

**FORM ADV Uniform Application for Investment Adviser Registration  
Part 2A: Investment Adviser Brochure  
Item 1: Cover Page**

# **First Southwest Asset Management, LLC**

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**SEC # 801-40189**

**CRD # 110760**

**Issue date: March 29, 2018**

*This brochure provides information about the qualifications and business practices of First Southwest Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at the phone number listed above.*

*The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Please note, where this brochure may use the terms “registered investment adviser” and/or “registered”, registration itself does not imply a certain level of skill or training.*

*Additional information about the firm and its representatives is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)*

## Item 2: Material Changes

The only material changes to this document were the updated AUM.

Additional information about the firm and its representatives is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4: Advisory Business**

Established in 1991, First Southwest Asset Management (“FSAM”), a SEC registered investment advisor, currently provides investment advisory services for \$12.3 billion in public sector client assets. The firm has worked closely with local and state government entities nationwide to deliver expertise across two primary areas:

### **1. Investment Management Services**

FSAM specializes in providing investment advice to local and state government clients. FSAM invests in corporate debt securities, commercial paper, certificates of deposit, municipal securities and U.S Government and agency securities. Investment strategies are cash flow based and adhere to specific maturity limitations, maximum allocation percentages and credit restrictions as stated in individual client’s written investment policies. As a result, securities are generally purchased with the intention of holding until maturity. Trading authority granted to FSAM by client is non-discretionary. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing. All provisions governing FSAM’s authority are documented in the advisory agreements with Clients.

FSAM prepares monthly and/or quarterly reports for local and state governmental entities that comply with the local laws and Governmental Accounting Standards Board requirements. Additionally, the firm also provides monthly collateral valuation reporting, investment policy reviews and performance benchmark reporting.

**Assets Under Management:** As of 12/31/2017, FSAM manages \$12.3 billion for its forty-six Investment Management clients.

### **2. Arbitrage Rebate Compliance Services**

The Arbitrage Rebate Services (“ARS”) which the firm provides includes the technical calculation of rebates, as well as the required public reporting. Arbitrage rebate rules require issuers to rebate any excess interest earned on tax-exempt bond proceeds in taxable securities. The firm advises issuers on rebate exceptions and alternatives to take advantage of the exceptions. FSAM has developed a proprietary software program which provides comprehensive arbitrage calculations. Additionally, the firm assists clients with preparation for IRS audits and refund requests

## **Item 5: Fees and Compensation**

### **1. Investment Management Services**

FSAM offers four types of management fee structures tailored to fit the specific needs of each client to whom FSAM provides services. All four are negotiable on a case by case basis, they are highlighted below:

- Fixed annual fee, billed in monthly or quarterly increments.
- Fixed and/or sliding scale percentage fee based on the amount of assets under management, typically assessed quarterly
- A fee based on actual transactions. The amount of this fee is based on the size and maturity of each investment as well as a contractual basis point fee schedule.
- An hourly charge, which is typically selected for specialized consulting services.

Asset-based fees for public funds are negotiated using the standard fee guideline below:

#### **Assets Under Management**

Less than \$10,000,000. ....	0.25%
\$10,000,000 to \$30,000,000.....	0.17%.
\$30,000,001 and \$50,000,000.....	0.12%
\$50,000,000 to \$100,000,000.....	0.08%
Over \$100,000,000.....	0.06%.

Clients may incur certain administrative and custodial charges imposed by their custodians and/or depository institution. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

### **2. Arbitrage Rebate Compliance Services**

The firm charges a flat fee for this service. The fee is negotiable and is dependent on the amount of services provided and the length of time to deliver the service.

## **Item 6: Performance-based fees and Side-by-Side Management**

FSAM's advisory services do not incorporate performance fees or the offering of any additional investment services; side-by-side management does not apply to those services rendered by the firm. Side-by-side management poses a conflict to the extent that FSAM manages similar portfolios for multiple clients. This conflict is mitigated by separate and individual management of each portfolio. The portfolios are non-discretionary and subject to specific authorities and limitations of individual policies. Investment Management

works with each client to determine the appropriate investment options for available cash in the portfolio. The client gives final approval on all investment choices.

