Southwest Securities, Inc.

Amended Statement of Financial Condition
For the Six-Months Ended June 30, 2015

Filed pursuant to Rule 17a(3)(3) under the
Securities Exchange Act of 1934
as a PUBLIC DOCUMENT

Southwest Securities, Inc.
Statement of Financial Condition
June 30, 2015
(unaudited)

(In thousands, except par, redemption values and share amounts)

Assets		
Cash	$	19,104
Assets segregated for regulatory purposes		137,590
Receivable from brokers, dealers and clearing organizations		2,031,792
Receivable from clients, net of allowance of $186		239,539
Securities owned, at fair value		213,120
Securities purchased under agreements to resell		79,153
Customer Intangible, net of accumulated amoritazation of $487		6,813
Fixed assets, at cost, net of accumulated depreciation of $952		6,621
Net deferred tax asset		3,291
Other assets (including $403 due from affiliates)		38,015
Total assets	$	2,775,038
Liabilities and Stockholder's Equity		
Short-term borrowings	$	68,000
Payable to brokers, dealers, and clearing organizations		1,899,949
Payable to clients		327,378
Drafts payable		20,828
Securities sold, not yet purchased, at fair value		135,546
Securities sold under agreements to repurchase		41,500
Accrued expenses and other liabilities (including $1,056 due to affiliates)		36,187
		2,529,388
Commitments and contingencies		
Stockholder's equity:		
Series A preferred stock, $20 par value, $1,000 redemption value; authorized 100,000 shares; no shares issued and outstanding		-
Class A voting common stock of $1 par value; authorized 10,000 shares; issued and outstanding 2,820 shares		3
Class B nonvoting common stock of $1 par value; authorized 10,000 shares; none issued		-
Additional paid-in capital		254,193
Retained earnings		(8,546)
		245,650
Total liabilities and stockholder's equity	$	2,775,038

The accompanying notes are an integral part of this financial statement.

1. Organization

Southwest Securities, Inc. (“Company”), a Delaware Company, is a wholly owned subsidiary of Hilltop Securities Holding, LLC (“Hilltop Securities”), a wholly owned subsidiary of Hilltop Holdings, Inc. (“Parent”). The Company is a New York Stock Exchange ("NYSE") member broker/dealer, a registered investment advisor and a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is registered with the Securities and Exchange Commission (the "SEC") as a broker/dealer under the Securities Exchange Act of 1934 ("Exchange Act") and as a registered investment advisor under the Investment Advisors Act of 1940. The Company is also registered with the Commodity Futures Trading Commission ("CFTC") as a non-guaranteed introducing broker and is a member of the National Futures Association ("NFA").

Pursuant to the SEC Rule 11(a) of the Exchange Act, over 50% of the Company’s revenues are comprised of Section 11(a) items, indicating the Company is primarily engaged in trading on behalf of customers.

Merger with Parent. On January 1, 2015, the Parent completed the acquisition of the Company. The merger was accounted for using the acquisition method of accounting, and accordingly, purchased assets, including identifiable intangible assets, and assumed liabilities were recorded at their respective acquisition date fair values. The resulting preliminary fair values of the identifiable assets acquired, and liabilities assumed at January 1, 2015 are summarized in the following table (in thousands):

(In thousands)

Assets		
Cash	$	8,994
Assets segregated for regulatory purposes		181,609
Receivable from brokers, dealers and clearing organizations		1,294,414
Receivable from clients		235,964
Securities owned, at fair value		265,086
Securities purchased under agreements to resell		44,741
Customer Intangible		7,300
Fixed assets		7,239
Net deferred tax asset		3,291
Other assets		27,649
Total assets	$	2,076,287
Liabilities and Stockholder's Equity		
Short-term borrowings	$	126,370
Payable to brokers, dealers, and clearing organizations		1,110,747
Payable to clients		349,533
Drafts payable		25,913
Securities sold, not yet purchased, at fair value		140,409
Securities sold under agreements to repurchase		43,240
Accrued expenses and other liabilities		32,196
		1,828,408

