May 27, 2008

Paul S. Maco, Esq.
Vinson & Elkins LLP
The Willard Office Building
1455 Pennsylvania Avenue, NW, Suite 600
Washington, DC 20002-1008

Re: In the Matter of First Southwest Company, Administrative Proceeding File
No. 3-13046—Waiver Request under Regulation A and Rule 505 of Regulation D

Dear Mr. Maco:

This is in response to your letter dated today, written on behalf of First Southwest Company (
"First Southwest") and constituting an application for relief under Rule 262 of Regulation A and Rule
505(b)(2)(iii)(C) of Regulation D under the Securities Act of 1933 ("Securities Act"). You requested
relief from disqualifications from exemptions available under Regulation A and Rule 505 that may
have arisen by virtue of the order entered today by the Securities and Exchange Commission under
Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") in In the Matter of First
Southwest Company, Release No. 33-8919 (the "Order"). The Order also was issued under Section
8A of the Securities Act. It censured First Southwest and ordered First Southwest to cease and desist
from committing or causing any violations and any future violations of Section 17(a)(2) of the
Securities Act, pay a $150,000 penalty, make certain disclosures regarding its auction rate securities
practices and procedures, and cause its chief executive officer or general counsel to certify to the staff
of the Commission that First Southwest has implemented procedures reasonably designed to prevent
and detect failures by it to conduct auction rate securities auctions in accordance with the auction
procedures so disclosed.

For purposes of this letter, we have assumed as facts the representations set forth in your letter
and the findings supporting entry of the Order. We also have assumed that First Southwest will
comply with the Order.

On the basis of your letter, I have determined that you have made showings of good cause
under Rule 262 and Rule 505(b)(2)(iii)(C) that it is not necessary under the circumstances to deny the
exemptions available under Regulation A and Rule 505 of Regulation D by reason of entry of the
Order. Accordingly, pursuant to delegated authority, First Southwest is granted relief from any
disqualifications from exemptions otherwise available under Regulation A and Rule 505 of Regulation
D that may have arisen as a result of entry of the Order.

Very truly yours,

Gerald J. Laporte
Chief, Office of Small Business Policy
May 27, 2008

By Courier and Electronic Mail

Gerald J. Laporte, Esq.
Chief, Office of Small Business Policy
Division of Enforcement
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-3628

Re: Auction Rate Securities Practices (File No. HO-09954)

Dear Mr. Laporte:

We are writing on behalf of our client, First Southwest Company ("FSC")\(^1\) in connection with the settlement of the above-referenced matter arising out of an investigation by the Securities and Exchange Commission (the "Commission") into certain auction rate securities practices at FSC and several other broker-dealers.

FSC below requests, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D of the Commission promulgated under Securities Act of 1933 (the "Securities Act"), a waiver of any disqualification from exemptions under Regulation A and Rule 505 of Regulation D that may be applicable to FSC and any of its affiliates as a result of the entry of the Settlement Order dated May 27, 2008. We understand that only the Commission or an individual Commission employee to whom appropriate authority has been delegated in accordance with 17 C.F.R. § 200.30-1 may grant this waiver request. FSC also requests that these waivers be granted effective upon entry of the Settlement Order. It is our understanding that the Division of Enforcement does not object to the grant of the requested waivers by the Division of Corporation Finance.

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\(^1\) FSC is a wholly owned subsidiary of First Southwest Holdings, Inc., a privately held corporation. FSC is a registered broker-dealer engaged, through itself or its affiliates, in a full-service securities business, including but not limited to retail and institutional sales, investment banking services, investment advisory services, financial advisory services, trading, and clearing.
BACKGROUND