### **Item 7: Types of Clients**

FSAM provides investment advisory services predominately to local and state governmental entities. The firm generally requires a minimum initial account value of \$20 million from governmental clients, but makes exceptions to this general practice in certain instances.

### **Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss**

Due to the unique nature of our business, FSAM first reviews estimated cash flow needs of the governmental entity. The firm then develops an investment policy and strategy aimed at achieving the goals and objectives of the entity. The main focus in managing public funds is safety of principal while providing adequate liquidity.

The investment process is continually reviewed to assess risk and look for strategies to improve earnings and reduce exposure.

**Risk of Loss:** Investing in debt securities involves a certain amount of risk of loss that clients should be prepared to bear. There is market risk, valuation risk and risks associated with concentration in particular debt securities. Questions regarding these risks and/or increased costs may be directed to the firm and its representatives.

### **Item 9: Disciplinary Information**

Rule 206(4)-4 of the Investment Advisers Act of 1940 requires investment advisers to provide clients with disclosures as to any legal or disciplinary activities deemed material to the client's evaluation of the adviser. Please note, neither the firm nor its personnel have any disciplinary, regulatory, criminal, civil, or otherwise reportable history to disclose at this time.

### **Item 10: Other Financial Industry Activities and Affiliations**

FSAM is owned by Hilltop Securities Holdings, LLC. FSAM is affiliated with the following entities.

- FSW Advisory Services, Inc. ("FSWA"), a SEC registered investment adviser
- Hilltop Securities Inc. ("HTS"), a dually registered BD-RIA
- Hilltop Securities Independent Network., a dually registered BD-RIA

FSAM maintains affiliations with other Hilltop non-financial services companies which are also owned by Hilltop Securities Holdings.

### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

As required by Rule 204A-1 of the Investment Advisers Act of 1940, FSAM has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the firm. The Code of Ethics describes the firm's fiduciary duties and obligations to clients, and sets forth its practice of supervising the personal securities transactions of those employees who maintain access to client information.

The Code of Ethics also places restrictions on employees and serves to satisfy the firm's ethical responsibilities. In accordance with the Code of Ethics, FSAM collects and maintains records of securities holdings and transactions made by employees. The firm reviews the personal trading practices of its employees to identify and resolve any potential or realized conflicts of interest. A copy of FSAM's Code of Ethics will be provided to any client upon request.

All FSAM personnel are subject to the pre-approval of all Political Contributions. In approving said contributions, the firm monitors for potential conflicts with clients and prospective clients as they relate to pay-to-play rules and other issues related to contributing moneys to issuer officials.

### **Item 12: Brokerage Practices**

FSAM will execute securities transactions for its advisory clients through unaffiliated broker-dealers of its choosing. As pre-arranged with the client, the firm directs delivery of client securities to a HTS account used exclusively for that FSAM client. This process facilitates the delivery of securities to the client's custodian. Neither FSAM nor HTS receives additional compensation as a result of this delivery arrangement. However, for those clients utilizing transaction-based fee arrangements, FSAM will add a fully disclosed fee to the purchase cost of the security prior to delivery to the client's custodian. The amount of this fee is determined by the contractual fee schedule included in the client agreement.

As an investment adviser, FSAM has a fiduciary duty to seek best execution for client transactions. Best execution is a collective consideration of factors concerning the trade in question. Such factors include:

- the security being traded,

- the price of the trade,
- the speed of the execution,
- apparent conditions in the market,
- and the specific needs of the client.

FSAM will endeavor to select brokers or dealers that provide the best services at the most advantageous price. All trades are conducted on a competitive basis, with independent, non-affiliated brokers or dealers. At no time will trades be executed through the HTS Capital Markets Group.

Due to the nature of investing in debt securities, no soft dollar arrangements exist.

### **Item 13: Review of Accounts**

Portfolio Managers perform regular oversight of client portfolios. The firm understands the unique objectives and constraints of investing public sector funds. Market conditions, account changes and other similar events will trigger more frequent reviews.

Clients receive monthly statements and confirmations from HTS. FSAM may provide monthly or quarterly investment reporting as arranged with the client. Clients are encouraged to contact the firm immediately with any changes to their financial situation as such changes may impact the status of their investment account(s).

### **Item 14: Client Referrals and Other Compensation**

FSAM does not compensate others for client referrals or receive any compensation other than that earned from its advisory services.

