Risk Factors Comparison 2024-03-07 to 2023-03-13 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

We believe these represent the material risks currently facing our business. Our business, financial condition or results of operations could be materially adversely affected by these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should carefully consider the risks described below before making an investment decision. You should also refer to the other information included or incorporated by reference in this Report, including our financial statements and related notes. Risks Related to the Investment Industry Our results of operations depend upon the market value and composition of AUM and AUA, which can fluctuate significantly based on various factors, some of which are beyond our control. Our revenues are primarily generated from fees derived as a percentage of AUM and AUA. The value of our AUM and AUA can be negatively impacted by several factors, including: • Market performance: Performance of the securities markets could be impacted by a number of factors beyond our control, including, among others, general economic downturns, political uncertainty, acts of terrorism or natural disasters. Negative performance within the securities markets or short- term volatility within the securities markets could result in investors withdrawing assets, decreasing their rates of investment or shifting assets to cash or other asset classes or strategies that we do not manage, all of which could reduce our revenues. In addition, during periods of slowing growth or declining revenues, profits and profit margins are adversely affected because certain expenses remain relatively fixed. • Investment performance: Because we compete with many asset management firms on the basis of our investment strategies, the maintenance and growth of AUM and AUA is dependent, to a significant extent, on the investment performance of the assets that we manage. Poor performance may result in the loss or reduction of client accounts, which decreases revenues. Underperformance relative to peer groups and / or relevant benchmarks for our various investment strategies could adversely affect our results of operations, especially if such underperformance continues for an extended period of time. The historical returns of our strategies and the ratings and rankings we, or the mutual funds that we advise, have received in the past should not be considered indicative of the future results of these strategies or of any other strategies that we may develop in the future. The investment performance we achieve for our customers varies over time and variances can be wide. In addition, certain of our investment strategies have capacity constraints, as there may be a limit to the number of securities available for certain strategies to operate effectively. In those instances, we may choose to limit access to new or existing investors. The investment management and wealth management industry is highly competitive and innovative. The investment management and wealth management industry is highly competitive based on a variety of factors, including investment performance, fee rates, continuity of investment professionals and client relationships, the quality of services provided to clients, corporate positioning, business reputation and differentiated products. A number of factors increase our competitive risks, including the following: • Potential competitors have a relatively low cost of entering the investment management industry; • Many competitors have greater financial, technological, marketing and other resources, more comprehensive name recognition and more personnel than we do; • The continuing trend toward consolidation in the investment management industry, and the securities business in general, has served to increase the size and strength of some of our competitors; • Recent changes in consumer demand for technological capabilities, including the enhanced ability for firms to offer lower fees for passive management strategies, has increased competition in our industry; • Shifts in demand for alternative investment styles, asset classes and distribution vehicles may cause our competitors to be perceived as more attractive; • Other industry participants, hedge funds and alternative asset managers may seek to recruit our investment professionals; • Some competitors charge lower fees for their investment management services than we do; • Some competitors may provide more comprehensive client services, including banking, financial planning and tax planning at levels beyond those we currently provide; and • Some competitors may have more sophisticated, innovative or advanced distribution networks than we do. In particular, we have faced significant competition from competitors with lower fee, passive investment strategies. Investment advisors that emphasize passive products have gained, and may continue to gain, significant market share from active managers like us, which could have a material adverse effect on our business. If we are unable to compete effectively, our earnings could be reduced and our business could be adversely affected. Some of our strategies invest in the securities of non- U. S. companies, which involve foreign currency exchange, tax, political, social and economic uncertainties and risks. **Some of our** ~~We have recently invested in~~ strategies ~~offering~~ --- **offer** access to global markets with significant exposure to non- U. S. companies. Fluctuations in foreign currency exchange rates could negatively affect the returns of clients invested in these strategies. Investments in non- U. S. issuers may also be affected by tax positions taken in countries or regions in which we are invested, as well as political, social and economic uncertainty or other diplomatic developments. Many financial markets are less developed or efficient than U. S. financial markets with limited liquidity and higher price volatility, and may lack an established regulatory framework. Liquidity and price volatility may be adversely affected by political or economic events, government policies and