCITS Fund, as well as investment subadvisory services to mutual funds and our Trust segment. Westwood Management and Westwood International, which provide investment advisory services to clients of similar type, are included in our Advisory segment along with Westwood Advisors, LLC.

Trust

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

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

	Advisory	Trust	Westwood Holdings	Eliminations	Consolidated
	(in thousands)				
Three Months Ended March 31, 2017					
Net fee revenues from external sources	$24,175	$7,795	$—	$—	$ 31,970
Net intersegment revenues	2,026	51	—	(2,077)	—
Net interest and dividend revenue	158	9	—	—	167
Other, net	482	4	—	—	486
Total revenues	$26,841	$7,859	$—	$ (2,077)	$ 32,623
Economic Earnings	$10,787	$1,448	$ (1,628)	$—	$ 10,607
Less: Restricted stock expense					3,897
Intangible amortization					490
Deferred taxes on goodwill					156
Net income					$ 6,064
Segment assets	$178,591	$66,166	$ 9,744	$ (88,397)	$ 166,104
Segment goodwill	$5,219	$21,925	$—	$—	$ 27,144
Three Months Ended March 31, 2016					
Net fee revenues from external sources	$21,815	$7,465	$—	$—	$ 29,280
Net intersegment revenues	4,394	—	—	(4,394)	—
Net interest and dividend revenue	133	2	—	—	135
Other, net	(3)	(283)	—	—	(286)
Total revenues	$26,339	$7,184	$—	$ (4,394)	$ 29,129
Economic Earnings	$9,076	$1,032	$ (2,015)	$—	$ 8,093
Less: Restricted stock expense					4,003
Intangible amortization					490
Deferred taxes on goodwill					78
Net income					$ 3,522
Segment assets	$184,478	$66,794	$ 8,264	$ (95,084)	$ 164,452
Segment goodwill	$5,219	$21,925	$—	$—	$ 27,144

We are providing a performance measure that we refer to as Economic Earnings. Both our management and Board of Directors review Economic Earnings to evaluate our ongoing performance, allocate resources and determine our dividend policy. We also believe that this performance measure is useful for management and investors when evaluating our underlying operating and financial performance and our available resources.
In calculating Economic Earnings, we add to net income the non-cash expense associated with equity-based compensation awards of restricted stock, amortization of intangible assets and the deferred taxes related to the tax-basis amortization of goodwill. Although depreciation on property and equipment is a non-cash expense, we do not add it back when calculating Economic Earnings because depreciation charges represent a decline in the value of the related assets that will ultimately require replacement.

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

The following tables provide a reconciliation of Net income to Economic Earnings (in thousands, except per share and share amounts):

	Three Months Ended March 31,	
	2017	2016
Net income	$6,064	$3,522
Add: Stock-based compensation expense	3,897	4,003
Add: Intangible amortization	490	490
Add: Tax benefit from goodwill amortization	156	78
Economic Earnings	$10,607	$8,093

14. SUBSEQUENT EVENTS
Dividend Declared
In April 2017, Westwood’s Board of Directors declared a quarterly cash dividend of $0.62 per common share payable on July 3, 2017 to stockholders of record on June 9, 2017.

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

Forward-Looking Statements

Statements in this report and the Annual Report to Stockholders that are not purely historical facts, including, without limitation, statements about our expected future financial position, results of operations or cash flows, as well as other statements including, without limitation, words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "should, "could," "goal," "may," "target," "designed," "on track," "comfortable with," "optimistic" and other similar expressions, const forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results and the timing of some events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including, without limitation, the risks described under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC, and those risks set forth below:

- the composition and market value of our assets under management;
- regulations adversely affecting the financial services industry;
- competition in the investment management industry;
- our assets under management includes investments in foreign companies;
- our ability to develop and market new investment strategies successfully;
- our relationships with current and potential customers;
- our ability to retain qualified personnel;
- our ability to maintain effective cyber security;
- our ability to maintain effective information systems;
- our ability to pursue and property integrate acquired businesses;
- litigation risks;
- our ability to properly address conflicts of interest;
- our ability to maintain adequate insurance coverage;
- our ability to maintain an effective system of internal controls;
- our ability to maintain our fee structure in light of competitive fee pressures;
- our relationships with investment consulting firms; and
- the significant concentration of our revenues in a small number of customers.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this report. We are not obligated and do not undertake an obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events or otherwise.