The Division of Enforcement and FSC have agreed to settle the above-referenced matter, in connection with which FSC has submitted to the Commission an offer of settlement in which, for the purpose of this proceeding, it consents to the entry of an order by the Commission (the “Settlement Order”) without admitting or denying the matters set forth in the Order (except as to the jurisdiction of the Commission and the subject matter of the proceeding). In the Settlement Order, the Commission makes findings, without admission or denial by FSC (apart from jurisdiction), that FSC violated Section 17(a)(2) of the Securities Act in connection with certain practices relating to auction-rate securities. Based on these findings, the Settlement Order requires FSC (1) to cease and desist from committing or causing any current or future violations of Section 17(a)(2) of the Securities Act, (2) to pay a civil money penalty of $150,000, (3) to make certain disclosures regarding its material auction practices and procedures described in Section IV.D. of the Settlement Order, and (4) not later than 6 months after the date of the Settlement Order, unless otherwise extended by the staff of the Commission for good cause shown, have its chief executive officer or general counsel certify in writing to the staff of the Commission that FSC has implemented procedures that are reasonably designed to prevent and detect failures by FSC to conduct the auction process in accordance with the auction procedures disclosed in the disclosure documents and any supplemental disclosures and that FSC is in compliance with Section IV.D. of the Settlement Order.

DISCUSSION

FSC understands that the entry of the Settlement Order could disqualify FSC and its other affiliated entities from participating in certain offerings otherwise exempt under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act, insofar as the Settlement Order may be deemed to cause FSC to be subject to an order of the Commission entered pursuant to section 15(b), 15B(a), or 15B(c) of the Securities Exchange Act. The Commission has the authority to waive the Regulation A and Rule 505 of Regulation D exemption disqualifications upon a showing of good cause that such disqualifications are not necessary under the circumstances. See 17 C.F.R. §§ 230.262 and 230.505(b)(2)(iii)(C). FSC requests that the Commission waive any disqualifying effects that the Settlement Order may have under Regulation A and Rule 505 of Regulation D with respect to FSC or its other affiliates on the following grounds:
1. FSC's conduct addressed in the Settlement Order does not relate to offerings under Regulation A or D.

2. FSC will implement certain procedures described in Section IV.D. of the Settlement Order in a manner reasonably designed to ensure compliance with the regulatory requirements that are the subject of the Settlement Order.

3. The disqualification of FSC, a broker-dealer, from the exemptions under Regulation A and Rule 505 of Regulation D would, we believe, have an adverse impact on third parties that have retained FSC and its other affiliates in connection with transactions that rely on these exemptions.

4. As required by Section IV.E. of the Settlement Order, FSC's chief executive officer or general counsel will certify to the Commission, no later than 6 months after the Settlement Order, that FSC has implemented procedures that are reasonably designed to prevent and detect failures by FSC to conduct the auction process in accordance with the auction procedures disclosed in the disclosure documents and any supplemental disclosures and that FSC is in compliance with Section IV.D. of the Settlement Order.

5. The disqualification of FSC from the exemptions available under Regulation A and Rule 505 of Regulation D would be unduly and disproportionately severe, given that the Commission staff has negotiated a settlement with FSC and reached a satisfactory conclusion to this matter that will require FSC to pay $150,000 in settlement of the matters addressed in the Settlement Order and will require FSC’s chief executive officer or the general counsel to certify that FSC has implemented procedures that are reasonably designed to prevent and detect any failures by FSC to conduct the auction process in accordance to the disclosed process.

In light of the foregoing, we believe that disqualification is not necessary, in the public interest or for the protection of investors, and that FSC has shown good cause that relief should be granted. Accordingly, we respectfully request the Commission, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D, to waive, effective upon entry of the Settlement Order or any related disqualifying order, judgment, or decree of a U.S. state or territorial court based on the same facts and addressing the same conduct as is addressed in the Settlement Order, the disqualification provisions in Regulation A and Rule
505 of Regulation D to the extent that may be applicable to FSC and any of its other affiliates as a result of the entry of the Settlement Order and any such order, judgment, or decree.²

If you have any questions concerning this request, please feel free to call me.

Sincerely,

[Signature]

Paul S. Mace