

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 8920 / May 27, 2008

ADMINISTRATIVE PROCEEDING
File No. 3-13046

In the Matter of

First Southwest Company,

Respondent.

**ORDER UNDER RULE 602(e) OF THE
SECURITIES ACT OF 1933,
GRANTING A WAIVER OF THE
RULE 602(c)(3) DISQUALIFICATION
PROVISION**

I.

Respondent First Southwest Company (“First Southwest”) has submitted a letter, dated January 11, 2008, requesting a waiver of the Rule 602 (c)(3) disqualification from the exemption from registration under Regulation E arising from First Southwest’s settlement of an administrative proceeding commenced by the Commission.

II.

On May 27, 2008, pursuant to First Southwest’s Offer of Settlement, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933 and Section 15(b) of the Securities Exchange Act of 1934 against First Southwest. Under the Order, the Commission found that First Southwest willfully violated Sections 17(a)(2) of the Securities Act of 1933 (the “Securities Act”) by engaging in violative practices in connection with certain auctions for auction rate securities. Without adequate disclosure, First Southwest intervened in auctions by bidding for its proprietary account to prevent failed auctions and to prevent all-hold auctions.

In the Order, the Commission censured First Southwest and required First Southwest (1) to cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act; (2) within 10 days of the entry of this Order, to pay a civil money penalty in the amount of \$150,000 to the United States Treasury; (3) to make certain disclosures regarding its material auction practices and procedures; and (4) not later than 6 months after the date of this 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 has implemented procedures that are reasonably designed to prevent and detect failures by First Southwest to conduct the auction process in accordance with the

auction procedures disclosed in the disclosure documents and any supplemental disclosures and that First Southwest is in compliance with Section IV.D. of the Order.

III.

The Regulation E exemption is unavailable for the securities of small business investment company issuers or business development company issuers if an underwriter of the securities to be offered is subject to an order of the Commission pursuant to Section 15(b) of the Exchange Act of 1934. 17 C.F.R. § 230.602(c)(3). Rule 602(e) under the Securities Act provides, however, that the disqualification “shall not apply . . . if the Commission determines, upon a showing of good cause, that it is not necessary under the circumstances that the exemption be denied. 17 C.F.R. § 230.602(e).

IV.

Based upon the representations set forth in First Southwest’s request, the Commission has determined that, pursuant to Rule 602(e) under the Securities Act, a showing of good cause has been made that it is not necessary under the circumstances that the exemption be denied as a result of the Order.

Accordingly, **IT IS ORDERED**, pursuant to Rule 602(e) under the Securities Act, that a waiver from the application of the disqualification provision of Rule 602(c)(3) under the Securities Act resulting from the entry of the Order is hereby granted.

By the Commission.

Florence E. Harmon
Acting Secretary