### **Item 15: Custody**

FSAM does not compensate others for client referrals or receive any compensation other than that earned from its advisory services. FSAM, does not maintain or accept custody of client funds or securities. Clients will receive account statements from their respective custodians. Clients should carefully review their statements. When clients receive account information from FSAM, clients are urged to compare their custodian's account information with the information received from FSAM and contact FSAM or their custodian with any questions or discrepancies.

### **Item 16: Investment Discretion**

FSAM maintains non-discretionary authority over managed assets. The firm recommends types of securities and the amount to be purchased or sold. All final investment decisions must be approved by the Client. FSAM will seek competitive bids in an effort to receive the best price and execution.

### **Item 17: Voting Client Securities**

As a general policy FSAM does not vote proxies on behalf of clients. The investments available under the appropriate state's public funds investment laws typically do not lead to proxy votes. Clients may obtain a copy of FSAM's complete proxy voting policies and procedures upon request by contacting the CCO at the phone number on page 1 of this brochure.

### **Item 18: Financial Information**

Under Rule 206(4)-4 of the Investment Advisers Act of 1940, investment advisers are required to disclose certain financial information about their business practices that might serve as material to a client's decision in choosing an investment adviser.

As of the date of this filing, FSAM does not require the pre-payment of any fees or maintain any financial hardships or other conditions that might impair its ability to meet its contractual obligations to clients.



**FORM ADV Uniform Application for Investment Adviser Registration  
Part 2B: Brochure Supplements  
Investment Adviser Representatives and/or Supervised Persons: Supplemental information  
Item 1: Cover Page**

***Hill Feinberg, Chairman  
David Medanich, President  
Joseph Michael Edge, CFO  
Blake Morris, CCO  
Scott McIntyre, CFA, Managing Director/ Sr. Portfolio  
Manager  
T. Gregory Warner, CTP, Director/ Sr. Portfolio Manager  
Dan Grant, VP/Portfolio Manager  
Andrea Cash, AVP/Portfolio Manager***

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SEC # 801-40189  
CRD# 110760

**Issue date: March 29, 2018**

***This brochure provides information about the qualifications and business practices on the following individual as a representative of First Southwest Asset Management, Inc. This information is provided as a supplement to the Form ADV Part 2A which has been provided for your review. Should you have any questions about this supplement, or if you have not received the Form ADV Part 2A please contact the firm immediately.***

***The information in this brochure supplement has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Please note, where this brochure supplement may use the terms "registered investment adviser" and/or "registered", registration itself does not imply a certain level of skill or training.***

***Additional information about the firm and this representative is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)***

## **Item 2: Educational Background and Business Experience**

**Name:** Hill Feinberg, Chairman of the Board of Directors; CEO

**Year Born:** 1947

**Education:** University of Georgia, 1969

**Licenses:** Series 7, 24, 53, 65 and 79

### **Business Experience:**

- 2016 to Present Hilltop Securities Inc., CEO and Chairman
- 1991 to Present First Southwest Asset Management, LLC, CEO and Director,
- 2008 to Present FSW Advisory Services, Inc. Chairman,
- 2008 to Present Plains Capital Corporation, Director,
- 1991 to 2016 First Southwest Company, Chief Executive Officer,
- 1978-1991 Bear Stearns & Co., Senior Managing Director.

## **Item 3: Disciplinary Information**

Mr. Feinberg does not have any legal, civil, criminal, regulatory, or disciplinary history to report at this time.

## **Item 4 and 5: Other Business Activity and Additional Compensation**

Mr. Feinberg does not engage in any other business activity other than highlighted in Item 2 nor receives any additional compensation at this time.

## **Item 6: Supervision**

Blake Morris serves as Chief Compliance Officer for FSAM. As Chief Compliance Officer, Mr. Morris administers a compliance program which includes supervisory procedures. Mr. Morris can be reached at the offices of FSAM listed on the cover page of this brochure.

## **Item 2: Educational Background and Business Experience**

**Name:** David Medanich, President

**Year Born:** 1956

**Education:** Texas Christian University, BBA in Finance

**Licenses:** Series 24, 53, 7, 63 and 79

### **Business Experience:**

- 2016 to Present Hilltop Securities Inc., Vice Chairman
- 2007 to Present First Southwest Asset Management, LLC., President,
- 2008 to Present Plains Capital Bank, Advisory Director,
- 1981 to 2016 First Southwest Company, Registered Representative.