social or civil unrest within a particular country. These risks, among others, could adversely affect the performance of our strategies invested in securities of non- U. S. issuers and may be particularly acute in emerging or less developed markets. As a result, we may be unable to attract or retain client investments in these strategies, or assets invested in these strategies may experience significant declines in value and our results of operations may be negatively affected. Legal and Regulatory Risks Our business is subject to extensive regulation, which is subject to frequent change, with attendant compliance costs and serious consequences for violations; expansion into international markets and introduction of new products and services increases our regulatory and operational risks. Virtually all aspects of our business are subject to laws and regulations, including the Investment Advisers Act, the Investment Company Act, the Patriot Act, the Finance Code and anti- money laundering laws.

These laws and regulations generally grant regulatory agencies broad administrative powers, including the power to limit or restrict us from operating our business, as well as powers to place us under conservatorship or closure if we fail to comply with such laws and regulations. Violations of such laws or regulations could subject us or our employees to disciplinary proceedings and civil or criminal liability, including revocation of licenses, censures, fines or temporary suspensions, permanent barring from the conduct of business, conservatorship or closure. Any such proceeding or liability could have a material adverse effect upon our business, financial condition, results of operations and business prospects. In addition, the regulatory environment in which we operate is subject to change. We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations. In recent years, regulators have increased their oversight of the financial services industry. Some regulations are focused directly on the investment management industry, while others are more broadly focused but affect our industry as well. The Dodd- Frank Act of 2010 significantly increased and revised the federal rules and regulations governing the financial services industry and, in addition to other regulations, has generally resulted in increased compliance and administrative requirements. For example, the SEC' s adoption of Form PF and revisions to Form ADV impose additional reporting requirements for SEC- registered investment advisors. Additionally, ERISA Section 408 (b) (2) and related regulations require additional information to be provided to ERISA- governed retirement plans. While we believe that changes in laws, rules and regulations, including those discussed above, have increased our administrative and compliance costs, we are unable to quantify the increased costs attributable to such changes. See " Item 1. Business — Regulation. " We engage in product offerings and international business activities through our global multi- asset securities product offerings that are available to our international and domestic clients. As of December 31, ~~2022~~ **2023** , approximately 1 % of our AUM is managed for clients who are domiciled outside the U. S. As a result, we face increased operational, regulatory, compliance, marketing, client service, reputational and foreign exchange rate risks. In particular, rapid regulatory change is occurring internationally with respect to financial institutions, including, but not limited to, anticipated revisions to the European Communities (Undertakings for Collective Investment in Transferable Securities, or" UCITS") Regulations 2011 and the Markets in Financial Instruments Directive. The failure of our compliance and internal control systems to properly identify and mitigate such additional risks, or of our operating infrastructure to support international activities, could result in operational failures and actions by regulatory agencies, which could have a material adverse effect on our business. We devote considerable time and resources to both domestic and international compliance; however, we may fail to timely and properly identify regulatory requirements or modify our compliance procedures for changes in our regulatory environment, which may subject us to legal proceedings, domestic and foreign government investigations, penalties and fines. Our business involves risks of being engaged in litigation and liability that could increase our expenses and reduce our results of operations. Many aspects of our business involve substantial risks of liability. We could be named as defendants or co- defendants in lawsuits or could be involved in disputes that involve the threat of lawsuits seeking substantial damages. As an SEC- RIA, mutual fund adviser, trustee to certain Trust clients and publicly- traded entity, we are subject to governmental and self- regulatory organization examinations, investigations and proceedings. Similarly, the investment strategies that we manage could be subject to actual or threatened lawsuits and governmental and self- regulatory organization investigations and proceedings, any of which could harm the investment returns or reputation of the applicable fund or result in our being liable for any resulting damages. There has been an increased incidence of litigation and regulatory investigations in the asset management industry in recent years, including customer claims, as well as class action suits seeking substantial damages. While customers do not have legal recourse against us solely on the basis of poor investment results, if our investment strategies perform poorly or we provide poor financial advice, we are more likely to become subject to litigation brought by dissatisfied clients. In addition, to the extent customers are successful in claiming that their losses resulted from fraud, negligence, willful misconduct, breach of contract or other similar misconduct, these clients may have remedies against us, the mutual funds and other funds we advise or our investment professionals under the federal securities laws or state law. See the