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Overview

We manage investment assets and provide services for our clients through our subsidiaries, Westwood Management Corp. and Westwood Advisors, LLC (each of which is an SEC-registered investment advisor and referred to hereinafter together as, "Westwood Management"), Westwood International Advisors Inc. ("Westwood International") and Westwood Trust. Westwood Management provides investment advisory services to institutional investors, a family of mutual funds called the Westwood Funds®, other mutual funds, an Ireland-domiciled fund organized pursuant to the European Union’s Undertakings for Collective Investment in Transferable Securities (the “UCITS Fund”), individual investors and clients of Westwood Trust. Westwood International provides investment advisory services to institutional clients, the Westwood Funds®, other mutual funds, the UCITS Fund and clients of Westwood Trust. Westwood Trust provides trust and custodial services and participation in self-sponsored common trust funds to institutions and high net worth individuals. Our revenues are generally derived from fees based on a percentage of assets under management.

Revenues

We derive our revenues from investment advisory fees, trust fees, and other revenues. Our advisory fees are generated by Westwood Management and Westwood International, which manage client accounts under investment advisory and subadvisory agreements. Advisory fees are calculated based on a percentage of assets under management and are paid in accordance with the terms of the agreements. Advisory fees are paid quarterly in advance based on assets under management on the last day of the preceding quarter, quarterly in arrears based on assets under management on the last day of the quarter just ended, or are based on a daily or monthly analysis of assets under management for the stated period. We recognize advisory fee revenues as services are rendered. A limited number of our clients have a contractual performance-based fee component in their contracts, which generates additional revenues if we outperform a specified index over a specific period of time. We record revenues from performance-based fees at the end of the measurement period. Since our advance paying clients' billing periods coincide with the calendar quarter to which such payments relate, revenue is recognized within the quarter and our condensed consolidated financial statements contain no deferred advisory fee revenues.

Our trust fees are generated by Westwood Trust pursuant to trust or custodial agreements. Trust fees are separately negotiated with each client and are generally based on a percentage of assets under management. Westwood Trust also provides trust services to a small number of clients on a fixed fee basis. During the first quarter of 2016, Westwood Trust changed the billing terms for most of our trust clients from quarterly in advance, based on assets under management on the last day of the preceding quarter, to quarterly in arrears, based on a daily average of assets under management for the quarter. Since billing periods for most of Westwood Trust’s clients coincide with the calendar quarter, revenue is fully recognized within the quarter and our condensed consolidated financial statements do not contain a significant amount of deferred trust fee revenues.

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

Employee Compensation and Benefits

Employee compensation and benefits costs generally consist of salaries, incentive compensation, equity-based compensation expense and benefits.

Sales and Marketing

Sales and marketing costs relate to our marketing efforts, including travel and entertainment, direct marketing and advertising costs.

Westwood Mutual Funds

Westwood Mutual Funds expenses relate to our marketing, distribution and administration of the Westwood Funds®.

Information Technology
Information technology expenses are generally costs associated with proprietary investment research tools, maintenance and support, computing hardware, software licenses, telecommunications and other related costs.
Professional Services
Professional services expenses generally consist of costs associated with subadvisory fees, audit, tax, legal and other professional services.
General and Administrative
General and administrative expenses generally consist of costs associated with the lease of our office space, amortization, depreciation, insurance, custody expense, Board of Directors fees, investor relations, licenses and fees, office supplies and other miscellaneous expenses.

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Assets Under Management

Assets under management ("AUM") increased $1.0 billion to $22.1 billion at March 31, 2017 compared with $21.1 billion at March 31, 2016 as a result of market appreciation, partially offset by net outflows, over the last twelve months. The average of beginning and ending assets under management for the first quarter of 2017 was $21.7 billion compared to $20.9 billion for the first quarter of 2016. The increase in average assets under management is due to market appreciation over the last twelve months.

The following table displays assets under management as of March 31, 2017 and 2016:

	As of March 31,		% Change March 31, 2017 vs. March 31, 2016
	2017	2016	
	(in millions)		
Institutional	$12,435	$12,232	2 %
Private Wealth	5,675	5,305	7
Mutual Funds	3,963	3,598	10
Total Assets Under Management[(1)]	$22,073	$21,135	4 %

(1) AUM excludes $1.1 billion of assets under advisement ("AUA") as of March 31, 2017 related to our model portfolios, including approximately $723 million in a long-only convertibles fund for which we provide consulting advice but do not have direct discretionary investment authority. AUM excluded approximately $325 million of AUA as of March 31, 2016 related to model portfolios, for which we provided consulting advice but for which we did not have direct discretionary investment authority.