(In thousands, except par, redemption values and share amounts)

Commitments and contingencies		
Stockholder's equity:		
Series A preferred stock, $20 par value, $1,000 redemption value; authorized 100,000 shares; no shares issued and outstanding		-
Class A voting common stock of $1 par value; authorized 10,000 shares; issued and outstanding 2,820 shares		3
Class B nonvoting common stock of $1 par value; authorized 10,000 shares; none issued		-
Additional paid-in capital		106,424
Retained earnings		141,452
		247,879
Total liabilities and stockholder's equity	$	2,076,287

The Parent used significant estimates and assumptions to value certain identifiable assets acquired and liabilities assumed in the merger. Because management's review and approval of certain key assumptions is not complete, the purchase date valuations related to taxes are considered preliminary and could differ significantly when finalized.

The Company is filing this amendment to its unaudited Statement of Financial Condition for period ended June 30, 2015, originally posted to the Company's website on August 27, 2015. The Statement of Financial Condition is being amended to correct a change in accounting in regard to the bargain purchase gain reported as part of the Company's merger with the Parent. Prior to September 30, 2015, the bargain purchase gain was recorded in its Statement of Operations. Beginning with the September 30, 2015 quarter, the bargain purchase gain is as an adjustment to additional paid-in capital. Additionally, during the quarter ended September 30, 2015, the estimated fair value of deferred tax assets acquired as of January 1, 2015 was adjusted as a result of management's review and the filing of the Company's consolidated federal tax return for the year ended December 31, 2014.

2. Summary of Significant Accounting Policies

Securities Transactions

Proprietary securities transactions are recorded on trade date, as if they had settled. Clients' securities and commodities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the Statement of Financial Condition.

Marketable securities are valued at fair value, based on quoted market prices, and securities not readily marketable are valued at fair value as determined by management. The increase or decrease in net unrealized appreciation or depreciation of securities owned is credited or charged to operations and is included in net gains on principal transactions in the statement of operations.

Fixed Assets and Depreciation
Fixed assets are comprised of furniture and equipment ($4,206) and leasehold improvements ($3,367) which were adjusted to fair value on January 1, 2015, see **Note 1**, above. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets (from three to seven years), and depreciation on leasehold improvements is provided over the shorter of the useful life or the lease term (up to fifteen years) using the straight-line method. Additions, improvements and expenditures for repairs and maintenance that significantly extend the useful life of an asset are capitalized. Other expenditures for repairs and maintenance are charged to expense in the period incurred.

Customer Intangible
In connection with the merger, the Company recorded a customer relationship intangible which is being amortized over a 14 year period at a rate based on the sum of the years digits.

Resale and Repurchase Agreements
Transactions involving purchases of securities under agreements to resell (reverse repurchase agreements or reverse repos) or sales of securities under agreements to repurchase (repurchase agreements or repos) are accounted for as collateralized financings except where the Company does not have an agreement to sell (or purchase) the same or substantially the same securities before maturity at a fixed or determinable price. It is the policy of the Company to obtain possession of collateral with a fair value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate. Interest payable on these amounts is included in the Statement of Financial Condition in other liabilities.

Securities Lending Activities
Securities borrowed and securities loaned transactions are generally reported as collateralized financings except where letters of credit or other securities are used as collateral. Securities borrowed transactions require the Company to deposit cash, letters of credit, or other collateral with the lender. With respect to securities loaned, the Company receives collateral in the form of cash in an amount generally in excess of the fair value of securities loaned. The Company monitors the fair value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral advanced or received adjusted for additional collateral obtained or received. Interest on such transactions is accrued and included in the Statement of Financial Condition in receivables from and payables to brokers, dealers and clearing organizations.

Drafts Payable
In the normal course of business, the Company uses drafts to make payments relating to its brokerage transactions. These drafts are presented for payment through an unaffiliated bank and are sent to the Company daily for review and acceptance. Upon acceptance, the drafts are paid and charged against cash.