discussion of legal proceedings in Item 3." Legal Proceedings". Business and Operational Risks Due to the substantial cost and time required to introduce new investment strategies or expand the market for current strategies, we may not be able to successfully introduce investment strategies in a timely manner, or at all. We have incurred significant costs to develop new investment strategies, launch new mutual funds under the Westwood Funds ® name, and upgrade our business infrastructure. We expect to continue to incur significant costs related to such improvements. The development of new investment strategies, whether through acquisition or internal development, requires a substantial amount of time and significant financial resources, including expenses related to compensation, sales and marketing, information technology, legal counsel and other professional services. Our ability to market and sell a new investment strategy depends on our financial resources, the investment performance of the specific strategy, the timing of the offering, the timing of regulatory approvals and our marketing strategies. Once an investment strategy is developed, we must effectively introduce the strategy to existing and prospective clients. Our ability to sell new investment strategies to existing and prospective clients may depend on our ability to meet or exceed the performance of our competitors offering the same or a similar strategy. We may not be able to manage the assets within a given investment strategy profitably, and it may take years before we produce the kind of results that will attract clients. If we are unable to realize the benefits of the costs and expenses incurred in developing new investment strategies, we may experience losses as a result of our management of these investment strategies, and our ability to introduce further new investment strategies and compete in our industry may be hampered. To introduce new investment strategies, we may seek to add new investment teams. To the extent we are unable to recruit and retain investment teams to complement our existing business model, we may not be successful in diversifying and increasing our investment strategies and client assets, which could have a material adverse effect on our business and future prospects. The addition of a new team using an investment strategy with which we may have limited or no experience may require additional resources to update our operational platform and could strain our operational resources and increase the possibility of operational errors. Additional investments may be required to improve our operational platform. If any new teams or strategies perform poorly and fail to attract sufficient assets, our results of operations and reputation may be adversely affected. Damage to our reputation could harm our business and have a material adverse effect on our results of operations. Our brand is a valuable intangible asset that could be vulnerable to threats that can be difficult or impossible to anticipate or control. Regulatory inquiries and rumors could damage our reputation, even if they are unfounded or satisfactorily addressed. Our reputation could also be negatively affected by employees and third parties acting on our behalf, who may circumvent our controls or act in a manner inconsistent with our policies and procedures. Public perception of our brand could be negatively affected by decreases in our profitability, AUM or stock price. Damage to our brand could impede our ability to attract and retain customers and key employees and could reduce our AUM, which could have a material adverse effect on our results of operations. Our success depends on certain key employees and our ability to attract and develop new, talented professionals. Our inability to attract and retain key employees could compromise our future success. Our future success depends upon our ability to attract and retain professional and executive employees, including investment, marketing, client service and management personnel. There is substantial competition for skilled personnel within the asset management business, and the failure to attract, develop, retain and motivate qualified personnel could negatively impact our business, financial condition, results of operations and future prospects. In order to retain or replace key personnel, we may be required to increase compensation, which would decrease net income. Investment and sales professionals often maintain strong relationships with their clients, and their departure may cause us to lose client accounts, which could have a material impact on our revenues and results of operations. Failure to perform operational tasks or the misrepresentation of products and services could have an adverse effect on our reputation and our business, financial condition and results of operations. Our operations are complex, and our failure to properly perform portfolio responsibilities, including security pricing, corporate actions, investment restrictions compliance, daily net asset value calculations, account reconciliations, tax reporting, investment performance calculations and portfolio oversight could result in reputational harm or subject us to regulatory sanctions, fines, penalties and litigation. We use advertising materials, public relations information and other external communications to market and sell our investment products. Failure to accurately calculate and present investment performance data within established guidelines and regulations could result in reputational harm or subject us to regulatory sanctions, fines, penalties and litigation. Damage to our reputation could impede our ability to attract and retain customers and key employees and could reduce our AUM, which could have a material adverse effect on our results of operations. Significant regulatory sanctions, fines, penalties, and litigation could also materially adversely affect our financial condition and results of operations. Failure to select appropriate third- party vendors and apply appropriate oversight of third- party vendors could disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. We