

OFFICE OF THRIFT SUPERVISION

Acceptance of Rebuttal of Control

Order No.: 2011-45
Date: July 15, 2011
Docket No.: H-3509

Oak Hill Capital Partners III, L.P. and Oak Hill Capital Management Partners III, L.P. and the related parties listed in Attachment A (collectively, the Acquirors) request that the Office of Thrift Supervision (OTS) accept their Rebuttal of Control, filed pursuant to 12 C.F.R. § 574.4(e), which asserts that the Acquirors will not control, directly or indirectly, SWS Group, Inc., Dallas, Texas (SWS), a savings and loan holding company, and its wholly owned subsidiary, Southwest Securities, FSB, Dallas, Texas (Savings Bank), as a result of the Acquirors acquiring up to 24.9 percent of SWS's common stock, for investment purposes only. The Savings Bank is a Deposit Insurance Fund (DIF)-insured, federally chartered stock savings association.

The Proposed Transaction

SWS has entered into a funding arrangement with the Acquirors. As part of the funding arrangement, the Acquirors will extend a senior unsecured loan to SWS, and receive warrants to purchase 8,695,652 shares of SWS common stock at an exercise price of \$5.75, subject to certain adjustments. The Acquirors may fund the exercise of some or all of their warrants by reducing the aggregate principal amount of the Acquirors' loan to SWS. Because the warrants will be immediately exercisable without the payment of additional consideration, the warrants constitute common stock of SWS for purposes of OTS's acquisition of Control Regulations (Control Regulations).¹

Rebuttal of Control

The Control Regulations state that an acquiror is deemed, subject to rebuttal, to have acquired control of a savings association if the acquiror, directly or indirectly, or through one or more subsidiaries or transactions or acting in concert with one or more persons or companies, acquires more than 10 percent of any class of voting stock of a savings association and is subject to any control factor, as described in 12 C.F.R. § 574.4(c).²

As a result of their acquisition of the warrants, the Acquirors will acquire more than 10 percent of SWS's common stock, and will be one of SWS's two largest shareholders. Section 574.4(c)(1) provides that the two largest shareholders of any class of voting stock of a savings

¹ See 12 C.F.R. § 574.2(u)(3) (2011).

² 12 C.F.R. §§ 574.4(b)(1)(i) and 574.4(c) (2011). The Control Regulations define the term "savings association" to include a savings and loan holding company. See 12 C.F.R. § 574.2(p) (2011).

association are subject to a control factor. Accordingly, the Acquirors have filed the Rebuttal of Control.

Parties attempting to rebut control are required to file a submission setting forth facts and circumstances supporting their contention that no control relationship would exist after the proposed acquisition. In addition, such parties must file a rebuttal of control agreement.

OTS may reject any control rebuttal that is inconsistent with the facts and circumstances known to it, or which does not clearly and convincingly rebut the presumption of control. If OTS concludes that it would be injudicious to rely on an acquiror's representations, based on past activities of the acquiror, or other concerns, OTS may conclude that the acquiror has not clearly and convincingly rebutted a determination of control. In addition, an acquiror that is in conclusive control of a savings association may not rebut control.

An acquiror is in conclusive control of a savings association if, among other things, it has more than 25 percent of any class of the entity's voting stock, or it has contributed more than 25 percent of a holding company's capital.³ The rebuttal filing demonstrates that the Acquirors will not acquire more than 25 percent of a class of SWS's voting stock, and will not contribute more than 25 percent of SWS's capital in connection with the proposed transaction.

The Acquirors have filed a written submission setting forth facts and circumstances in support of their contention that no control relationship will exist between the Acquirors, SWS and the Savings Bank. The Acquirors represent that they will acquire SWS's securities for investment purposes only, and not for the purpose, or with the effect, of controlling, directly or indirectly, the management, policies, or business operations of SWS and the Savings Bank.

The Acquirors have submitted a rebuttal of control agreement that materially conforms to the standard rebuttal agreement, set forth at 12 C.F.R. § 574.100, and have committed to require their proposed non-voting board observer to enter into a confidentiality agreement with SWS, as represented in the Rebuttal of Control.

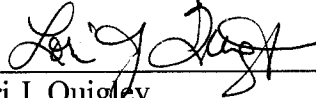
On the basis of the facts presented, OTS concludes that the Rebuttal of Control meets the applicable standards for acceptance.

Conclusion

Based on the foregoing analysis, OTS concludes that the Rebuttal of Control meets the applicable approval criteria. Accordingly, the Rebuttal of Control is hereby accepted.

³ See 12 C.F.R. § 574.4(a) (2011). The section lists additional conclusive control criteria, but it is clear that none of those criteria are applicable in this case.

By order of the Acting Director of the Office of Thrift Supervision, or his designee,⁴
effective July 15, 2011.



Lori J. Quigley
Assistant Deputy Director
Examinations, Supervision
and Consumer Protection

⁴ Following the Transfer Date, *see* Dodd-Frank Wall Street Reform and Consumer Protection Act, P.L. No. 111-203, § 311, 124 Stat. 1520-21 (2010), all submissions, requests, communications, consents or other documents relating to this Order shall be directed to the Comptroller of the Currency, or to the Federal Reserve System (Board of Governors), as appropriate, or to the individual, division, or office designated by the Comptroller of the Currency or the Board of Governors.

ATTACHMENT A

ACQUIRORS:

Oak Hill Capital Partners III, L.P.
Oak Hill Capital Management Partners III, L.P.
Oak Hill Capital Management, LLC
OHCM Management, LLC
OHCP GenPar III, L.P.
OHCP Principal Investors III, L.P.
OHCP MGP Partners III, L.P.
OHCP MGP III, Ltd.
OHCP SLP III, Ltd.
OHCP SLP Partners III, L.P.
Oak Hill Associates II-3, L.P.
OHCP Associates LP Plan III, L.P.
FW Oak Hill General III, L.P.
FW Oak Hill General Genpar III, LLC
FW Oak Hill Limited III, L.P.
FW Oak Hill Limited GenPar III, LLC
Keystone Group, L.P.
RMB Holdings, LLC
J. Taylor Crandall
John H. Fant
Steven B. Gruber
Kevin G. Levy
Denis J. Nayden
Ray Pinson
Robert M. Bass
Mark A. Wolfson
I.D. Flores, III
Benjamin Diesbach
Stratton Hcath
John R. Monsky
Capital Partnership (CMB), L.P.
Capital Partnership (TRB), L.P.
Capital Partnership (ACB), L.P.
Capital Partnership (MLB), L.P.
Keystone Investors I, LLC
Keystone Investors II, LLC
Keystone Investors III, LLC
Keystone Investors IV, LLC
Keystone MGP, LLC
Capital Genpar (CMB), LLC
Capital Genpar (TRB), LLC
Capital Genpar (ACB), LLC
Capital Genpar (MLB), LLC
Christopher Maddox Bass Trust

Timothy Richardson Bass Trust
Anne Chandler Bass Trust
Margaret Lee Bass Trust
Anne T. and Robert M Bass Management Trust
Keystone Investment Trust
Live Oak Trust
FW Private GenPar, LLC
Christopher M. Bass
Timothy R. Bass
Anne Chandler Bass Evans
Margaret L. Bass
Anne T. Bass
Panther City Investment Company