



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

May 27, 2008

DIVISION OF
CORPORATION FINANCE

Mr. Paul S. Maco
Vinson & Elkins LLP
1455 Pennsylvania Avenue NW, Suite 600
Washington, DC 20004-1008

Re: In the Matter of Certain Auction Practices File No. HO-09954
**First Southwest Company– Waiver Request of Ineligible Issuer Status under
Rule 405 of the Securities Act**

Dear Mr. Maco:

This is in response to your letter dated May 27, 2008, written on behalf of First Southwest Company (Company) and constituting an application for relief from the Company being considered an “ineligible issuer” under Rule 405(1)(vi) of the Securities Act of 1933 (Securities Act). The Company requests relief from being considered an “ineligible issuer” under Rule 405, for purposes of Rules 164 and 433 of the Securities Act, due to the entry on May 27, 2008, of a Commission Order (Order) pursuant to Section 8A of the Securities Act and Section 15(b) of the Securities Exchange Act of 1934, naming the Company as a respondent. The Order finds, among other things, that the Company violated Section 17(a)(2) of Securities Act and requires that the Company cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act.

Based on the facts and representations in your letter, and assuming the Company complies with the Order, the Commission, pursuant to delegated authority has determined that the Company has made a showing of good cause under Rule 405(2) and that the Company will not be considered an ineligible issuer for purposes of Rules 164 and 433 of the Securities Act by reason of the entry of the Order. Accordingly, the relief described above from the Company being an ineligible issuers under Rule 405 for purposes of Rules 164 and 433 of the Securities Act is hereby granted. Any different facts from those represented or non-compliance with the Order might require us to reach a different conclusion.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary J. Kosterlitz".

Mary Kosterlitz
Chief, Office of Enforcement Liaison
Division of Corporation Finance

Vinson & Elkins

Paul S. Maco pmaco@velaw.com
Tel 202.639.6705 Fax 202.879.8905

May 27, 2008

VIA COURIER AND ELECTRONIC MAIL

Mary Kosterlitz, Esq.
Chief of the Office of Enforcement Liaison
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

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

Dear Ms. Kosterlitz:

We are writing on behalf of our client, First Southwest Company (“the Company”).¹ The Company is a respondent in the above-referenced investigations commenced by the Securities and Exchange Commission (the “Commission”). The investigation relates to certain practices involving auction-rate securities.

We hereby request, pursuant to amended Rule 405 under the Securities Act of 1933 (the “Securities Act”), that the Division of Corporation Finance, on behalf of the Commission, determine that the Company shall not be considered an “ineligible issuer” as defined in Rule 405 as a result of the proposed order to be entered in the above-referenced investigation, as described below. We request that this determination be made effective upon entry of the proposed order. It is our understanding that the Division of Enforcement does not object to such determination.

¹ The Company is a wholly owned subsidiary of First Southwest Holdings, Inc., a privately held corporation. The Company 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

In connection with the above-referenced proceeding, which was brought pursuant to Section 8A of the Securities Act and Section 15(b) of the Securities Exchange Act, the Company and the Division of Enforcement have reached an agreement in principle to settle the matter as described below, and the Company 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 "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 Order the Commission will make findings, without admission or denial by the Company, that the Company violated Section 17(a)(2) of the Securities Act in connection with certain practices relating to auction-rate securities. Based on these findings, the Order will require the Company to cease and desist from committing or causing any current or future violations of Section 17(a)(2) and to pay a civil money penalty of \$150,000.

DISCUSSION

The recent Securities Act rules will permit an issuer and other offering participants to communicate more freely during registered offerings by using free-writing prospectuses, but only if the issuer is not an ineligible issuer.² Thus, being an ineligible issuer will disqualify an issuer from a significant benefit under the new rules.

Rule 405 defines "ineligible issuer" to include any issuer of securities with respect to which the following is true: "Within the past three years . . . , the issuer or any entity that at the time was a subsidiary of the issuer was made the subject of any . . . administrative . . . order arising out of a governmental action . . . [r]equires that the person cease and desist from violating the anti-fraud provisions of the federal securities laws." Notwithstanding the foregoing, paragraph (2) of the definition provides that an issuer "shall not be an ineligible issuer if the Commission determines, upon a showing of good cause, that it is not necessary under the circumstances that the issuer be considered an ineligible issuer." The Commission has delegated authority to the Division of Corporation Finance to grant waivers from any of the ineligibility provisions of this definition.³

² Being an ineligible issuer will disqualify an issuer under new Rules 164 and 433, whether or not it is a well-known seasoned issuer, thereby preventing the issuer and other offering participants from using free-writing prospectuses during registered offerings of its securities.

³ See 17 C.F.R. § 200.30-1. See also note 215 in Release No. 33-8591 (July 19, 2005).

The Order might be deemed to be an administrative order of the kind that would result in the Company becoming an ineligible issuer for a period of three years after the Order is entered. Although the Company and its parent are privately held and not currently a registrant under Section 5 of the Securities Act, should they determine at some point in the future to access the public markets, the need to seek a waiver of ineligible issuer status in order to benefit from the provisions of Rules 164 and 433 would likely complicate and perhaps delay the registration process. The receipt of a waiver contemporaneous with the entry of the proposed order would retain the flexibility in accessing the capital markets otherwise available to the Company prior to entry of the order.

As described above, Rule 405 authorizes the Commission to determine that a company shall not be an ineligible issuer, notwithstanding the fact that the company becomes subject to an otherwise disqualifying administrative order. We believe that there is good cause, in their case, for the Commission to make such a determination with respect to the Order on the following grounds.

1. Disqualification of the Company as an ineligible issuer is not warranted given the nature of the violation found in the Order. The alleged conduct relates primarily to auction agents' conduct of auctions of auction rate securities in ways that were not adequately disclosed in the disclosure documents for the securities or that did not conform to the procedures disclosed in those documents. The Order does not challenge the Company's disclosures in their own filings with the Commission, nor does it allege fraud in connection with the Company's offerings of their own securities. As noted above, the Company is not a registrant or reporting company under the provisions of the Securities Act or the Securities Exchange Act of 1934.

2. The Company has a strong record of compliance with the securities laws. The Company also has agreed to undertake to implement policies and procedures designed to help prevent recurrence of the conduct that is the subject of the Order.

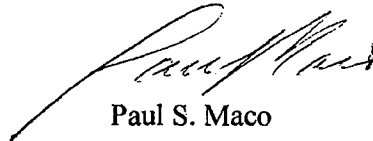
3. Disqualification of the Company as an eligible issuer would be unduly and disproportionately severe. The Order will require the Company to pay a civil money penalty of \$150,000. Making the Company an ineligible issuer would result in an additional penalty beyond what the Order requires.

In light of the foregoing, we believe that disqualification of the Company as an ineligible issuer is not necessary under the circumstances, either in the public interest or for the protection of investors, and that the Company has shown good cause for the requested relief to be granted. Accordingly, we respectfully request that the Division of Corporation Finance, on behalf of the Commission, pursuant to Rule 405, determine that it is not

necessary under the circumstances that the Company be an "ineligible issuer" within the meaning of Rule 405 as a result of the Order. We request that this determination be made for purposes of Rules 164 and 433.

If you have any questions regarding this request, please contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul S. Maco", written in a cursive style.

Paul S. Maco