## **Item 3: Disciplinary Information**

Mr. Medanich does not have any legal, civil, criminal, regulatory, or disciplinary history to report at this time.

## **Item 4 and 5: Other Business Activity and Additional Compensation**

Mr. Medanich does not engage in any other business activity other than highlighted in Item 2 nor receives any additional compensation at this time.

## **Item 6: Supervision**

Blake Morris serves as Chief Compliance Officer for FSAM. As Chief Compliance Officer, Mr. Morris administers a compliance program which includes supervisory procedures. Mr. Morris can be reached at the offices of FSAM listed on the cover page of this brochure.

## **Item 2: Educational Background and Business Experience**

**Name:** Joseph Michael Edge, Chief Financial Officer

**Year Born:** 1976

**Education:** Texas A&M University, BBA – Finance  
Southern Methodist University, MBA

**Licenses:** Series 7, 27, 79, 99

### **Business Experience:**

- 2000 to Present Hilltop Securities Inc., CFO,
- 2015 to Present Hilltop Securities Independent Network Inc., Director

## **Item 3: Disciplinary Information**

Mr. Edge does not have any legal, civil, criminal, regulatory, or disciplinary history to report at this time.

## **Item 4 and 5: Other Business Activity and Additional Compensation**

Mr. Edge does not engage in any other business activity other than highlighted in Item 2 nor receives any additional compensation at this time.

## **Item 6: Supervision**

Blake Morris serves as Chief Compliance Officer for FSAM. As Chief Compliance Officer, Mr. Morris administers a compliance program which includes supervisory procedures. Mr. Morris can be reached at the offices of FSAM listed on the cover page of this brochure.

## **Item 2: Educational Background and Business Experience**

**Name:** Blake Morris, Chief Compliance Officer

**Year Born:** 1979

**Education:** Southern Methodist University, BBA Finance  
University of Texas at Dallas, MBA Finance

**Licenses:** Series 7, 14, 24, 53, 66, 79 and 99

### **Business Experience:**

- 2013 to Present, First Southwest Asset Management, LLC.; FSW Advisory Services, Inc. Chief Compliance Officer/AML Officer,
- 2016 to Present Hilltop Securities Inc., Co-Chief Compliance Officer
- 2013 to 2016 First Southwest Company, Chief Compliance Officer
- 2008 to 2013 First Southwest Company, Compliance Officer,
- 2004 to 2008, The Ayco Company LP, Compliance Manager.

## **Item 3: Disciplinary Information**

Mr. Morris does not have any legal, civil, criminal, regulatory, or disciplinary history to report at this time.

## **Item 4 and 5: Other Business Activity and Additional Compensation**

Mr. Morris does not engage in any other business activity other than highlighted in Item 2 nor receives any additional compensation at this time.

## **Item 6: Supervision**

Blake Morris serves as Chief Compliance Officer for FSAM. As Chief Compliance Officer, Mr. Morris administers a compliance program which includes supervisory procedures. Mr. Morris can be reached at the offices of FSAM listed on the cover page of this brochure.

## **Item 2: Educational Background and Business Experience**

**Name:** Scott McIntyre, CFA, Managing Director / Sr. Portfolio Manager

**Year Born:** 1962

**Education:** Southwest Texas State University, BS in Business Management

**Licenses:** Series 7, 24, 63 and 65

### **Business Experience:**

- 2016 to Present Hilltop Securities Inc., Managing Director, Sr. Portfolio Manager
- 1998 to Present, First Southwest Asset Management, LLC., Managing Director Sr. Portfolio Manager,
- 1998 to 2016, First Southwest Company, Registered Representative,
- 1994-1998, Patterson & Associates, VP / Sr. Portfolio Manager,
- 1989-1994, Texas State Treasury, Senior Investment Officer.

## **Item 3: Disciplinary Information**

Mr. McIntyre does not have any legal, civil, criminal, regulatory, or disciplinary history to report at this time.