Cash
The Company considers cash to include cash on hand and in bank accounts. In addition, highly liquid debt instruments purchased with maturities of three months or less, when acquired, are considered to be cash equivalents. The Federal Deposit Insurance Corporation ("FDIC") insures deposit accounts up to

$250. At June 30, 2015, the cash balances included $17,918 that were not federally insured because they exceeded federal insurance limits. This at-risk amount is subject to fluctuation on a daily basis, but management does not believe there is significant risk on these deposits.

Income Taxes

The Company files a consolidated federal income tax return with its Parent. For purposes of this financial statement, current income taxes are computed as if the Company filed a separate entity income tax return.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Fair Value of Financial Instruments

Fair value accounting establishes a framework for measuring fair value. Under fair value accounting, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date in the principal market in which the reporting entity transacts. Further, fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, fair value accounting establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. Under the standard, fair value measurements are separately disclosed by level within the fair value hierarchy.

The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 — Quoted prices in an active market for identical assets or liabilities. Assets and liabilities utilizing Level 1 inputs include certain inventories held in the Company's securities owned and securities sold, not yet purchased portfolio. Valuation of these instruments does not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.

- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Assets and liabilities utilizing Level 2 inputs include certain inventories held in the Company's securities owned and securities sold, not yet purchased portfolio and the Company's commitments to purchase and sell "to-be-announced" derivative securities. These financial instruments are valued by quoted prices that are less frequent than those in active markets or by models that use various assumptions that are derived from or supported by data that is generally observable in the marketplace. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying observable market assumptions.

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Assets and liabilities utilizing Level 3 inputs include certain inventories held in the Company's securities owned portfolio. These financial instruments have significant inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Condition, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Securities Owned and Securities Sold, Not Yet Purchased Portfolio (including the Company's derivative "to-be-announced" securities). Securities classified as Level 1 securities primarily consist of financial instruments whose value is based on quoted market prices in active markets such as corporate equity securities and U.S. government and government agency obligations primarily in U.S. treasury securities.

Securities classified as Level 2 securities include financial instruments that are valued using models or other valuation methodologies. These models are primarily industry standard models that consider various assumptions, including time value, yield curve, volatility factors, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Securities in this category include corporate obligations, U.S. government and government agency obligations, municipal obligations and the Company's commitments to purchase and sell "to-be-announced" derivative securities.

Securities classified as Level 3 securities are securities whose fair value is estimated based on internally developed models or methodologies, including discounted cash flow, utilizing significant inputs that are generally less readily observable. The models and methodologies considered the quality of the underlying loans, any related secondary market activity and expectations regarding future interest rate movements. Included in this category are certain corporate bonds.

Substantially all of the Company's financial assets and liabilities are carried at fair value or at amounts which, because of their short-term nature, approximate current fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(In thousands, except par, redemption values and share amounts)

3. Assets Segregated For Regulatory Purposes

At June 30, 2015, the Company held cash of $137,590 segregated in special reserve bank accounts for the exclusive benefit of customers under Rule 15c3-3 under the Securities Exchange Act of 1934 (“Exchange Act Rule 15c3-3”).

4. Receivable From and Payable to Brokers, Dealers and Clearing Organizations

At June 30, 2015, the Company had receivable from and payable to brokers, dealers and clearing organizations related to the following:

Receivable:		
Securities failed to deliver	$	22,713
Securities borrowed		1,909,365
Clearing organizations		50,172
Correspondent broker/dealers		30,874
Trades in process of settlement, net		12,256
Other		6,412
	$	2,031,792
Payable:		
Securities failed to receive	$	32,193
Securities loaned		1,850,971
Correspondent broker/dealers		14,071
Other		2,714
	$	1,899,949

Securities failed to deliver and receive represent the contractual value of securities that have not been delivered or received subsequent to settlement date.

The Company clears securities transactions for correspondent broker/dealers. Proprietary settled securities and related transactions for these correspondents are included in the receivable from and payable to brokers, dealers and clearing organizations. At June 30, 2015, the Company held collateral for the receivables from correspondents in the amount of $50,741.