- Institutional includes separate accounts of corporate pension and profit sharing plans, public employee retirement funds, Taft Hartley plans, endowments, foundations and individuals; subadvisory relationships where Westwood provides investment management services for funds offered by other financial institutions; pooled investment vehicles, including the UCITS Fund and collective investment trusts; and managed account relationships with brokerage firms and other registered investment advisors that offer Westwood products to their customers.
- Private Wealth includes assets for which Westwood Trust provides trust and custodial services and participation in common trust funds that it sponsors to institutions and high net worth individuals pursuant to trust or agency agreements and assets for which Westwood Advisors provides advisory services in ten limited liability companies to high net worth individuals. Investment subadvisory services are provided for the common trust funds by Westwood Management, Westwood International and external, unaffiliated subadvisors. For certain assets in this category, Westwood Trust currently provides limited custody services for a minimal or no fee, viewing these assets as potentially converting to fee-generating managed assets in the future. As an example, some assets in this category consist of low-basis stock currently held in custody for clients where we believe such assets may convert to fee-generating managed assets upon an inter-generational transfer of wealth.
- Mutual Funds include the Westwood Funds®, a family of mutual funds for which Westwood Management serves as advisor. These funds are available to individual investors, as well as offered as part of our investment strategies for institutional and private wealth accounts.

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Roll-Forward of Assets Under Management

(in millions)	Three Months Ended March 31,	
	2017	2016
Institutional		
Beginning of period assets	$11,911	$11,752
Inflows	370	497
Outflows	(607)	(342)
Net flows	(237)	155
Market appreciation	761	325
Net change	524	480
End of period assets	12,435	12,232
Private Wealth		
Beginning of period assets	5,520	5,393
Inflows	194	97
Outflows	(245)	(229)
Net flows	(51)	(132)
Market appreciation	206	44
Net change	155	(88)
End of period assets	5,675	5,305
Mutual Funds		
Beginning of period assets	3,810	3,617
Inflows	242	299
Outflows	(249)	(370)
Net flows	(7)	(71)
Market appreciation	160	52
Net change	153	(19)
End of period assets	3,963	3,598
Total		
Beginning of period assets	21,241	20,762
Inflows	806	893
Outflows	(1,101)	(941)
Net flows	(295)	(48)
Market appreciation	1,127	421
Net change	832	373
End of period assets	$22,073	$21,135

Three months ended March 31, 2017 and 2016

The $0.8 billion increase in assets under management for the three months ended March 31, 2017 was due to market appreciation of $1.1 billion, partially offset by net outflows of $295 million. Net outflows were primarily related to our SMidCap strategies, Emerging Markets strategies, and LargeCap Value strategy, partially offset by inflows in our Market Neutral Income strategy.

The $0.4 billion increase in assets under management for the three months ended March 31, 2016 was due to market depreciation of $421 million and net outflows of $48 million. Net flows were primarily driven by outflows in our Income Opportunity, Market Neutral Income and LargeCap Value strategies, partially offset by inflows in our SmallCap Value and Emerging Markets strategies.

Results of Operations

The following table (dollars in thousands) and discussion of our results of operations is based upon data derived from the condensed consolidated statements of comprehensive income contained in our condensed consolidated financial statements and should be read in conjunction with those statements, included elsewhere in this report.

	Three Months Ended March 31,		% Change Three Months Ended March 31, 2017 vs. March 31, 2016
	2017	2016	
Revenues:			
Advisory fees: asset-based	$23,789	$21,815	9 %
Advisory fees: performance-based	386	—	100
Trust fees	7,795	7,465	4
Other revenues	653	(151)	NM
Total revenues	32,623	29,129	12
Expenses:			
Employee compensation and benefits	17,717	16,494	7
Sales and marketing	477	328	45
Westwood mutual funds	863	696	24
Information technology	1,756	1,964	(11)
Professional services	1,496	1,646	(9)
General and administrative	2,544	2,355	8
Total expenses	24,853	23,483	6
Income before income taxes	7,770	5,646	38
Provision for income taxes	1,706	2,124	(20)
Net income	$6,064	$3,522	72 %

NM Not meaningful

Three months ended March 31, 2017 compared to three months ended March 31, 2016

Total Revenues. Our Total revenues increased $3.5 million, or 12%, to $32.6 million for the three months ended March 31, 2017 compared with $29.1 million for the three months ended March 31, 2016. Asset-based advisory fees increased $2.0 million, or 9%, and Trust fees increased $0.3 million, or 4%, primarily due to higher average assets under management due to asset appreciation. Performance-based advisory fees increased by $0.4 million.