rely on third- party vendors to perform important portions of our operations, and there is no assurance that our third- party vendors will properly perform or follow our processes, policies and procedures. There is no assurance that our plans for transition or delegation to a third- party vendor will be successful or that there will not be interruptions in service from these third parties. A third- party vendor' s failure to accurately perform important operations or follow our processes, policies and procedures could result in the loss of clients, significant regulatory sanctions, fines, penalties and litigation, which could have a material adverse effect on our business, financial condition and results of operations. We are a holding company dependent on the operations and funds of our subsidiaries. We are a holding company, with no revenue- generating operations or assets other than our ownership interests in Westwood Management ~~and~~ **,** Westwood Trust **and Broadmark** . Accordingly, we are dependent on the cash flow generated by these operating subsidiaries and rely on dividends or other intercompany transfers from our operating subsidiaries to generate the funds necessary to meet our obligations. Technology and Privacy Risks Failure to implement and maintain effective cyber security controls could disrupt our operations and have a material adverse effect on our results of operations, reputation and stock price. Our business is dependent on information technology systems and the cyber security controls we and our third party vendors have in place to protect those systems and the information contained therein. Despite the implementation of protective measures and endeavoring to modify them as circumstances warrant, our computer systems, software, networks and vendors may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service attacks, computer viruses and other malicious code, and other events that could result in significant liability and damage to our reputation, and have an ongoing impact on the security and stability of our operations. The techniques used in these attacks are increasingly sophisticated, change frequently and are often not recognized until launched. A failure of our and our third party vendors' controls to protect our information technology from an external or internal attack or to prevent a breach of confidential client or competitive information could materially interrupt our operations and expose us to regulatory and legal actions, which could have a material adverse effect on our operating results, reputation and stock price. As attempted attacks continue to evolve in scope and sophistication, we may be required to expend substantial additional resources to modify or enhance our protective measures, to investigate and remediate vulnerabilities or other exposures or to communicate about cyber attacks to our customers. Additionally, the SEC issued guidance in February 2018 stating that, as a public company, we are expected to have controls and procedures that relate to cyber security disclosure, and are required under the federal securities laws to disclose information relating to certain cyber attacks or other information security breaches. Successful cyber attacks at other asset management companies or other market participants, whether or not we are affected, could lead to a general loss of customer confidence in the industry that could negatively affect us, including harming the market perception of the effectiveness of our security measures, which could result in a loss of business. Our business is vulnerable to systems failures that could have a material adverse effect on our business, financial condition and results of operations. Any delays or inaccuracies in securities pricing information or information processing could give rise to claims that could have a material adverse effect on our business, financial condition and results of operations. We are highly dependent on information systems and third- party vendors for securities pricing information, information processing and updates for certain software. We, or our third- party vendors, may suffer a systems failure or interruption, whether caused by an earthquake, fire, other natural disaster, power or telecommunications failure, unauthorized access, force majeure, act of war or otherwise, and our back- up procedures and capabilities may be inadequate to prevent the risk of extended interruptions in operations. Misuse of assets and information in the possession of our employees and third- party vendors could damage our reputation and result in costly litigation and liability for our clients and us. Our employees and certain third- party vendors handle significant amounts of assets along with financial and personal information for our clients. Our employees or third party vendors could misuse or improperly disclose such information, either inadvertently or intentionally, which could harm our reputation. We have implemented a system of controls to minimize the risk of fraudulent use of assets and information; however, our controls may be insufficient to prevent fraudulent actions by employees or third party vendors. If our controls are ineffective, we could be subject to costly litigation, which could consume financial resources, distract management, damage our reputation and result in regulatory sanctions. Such fraudulent actions could also adversely affect clients, causing them to seek redress. Risks Related to Ownership of Stock and Corporate Governance Our stock is thinly traded and may be subject to volatility. Although our common stock is traded on the New York Stock Exchange, it may be relatively illiquid, or " thinly traded, " which can increase share price volatility and make it difficult for larger investors to buy or sell shares in the public market without affecting the share price. Investors may be unable to buy or sell a certain quantity of our shares in the public market within one or more trading days. If any such limited trading in our stock continues, it may be difficult for holders to sell their shares in the public market at any given time at