## **Item 4 and 5: Other Business Activity and Additional Compensation**

Mr. McIntyre does not engage in any other business other than highlighted in Item 2 nor receives any additional compensation at this time.

## **Item 6: Supervision**

Blake Morris serves as Chief Compliance Officer for FSAM. As Chief Compliance Officer, Mr. Morris administers a compliance program which includes supervisory procedures. Mr. Morris can be reached at the offices of FSAM listed on the cover page of this brochure.

## **Item 2: Educational Background and Business Experience**

**Name:** T. Gregory Warner, CTP, Director / Sr. Portfolio Manager

**Year Born:** 1966

**Education:** University of Texas at Austin, BBA in Finance

**Licenses:** Series 7, 63 and 65

### **Business Experience:**

- 2016 to Present Hilltop Securities Inc., Director, Sr. Portfolio Manager
- 1998 to Present First Southwest Asset Management, LLC., Director, Sr. Portfolio Manager,
- 1998 to 2016 First Southwest Company, Registered Representative,
- 1997-1998 Guaranty Federal Bank, Treasury Analyst,
- 1991-1997 Norwest Bank of Texas (Franklin Federal Bancorp) Assistant Vice President and Treasury Officer.

## **Item 3: Disciplinary Information**

Mr. Warner does not have any legal, civil, criminal, regulatory, or disciplinary history to report at this time.

## **Item 4 and 5: Other Business Activity and Additional Compensation**

Mr. Warner does not engage in any other business activity other than highlighted in Item 2 nor receives any additional compensation at this time.

## **Item 6: Supervision**

Blake Morris serves as Chief Compliance Officer for FSAM. As Chief Compliance Officer, Mr. Morris administers a compliance program which includes supervisory procedures. Mr. Morris can be reached at the offices of FSAM listed on the cover page of this brochure.

## **Item 2: Educational Background and Business Experience**

**Name:** Dan Grant, VP / Portfolio Manager

**Year Born:** 1967

**Education:** Bentley College, BS Finance

**Licenses:** Series 4, 7, 55 and 63, 66

### **Business Experience:**

- 2016 to Present Hilltop Securities Inc., VP, Portfolio Manager
- 2011 to Present First Southwest Asset Management, LLC., VP, Portfolio Manager,
- 2011 to 2016 First Southwest Company, Registered Representative,
- 1994 to 2011 Fidelity Investments, Vice President.

## **Item 3: Disciplinary Information**

Mr. Grant does not have any legal, civil, criminal, regulatory, or disciplinary history to report at this time.

## **Item 4 and 5: Other Business Activity and Additional Compensation**

Mr. Grant does not engage in any other business activity other than highlighted in Item 2 nor receives any additional compensation at this time.

## **Item 6: Supervision**

Blake Morris serves as Chief Compliance Officer for FSAM. As Chief Compliance Officer, Mr. Morris administers a compliance program which includes supervisory procedures. Mr. Morris can be reached at the offices of FSAM listed on the cover page of this brochure.



## **Item 2: Educational Background and Business Experience**

**Name:** Andrea Cash, AVP / Portfolio Manager

**Year Born:** 1966

**Education:** University of Washington, BA Sociology 1988

**Licenses:** Series 7, 52 and 66

### **Business Experience:**

- 2016 to Present Hilltop Securities Inc., AVP, Portfolio Manager
- 2015 to Present First Southwest Asset Management, LLC, AVP, Portfolio Manager,
- 2013 to 2015 First Southwest Asset Management, LLC, Trading Assistant
- 2013 to 2016 First Southwest Company, Registered Representative,
- 2006 to 2013 Bullock Texas State History Museum, Membership Development
- 1992 to 2002 The Portico Group, Marketing Manager.

## **Item 3: Disciplinary Information**

Ms. Cash does not have any legal, civil, criminal, regulatory, or disciplinary history to report at this time.

## **Item 4 and 5: Other Business Activity and Additional Compensation**

Ms. Cash does not engage in any other business activity other than highlighted in Item 2 nor receives any additional compensation at this time.

## **Item 6: Supervision**

Blake Morris serves as Chief Compliance Officer for FSAM. As Chief Compliance Officer, Mr. Morris administers a compliance program which includes supervisory procedures. Mr. Morris can be reached at the offices of FSAM listed on the cover page of this brochure.