Employee Compensation and Benefits. Employee compensation and benefits costs increased $1.2 million or 7%, to $17.7 million for the three months ended March 31, 2017 compared with $16.5 million for the three months ended March 31, 2016. The increase is due to higher incentive compensation as a result of improved pre-tax income as compared to the prior year quarter, as well as merit and head count increases.

Provision for Income Taxes. The effective tax rate decreased to 22.0% for the three months ended March 31, 2017 from 37.6% for the three months ended March 31, 2016. During the first quarter of 2017, we recorded a $1.0 million adjustment to income tax expense related to excess tax benefits as a result of the adoption of ASU 2016-09 Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting, which decreased our effective tax rate to 22.0%. Without the adjustment, our effective tax rate would have been 34.2%. Prior to adoption of ASU 2016-09, excess tax benefits were recorded through Additional paid-in capital, with no impact to the effective tax rate.

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Supplemental Financial Information

As supplemental information, we provide a non-U.S. generally accepted accounting principles ("non-GAAP") performance measure that we refer to as Economic Earnings. We provide this measure in addition to, but not as a substitute for, net income reported on a U.S. generally accepted accounting principles ("GAAP") basis. Our management and Board of Directors review Economic Earnings to evaluate our ongoing performance, allocate resources and review the dividend policy. We believe that this non-GAAP performance measure, while not a substitute for GAAP net income, is useful for management and investors when evaluating our underlying operating and financial performance and our available resources. We do not advocate that investors consider this non-GAAP measure without also considering financial information prepared in accordance with GAAP.

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

The following tables provide a reconciliation of Net income to Economic Earnings (in thousands, except per share and share amounts):

	Three Months Ended March 31,		% Change
	2017	2016	
Net income	$6,064	$ 3,522	72 %
Add: Stock-based compensation expense	3,897	4,003	(3)
Add: Intangible amortization	490	490	—
Add: Tax benefit from goodwill amortization	156	78	100
Economic Earnings	$10,607	$ 8,093	31 %
Diluted weighted average shares outstanding	8,311,382	8,047,084	
Economic Earnings per share	$1.28	$ 1.01	

Liquidity and Capital Resources

We fund our operations and cash requirements with cash generated from operating activities. We may also use cash from operations to pay dividends to our stockholders. As of March 31, 2017 and December 31, 2016, we had no debt. The changes in net cash provided by operating activities generally reflect the changes in earnings plus the effects of non-cash items and changes in working capital. Changes in working capital, especially accounts receivable and accounts payable, are generally the result of timing differences between collection of fees billed and payment of operating expenses.

During the three months ended March 31, 2017, cash flow provided by operating activities, principally our investment advisory business, was $9.9 million. Cash flow used in investing activities of $150,000 during the three months ended March 31, 2017 was related to purchases of fixed assets. Cash flow used in financing activities of $13.1 million for the three months ended March 31, 2017 was due to the payment of dividends, purchases of restricted stock returned for payment of taxes and purchases of treasury shares for our Canadian share award plan.

We had cash and investments of $75.4 million as of March 31, 2017 and $90.2 million as of December 31, 2016. Cash and cash equivalents as of March 31, 2017 and December 31, 2016 includes approximately $22 million and $20 million, respectively, of undistributed income from Westwood International that we consider to be permanently invested in Canada. At March 31, 2017 and December 31, 2016, working capital aggregated $84.9 million and $86.3 million, respectively.

Westwood Trust must maintain cash and investments in an amount equal to the required minimum restricted capital of $4.0 million, as required by the Texas Finance Code. Restricted capital is included in Investments in the accompanying condensed consolidated balance sheets. At March 31, 2017, Westwood Trust had approximately $12.5 million in excess of its minimum capital requirement.

Our future liquidity and capital requirements will depend upon numerous factors, including our results of operations, the timing and magnitude of capital expenditures or strategic initiatives, our dividend policy and other business and risk factors described under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC. We believe that current cash and short-term investment balances and cash generated from operations will be sufficient to meet both the operating and capital requirements of our ordinary business operations through at least the next twelve months. However, there can be no assurance that we will not require additional financing within this time frame. The failure to raise needed capital on attractive terms, if at all, could have a material adverse effect on our business, financial condition and results of operations.