prevailing prices. The prevailing market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including actual or anticipated fluctuations in operating results; changes in market valuations of other similar companies; additions or departures of key personnel; future sales of common stock; deviations in net revenues or in losses from levels expected by the investment community; and trading volume fluctuations. Distributions to our common stockholders have included and may in the future include a return of capital. Future distributions to our common stockholders may include a return of capital. To the extent that we distribute amounts that exceed our accumulated earnings, these distributions would constitute a return of capital to the extent of the common stockholder' s adjusted tax basis in its shares of our common stock. A return of capital represents a return of a common stockholder' s original investment in shares of our common stock and should not be confused with a distribution from earnings. Although return of capital distributions may not be taxable, such distributions may increase an investor' s tax liability for capital gains upon the sale of our common stock by reducing the investor' s tax basis in its shares of our common stock. Such returns of capital reduce our asset base and could result in future needs for debt or capital infusions, which could have a material adverse impact on our business. Actions of activist stockholders could cause us to incur substantial costs, divert the attention and resources of our management and the Board of Directors, and have an adverse effect on our business and stock price. We have been and may continue to be subject to proposals by stockholders urging us to take certain corporate actions or seeking to acquire control over the Company. If activist stockholder activities continue or new activities arise, our business could be adversely affected as responding to actions by activist stockholders can be costly and time-consuming, disrupt our operations, and divert the attention of management and our Board of Directors, all of which could interfere with our ability to execute our strategic plan. We have retained, and may be required to continue to retain, the services of various professionals to advise us on activist stockholder matters, including legal, financial and communications advisors, the costs of which may adversely affect our financial results. In addition, the perceived uncertainties as to our future direction, strategy or leadership created as a consequence of activist stockholder initiatives may result in the loss of potential business opportunities, result in the loss of key personnel, harm our ability to attract new investors, clients and employees, and cause our stock price to experience periods of volatility or stagnation. Risks Related to our Clients Competitive fee pressures could reduce revenues and profit margins. To the extent we have to compete on the basis of price, we may not be able to maintain a profitable fee structure. In recent years, there has been a trend toward lower fees in the investment management industry driven in large part by low- cost, passive strategies, and we are actively marketing lower fee structures to stay competitive. We cannot be assured that we will succeed in providing investment returns and service levels that will allow us to maintain a profitable fee structure. Continued fee reductions on existing or future new business could have an adverse effect on our profit margins and results of operations. In addition, we have performance fee agreements with certain clients, who pay a fee if we outperform a specified index over predetermined periods of time. We may not be able to outperform such indexes, and failure to do so would cause us to earn none or only part of those potential revenues, which could have a material adverse effect on our revenues and results of operations. Our revenues from performance- based fees can fluctuate significantly between measurement periods, depending on how we perform relative to the indexes specified in these agreements. For example, we earned performance fees of $ 1. **6 million in 2023, $ 1.** 0 million in 2022 ~~,~~ **and** $ 3. 4 million in 2021 ~~and $ 3. 2 million in 2020~~ . Our business is dependent on investment advisory, sub- advisory, and trust agreements that are subject to termination or non- renewal and investments we manage under such agreements may be redeemed. As a result, we could lose clients on very short notice. Substantially all of our revenues are derived pursuant to investment advisory, sub- advisory and trust agreements with our clients that are subject to termination without advance notice. Investors in funds that we advise or sub- advise may redeem their investments at any time without prior notice, thereby reducing our AUM. These investors may redeem for any reason, including general financial market conditions, our absolute or relative investment performance or their own financial condition and requirements. In a declining stock market, the pace of redemptions could accelerate. Substantial additional redemptions or a termination or failure to renew a material number of these agreements would adversely affect our revenues and have a material adverse effect on our earnings and financial condition. A small number of clients account for a substantial portion of our business, and a reduction or loss of business with any of these clients could have a material adverse effect on our business, financial condition and results of operations. We are dependent to a significant degree on our ability to maintain our relationships with clients, consultants, managed account platforms and other intermediaries. Our ten largest clients accounted for approximately **21 %,** 22 % ~~,~~ **and** 22 ~~% and 24~~ % of our fee revenues for the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. There can be no assurance that we will be successful in maintaining existing relationships, securing additional relationships or achieving the superior investment performance necessary to earn performance- based advisory fees. Our failure to retain