

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**

**Release No. 85433 / March 28, 2019**

**ADMINISTRATIVE PROCEEDING**

**File No. 3-17154**

**In the Matter of**

**FIRST SOUTHWEST COMPANY, LLC**

**Respondent.**

**ORDER ESTABLISHING FAIR FUND AND  
DIRECTING PAYMENT OF FUNDS**

On March 7, 2016, the Securities and Exchange Commission (“Commission”) issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b), 15B(c)(2) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”)<sup>1</sup> against First Southwest Company, LLC (“First Southwest”). The Order found that First Southwest, a registered broker-dealer, municipal securities dealer and municipal advisor, willfully violated the fair dealing and financial advisory agreement rules of the Municipal Securities Rulemaking Board (“MSRB”) in connection with financial advisory services rendered by First Southwest to its municipal client, the Rhode Island Economic Development Corporation (“RIEDC”) (now known as the Rhode Island Commerce Corporation), relating to a private placement offering of municipal securities on October 22, 2010 (the “2010 bond issuance”).

The Commission found that, from March 2010 to November 2010, First Southwest rendered financial advisory services to the RIEDC in connection with the 2010 bond issuance without memorializing that relationship by a written agreement until seven months into the financial advisory relationship. As a result, the Commission found that First Southwest willfully violated MSRB Rule G-17, MSRB Rule G-23(c) and Section 15B(c)(1) of the Securities Exchange Act of 1934 (“Exchange Act”).

The Commission ordered First Southwest to pay to the Commission disgorgement of \$120,000; prejudgment interest of \$22,400; and a civil money penalty of \$50,000, \$25,000 of which was to be transferred to the MSRB in accordance with Section 15B(c)(9)(A) of the Exchange Act. According to the Order, the Commission would hold the collected funds, less the

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<sup>1</sup> Exchange Act Rel. No. 77300 (Mar. 7, 2016).

\$25,000 directed to the MSRB (“Net Civil Money Penalty”), pending a decision as to whether the Commission, in its discretion, will seek to do a distribution. First Southwest has paid in full and the Commission currently holds approximately \$172,000, comprised of disgorgement, prejudgment interest, the \$25,000 Net Civil Money Penalty, and accrued interest.

The Commission’s Division of Enforcement recommends that a Fair Fund (“Fair Fund”) be established pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002 so that the Net Civil Penalty can be included with the disgorgement and prejudgment interest for distribution to affected bondholders. The Division of Enforcement further recommends that the Fair Fund be paid to The Bank of New York Mellon Trust Company, N.A. as the Trustee for the 2010 bond issuance (“Trustee”), for distribution to affected bondholders.

Accordingly, IT IS HEREBY ORDERED that:

- A. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is established so that the Net Civil Money Penalty can be added to the disgorgement and prejudgment interest paid by First Southwest for the benefit of harmed investors; and
- B. The Commission staff is directed to pay the collected disgorgement, prejudgment interest, and the Net Civil Money Penalty, plus accrued interest, to the Trustee for distribution to affected bondholders. Payment shall be made payable to The Bank of New York Mellon Trust Company, N.A.

By the Commission.

Vanessa A. Countryman  
Acting Secretary