

## First Southwest Rule 606 Disclosure :: 1Q2011

First Southwest Company (First Southwest) has prepared this report pursuant to Securities and Exchange Commission ("SEC") rules requiring all brokerage firms to make available to the public quarterly reports about routing of certain customer's orders in NASDAQ and Listed stocks and Listed Options.

The report provides information on the routing of "non-directed orders" -- any order that the customer has not specifically instructed to be routed to a particular venue for execution. For these non-directed orders, First Southwest has selected the execution venue on behalf of its customers. These reports represent only a portion of First Southwest Company's order flow.

The report is divided into four sections:

1. New York Stock Exchange listed securities
2. Nasdaq Stock Market listed securities
3. American Stock Exchange and regional exchanges listed securities
4. Exchange listed options

For each section, this report identifies the venues most often selected by First Southwest, sets forth the percentage of various types of orders routed to the venues, and discusses the material aspects of First Southwest's relationship with the venues.

This report was prepared by S3, a third party market surveillance and auditing firm. The required reports are intended to provide only an overview of First Southwest's order routing practices and should not be relied upon as a basis on which to assess whether First Southwest or any other trading venue has satisfied its duty of best execution.

First Southwest Company stands to share in 100% of any profits it generates by trading as principal with its customers' orders.

Questions regarding this report should be addressed to the First Southwest Compliance Department.

## 1. New York Stock Exchange Securities

<i>For quarter ending 3/31/2011</i>	<b>Non-Directed Orders</b>	<b>Market Orders</b>	<b>Limit Orders</b>	<b>Other Orders*</b>
<b>Orders Routed to:</b>				
<b>Knight Capital Markets</b>	<b>49.14%</b>	<b>43.00%</b>	<b>61.92%</b>	<b>2.47%</b>
<b>Automated Trading Desk</b>	<b>33.00%</b>	<b>40.51%</b>	<b>19.26%</b>	<b>71.40%</b>
<b>UBS Capital Markets</b>	<b>17.86%</b>	<b>16.48%</b>	<b>18.82%</b>	<b>26.13%</b>
<b>Total FIRST SOUTHWEST Orders</b>	<b>100.0%</b>	<b>54.3%</b>	<b>41.5%</b>	<b>4.2%</b>

\* Other Orders are Stop Orders and Stop Limit Orders.

### **New York Stock Exchange**

The chart above shows the percentages of orders placed for securities trading on the New York Stock Exchange (NYSE).

First Southwest did not receive payment for order flow from any of the above firms for the period 1Q2011.

## 2. NASDAQ Stock Exchange Securities

<i>For quarter ending 3/31/2011</i>	<b>Non-Directed Orders</b>	<b>Market Orders</b>	<b>Limit Orders</b>	<b>Other Orders*</b>
<b>Orders Routed to:</b>				
<b>Knight Equity Markets</b>	<b>65.20%</b>	<b>61.66%</b>	<b>68.17%</b>	<b>84.32%</b>
<b>UBS Capital Markets</b>	<b>23.44%</b>	<b>25.31%</b>	<b>23.12%</b>	<b>9.01%</b>
<b>Automated Trading Desk</b>	<b>11.33%</b>	<b>13.01%</b>	<b>8.64%</b>	<b>6.67%</b>
<b>Total FIRST SOUTHWEST Orders</b>	<b>100.0%</b>	<b>65.1%</b>	<b>27.1%</b>	<b>7.8%</b>

\* Other Orders are Stop Orders and Stop Limit Orders.

### **Nasdaq**

The chart above shows the percentages of orders placed for securities trading on the Nasdaq Stock Market (Nasdaq).

First Southwest did not receive payment for order flow from any of the above firms for the period 1Q2011.

### 3. American / Regional Stock Exchange Securities

<i>For quarter ending 3/31/2011</i>	<b>Non-Directed Orders</b>	<b>Market Orders</b>	<b>Limit Orders</b>	<b>Other Orders*</b>
<b>Orders Routed to:</b>				
<b>Knight Capital Markets</b>	<b>78.27%</b>	<b>75.92%</b>	<b>84.64%</b>	<b>23.36%</b>
<b>Automated Trading Desk</b>	<b>12.32%</b>	<b>15.30%</b>	<b>5.42%</b>	<b>56.20%</b>
<b>UBS Capital Markets</b>	<b>9.38%</b>	<b>8.72%</b>	<b>9.94%</b>	<b>20.44%</b>
<b>Total FIRST SOUTHWEST Orders</b>	<b>100.0%</b>	<b>61.0%</b>	<b>37.3%</b>	<b>1.7%</b>

\* Other Orders are Stop Orders and Stop Limit Orders.

#### **AMEX/Other**

The chart above shows the percentages of orders placed for securities trading on the American Stock Exchange (AMEX) and regional exchanges.

First Southwest did not receive payment for order flow from any of the above firms for the period 1Q2011.

## 4. Exchange Listed Options

<i>For quarter ending 3/31/2011</i>	Non-Directed Orders	Market Orders	Limit Orders	Other Orders*
<b>Orders Routed to:</b>				
<b>Nasdaq OMX PHLX</b>	<b>31.38%</b>	<b>14.31%</b>	<b>32.04%</b>	<b>57.69%</b>
<b>NYSE Amex Options</b>	<b>21.02%</b>	<b>30.82%</b>	<b>20.14%</b>	<b>13.68%</b>
<b>Chicago Board Options Exchange</b>	<b>20.36%</b>	<b>4.97%</b>	<b>22.78%</b>	<b>15.38%</b>
<b>NASDAQ OMX BX</b>	<b>8.46%</b>	<b>31.41%</b>	<b>5.61%</b>	<b>3.85%</b>
<b>NYSE Arca Options</b>	<b>8.34%</b>	<b>7.55%</b>	<b>8.82%</b>	<b>2.56%</b>
<b>International Securities Exchange</b>	<b>5.53%</b>	<b>5.37%</b>	<b>5.53%</b>	<b>5.98%</b>
<b>Total FIRST SOUTHWEST Orders</b>	<b>100.0%</b>	<b>11.4%</b>	<b>83.3%</b>	<b>5.3%</b>

\* Other Orders are Stop Orders and Stop Limit Orders.

### Exchange Listed Options

The chart above shows the percentages of orders placed for securities trading as Exchange Listed Options.

First Southwest routes options orders to the options exchanges listed above via an intermediary broker: Interactive Brokers. It is common for these venues to make payments to brokerage firms for these orders. Details of all such payment arrangements are listed below:

IBTOPT Interactive Brokers LLC

**Execution Fees:**

US Equity Options Orders are executed free of charge.

**Rebate Schedule:**

**Equity Options:**

1-100 contracts	\$ .75 per executed contract
101-250 contracts	\$ .35 per executed contract
251 contracts and above	No payment

**Index Options:**

No payment.

IB shall route and execute index option orders free of charge as long as the contract volume of executed index option orders submitted in any given day is no more than 15% of the total US option contract volume executed by FSWC. There will be a \$.75 per executed contract charge in excess of the 15% threshold.

Effective April 1, 2007, IB shall not make payment for orders that are executed with price improvement through an exchange's automated auction process, OR that are executed at prices NOT divisible by 5 cents.