one or more of these large relationships or to establish additional profitable relationships could have a material adverse effect on our business, financial condition and results of operations. General Risk Factors We have made and may continue to make business combinations as a part of our business strategy, which may present ~~certain~~ risks and uncertainties. We may continue to seek business acquisitions as a means of broadening our offerings and capturing additional opportunities. However, there is no guarantee that we will be successful in identifying target companies that meet our criteria for acquisition. Additionally, future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms, if at all. The success of our historical and future business combinations also depends on our ability to integrate the operations of the acquired businesses efficiently and effectively with our existing operations and realize the anticipated benefits from them. The potential risks associated with successful integration and realization of benefits include, but are not limited to the following: • our due diligence may not identify or fully assess valuation issues, potential liabilities or other acquisition risks; • acquired entities may not achieve anticipated revenue targets, cost savings or other synergies or benefits, or acquisitions may not result in improved operating performance, which could adversely affect our earnings, and we may be unable to recover investments in any such acquisitions; • we may have difficulty integrating acquired businesses, resulting in unforeseen difficulties and greater expenses than expected; • we may have difficulty entering into new markets in which we are not experienced in an efficient and cost- effective manner while maintaining adequate standards, controls and procedures; • key personnel within an acquired organization may resign from their related positions resulting in a significant loss to our strategic and operational efficiency associated with the acquired company; • the effectiveness of our daily operations may be reduced by the redirection of employees and other resources to acquisition and integration activities; • we may assume liabilities of an acquired business (including litigation, tax liabilities, and other contingent liabilities), including liabilities that were unknown at the time of the acquisition, that pose future risks to our working capital needs, cash flows and the profitability of related operations; • we may assume unprofitable projects that pose future risks to our working capital needs, cash flows and the profitability of related operations; or • business acquisitions may include substantial transactional costs to complete the acquisition that exceed the estimated financial and operational benefit. Failure to effectively execute our strategic growth plan could result in damage to our reputation and could have a material adverse effect on our business, financial condition and results of operations. We believe that we have established a strong platform to support future growth, but there is no assurance that we will appropriately execute our strategic plans, including but not limited to acquisitions, divestitures or other strategic transactions. As part of our long- term business strategy, we may pursue corporate development transactions including the acquisition of asset management firms, mutual funds, wealth management firms and investment professionals or teams. Acquisitions involve inherent risks that could compromise the success of the combined business and dilute the holdings of current stockholders. See " Item 1. Business — Growth Strategy. " If we are incorrect when assessing the value, strengths, weaknesses, liabilities and potential profitability of such transactions, or if we fail to adequately integrate the acquired businesses or individuals, the success of the combined business could be compromised. Business acquisitions are subject to the risks commonly associated with such transactions including, among others, potential exposure to unknown liabilities of acquired companies and to acquisition costs and expenses, the difficulty and expense of integrating the operations and personnel of the acquired companies, potential disruptions to the business of the combined company and potential diversion of management' s time and attention, the impairment of relationships with and the possible loss of key employees and clients as a result of changes in management, potential litigation or other legal risks, potential write- downs related to goodwill impairments in connection with acquisitions and dilution to the stockholders of the combined company if the acquisition is made for stock of the combined company. In addition, investment strategies, technologies or businesses of acquired companies may not be effectively assimilated into our business or may have a negative effect on the combined company' s revenues or earnings. The combined company may also incur significant expenses to complete acquisitions and support acquired investment strategies and businesses. Further, any such acquisitions may be funded with cash, debt or equity, which could dilute the holdings or limit the rights of stockholders. Finally, we may not be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms. Divestitures involve inherent risks that could compromise the success of our business. Risks related to divestitures can include difficulties in the separation of the divested business, loss of clients, retention or obligation to indemnify certain liabilities, the failure of counterparties to satisfy payment obligations, unfavorable market conditions that may impact any earnout or contingency payment due to us, unexpected difficulties in losing employees of the divested business or asset impairments. As consumer demand for digital interaction with investment advisors and portfolios continues to grow, we are exploring opportunities to develop digital solutions to enhance services to our clients. If we are incorrect in assessing the value, strengths, weaknesses and potential profitability of such solutions, or if we fail to adequately integrate the