Contractual Obligations

As of March 31, 2017, there have been no material changes outside the ordinary course of business to our contractual obligations since December 31, 2016. For information regarding our contractual obligations, refer to "Contractual Obligations" in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Critical and Significant Accounting Policies and Estimates

Effective January 1, 2017, we adopted ASU 2016-09, Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting. Refer to Note 2 "Summary of Accounting Policies" in our condensed consolidated financial statements included in Part I, Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q for a detailed description of the adoption of ASU 2016-09.

Otherwise, there have been no significant changes in our critical or significant accounting policies and estimates since December 31, 2016. Information with respect to our critical accounting policies and estimates that we believe could have the most significant effect on our reported consolidated results and require difficult, subjective or complex judgment by management are described under "Critical Accounting Policies and Estimates" in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Accounting Developments

Refer to Note 2 "Summary of Significant Accounting Policies" in our condensed consolidated financial statements included in Part I, Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q for a description of recently issued accounting guidance.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our Quantitative and Qualitative Disclosures about Market Risk from those previously reported in our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

For the quarter ended March 31, 2017, there were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See discussion of legal proceedings and procedures in Note 12 "Commitments and Contingencies" in our condensed consolidated financial statements included in Part I, Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

We face a number of significant risks and uncertainties in our business, including those detailed under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and summarized in this report under "Management's Discussion and Analysis of Financial Condition and Results of Operations." These risks and uncertainties may affect our current position and future prospects and should be considered carefully in evaluating us, including making an investment in our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table displays information with respect to the treasury shares we purchased during the three months ended March 31, 2017:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs (1)
Repurchase program [1]	—	$ —	—	$ 9,366,000
Canadian Plan [2]				
March 1-31, 2017	23,822	$ 55.65	—	CDN $ 4,296,000
Employee transactions [3]				
February 1-28, 2017	73,213	$ 61.63	—	—
March 1-31, 2017	12,344	$ 54.77	—	—

(1) On July 20, 2012, our Board of Directors authorized management to repurchase up to $10.0 million of our outstanding common stock on the open market or in privately negotiated transactions. In July 2016, Westwood's Board of Directors authorized an additional $5.0 million of repurchases under the share repurchase program. The share repurchase program has no expiration date and may be discontinued at any time by the Board of Directors.

(2) On April 18, 2013, our stockholders approved the Share Award Plan of Westwood Holdings Group, Inc. for Service Provided in Canada to its Subsidiaries (the “Canadian Plan”), which contemplates a trustee purchasing up to $10.0 million CDN of our outstanding common stock on the open market for the purpose of making share awards to our Canadian employees. The Canadian Plan has no expiration date and may be discontinued at any time by the Board of Directors.

(3) Consists of shares of common stock tendered by an employee at the market close price on the date of vesting in order to satisfy the employee’s minimum tax withholding obligations from vested restricted shares. We anticipate having additional shares tendered in subsequent periods for the same purpose.

ITEM 6. EXHIBITS

10.1+	Waiver of Certain Performance Shares Under the Performance Share Agreement, dated as of February 22, 2017, between the Company and Brian O. Casey (incorporated by reference from the Form 8-K filed with the SEC on February 28, 2017).
10.2+	Letter of Understanding Regarding Transition to Chairman Role, dated as of February 24, 2017, between the Company and Randall L. Root (incorporated by reference from the Form 8-K filed with the SEC on February 28, 2017).
10.3+	Employee Confidentiality and Non-Compete Agreement, dated as of February 24, 2017, between the Company and Randall L. Root (incorporated by reference from the Form 8-K filed with the SEC on February 28, 2017).
10.4+	Form of Performance Share Agreement (incorporated by reference from the Form 8-K filed with the SEC on March 10, 2017).
10.5+	One-Time Performance Share Agreement, dated as of March 9, 2017, between the Company and Mark R. Freeman (incorporated by reference from the Form 8-K filed with the SEC on March 10, 2017).
10.6+	Form of Mutual Fund Share Incentive Agreement (incorporated by reference from the Form 8-K filed with the SEC on March 29, 2017).
31.1*	Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a)
31.2*	Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a)
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.
** Furnished herewith.
+ Indicates management contract or compensation plan, contract or arrangement.

SIGNATURES

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

Dated: April 26, 2017 WESTWOOD HOLDINGS GROUP, INC.

By: /s/ Brian O. Casey
Brian O. Casey
President and Chief Executive Officer

By: /s/ Tiffany B. Kice
Tiffany B. Kice
Chief Financial Officer and Treasurer

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