solutions, the success of our overall business could be compromised. The initial investment in the necessary technological capabilities and the potential diversion of management' s time and attention could have a material impact to our business, financial condition and results of operations. There is no assurance that we will be successful in overcoming these or other risks encountered with acquisitions, divestitures and other strategic transactions. These risks may prevent us from realizing the expected benefits from acquisitions or divestitures and could result in the failure to realize the full economic value of a strategic transaction. Various factors may hinder the declaration and payment of dividends. We have historically paid a quarterly dividend; however, payment of future dividends is subject to the discretion of our Board ~~of Directors~~, and various factors may impact our ability to maintain the current dividend or pay dividends at all. We reinstated a dividend in the first quarter of 2021, following ~~a~~ **its** suspension in the second quarter of 2020 as we preserved capital and provided additional financial flexibility amid ~~the~~ uncertainties created by the COVID- 19 pandemic. Such factors include our financial position, capital requirements and liquidity, tax regulations, stock repurchase plans, state corporate and banking law restrictions, results of operations and other factors that our Board ~~of Directors~~ may consider relevant. As a holding company, our ability to pay dividends is dependent on the dividends and income we receive from our subsidiaries. Currently, our primary source of cash consists of dividends from Westwood Management or Westwood Trust. The payment of dividends by Westwood Trust is subject to the discretion of its Board ~~of Directors~~ and compliance with applicable laws, including the provisions of the Finance Code applicable to Westwood Trust. See “ Item 7. Management’ s Discussion and Analysis of Financial Condition and Results of Operations. ” We may not be able to fund future capital requirements on favorable terms, if at all. We cannot be certain that financing to fund our working capital or other cash requirements, if needed, will be available on favorable terms, if at all. Our capital requirements may vary greatly from quarter to quarter depending on, among other things, capital expenditures, technological investments and fluctuations in our operating results and financing activities. If financing becomes necessary, we may or may not be able to obtain financing on favorable terms, if at all. Further, any future equity financings could dilute the relative percentage ownership of then existing common stockholders, and any future debt financings could involve restrictive covenants that limit our ability to take certain actions. Failure to properly identify and address conflicts of interest could harm our reputation or cause clients to withdraw funds, which could adversely affect our business and results of operations. The SEC and other regulators have increased their scrutiny of potential conflicts of interest, and we have implemented procedures and controls that we believe are reasonably designed to address these issues. However, appropriately dealing with conflicts of interest is complex, and if we fail, or appear to fail, to deal appropriately with conflicts of interest, we could face reputational damage, litigation or regulatory proceedings, any of which may adversely affect our results of operations. As we expand the scope of our business and our client base, we must also continue to monitor and address any potential new conflicts between the interests of our stockholders and those of our clients. Our clients may withdraw funds if they perceive conflicts of interest between the investment decisions we make for strategies in which they have invested and our obligations to our stockholders. For example, we may limit the growth of assets in or close strategies or otherwise take action to slow the flow of assets when we believe it is in the best interest of our clients, even though our AUM and investment management fees may be negatively impacted. Similarly, we may establish or add new investment teams or expand operations into other geographic areas or jurisdictions if we believe such actions are in the best interest of our clients, even though our results of operations may be adversely affected in the short term. Although we believe such actions enable us to retain client assets and maintain our profit margins, if clients perceive a change in our investment or operational decisions favors a strategy to maximize short term results, they may withdraw funds, which could adversely affect our revenues and results of operations. Insurance coverage may be inadequate to cover legal and regulatory proceedings. We maintain insurance coverage in amounts and on terms we believe appropriate to cover legal and regulatory matters and potential cyber security attacks; however, we can make no assurance that there will be adequate coverage or that a specific claim will be covered by our insurance policies. Additionally, insurance premiums may rise for substantially the same coverage amounts and terms, which will increase our expenses and reduce net income. Failure to maintain effective internal controls could have a material adverse effect on our business and stock price. Effective internal controls are necessary to provide reliable financial reports. If we cannot provide reliable financial reports, our brand and operating results could be harmed. All internal control systems, no matter how well designed, contain inherent limitations, and systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. We cannot be certain that the measures we take to evaluate and improve our internal controls will ensure that we implement and maintain adequate controls over our financial processes and reporting. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended, we may not be able to ensure that we can conclude that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes- Oxley Act of 2002. Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.