The Company participates in the securities borrowing and lending business by borrowing and lending securities other than those of its clients. Securities borrowed and loaned represent deposits made to or received from other broker/dealers relating to these transactions. These deposits approximate the market value of the underlying securities. All open positions are adjusted to market values daily. The Company obtains or releases collateral as prices of the underlying securities fluctuate.

Certain securities lending arrangements may be eligible for offset in the statement of financial condition and /or subject to master netting arrangements or similar agreements. The following table provides information about these receivables and payables subject to an enforceable master netting arrangement or similar agreements with offsetting rights and related collateral amounts at June 30, 2015:

				Gross amounts not offset in the statement of financial position		
Description	**Gross amounts of recognized assets/ liabilities**	**Gross amounts offset in the statement of financial position**	**Net amounts of assets presented in the statement of financial position**	**Financial instruments (2)**	**Cash Collateral**	**Net Amount**
Securities Borrowed	$ 1,909,365	$ -	$ 1,909,365	$ (1,909,365)	$ -	$ -
Securities Loaned (1)	1,850,971	-	1,850,971	(1,850,971)	-	-

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(1) Under securities lending agreements, the Company repledged $1,832,801.
(2) Amounts reflect fair value of underlying collateral.

Securities Lending Activities. The Company's securities lending activities includes lending securities for other broker/dealers, lending institutions and its own clearing and retail operations. These activities involve lending securities to other broker/dealers to cover short sales, to complete transactions in which there has been a failure to deliver securities by the required settlement date and as a conduit for financing activities.

When lending securities, the Company receives cash or similar collateral and generally pays interest (based on the amount of cash deposited) to the other party to the transaction. Securities lending transactions are executed pursuant to written agreements with counterparties that generally require securities loaned to be marked-to-market on a daily basis. The Company receives collateral in the form of cash in an amount generally in excess of the fair value of securities loaned. The Company monitors the fair value of securities loaned on a daily basis, with additional collateral obtained or refunded, as necessary. Collateral adjustments are made on a daily basis through the facilities of various clearinghouses. The Company is a principal in these securities lending transactions and is liable for losses in the event of a failure of any other party to honor its contractual obligation. The Company's management sets credit limits with each counterparty and reviews these limits regularly to monitor the risk level with each counterparty. SWS is subject to credit risk through its securities lending activities if securities prices decline rapidly because the value of SWS's collateral could fall below the amount of the indebtedness it secures. In rapidly appreciating markets, credit risk increases due to short positions. The Company's securities lending business subjects the Company to credit risk if a counterparty fails to perform or if collateral securing its obligations is insufficient. In securities transactions, the Company is subject to credit risk during the period between the execution of a trade and the settlement by the customer.

The following table presents the remaining contractual maturities of securities lending transactions accounted for as secured borrowings at June 30, 2015 (in thousands):

	June 30, 2015				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Securities lending transactions					
Corporate securities	$ 10,223	$ -	$ -	$ -	$ 10,223
Equity securities	1,840,748	-	-	-	1,840,748
Total borrowings	$ 1,850,971	$ -	$ -	$ -	$ 1,850,971
Gross amount of recognized liabilities for securities lending					$ 1,850,971
Amount related to agreements not included in offsetting disclosure					$ -

5. Receivable From and Payable to Clients

Receivable from and payable to clients include amounts due on cash and margin transactions. Included in these amounts are receivable from and payable to noncustomers (as defined by Exchange Act Rule 15c3-3, principally officers, directors and related accounts), which aggregated approximately $409 and $3, respectively, at June 30, 2015. Securities accounts of noncustomers are subject to the same terms and regulations as those of customers. Securities owned by customers and noncustomers that collateralize the receivables are not reflected in the accompanying financial statements.

The Company pledges client securities as collateral in conjunction with the Company's securities lending activities. At June 30, 2015, the Company has approximately $301,928 of client securities under customer margin loans that are available to be pledged, of which the Company has repledged approximately $18,170 under securities loan agreements.

The Company pays interest on certain customer "free credit" balances available for reinvestment. The aggregate balance of such funds was approximately $292,405 at June 30, 2015. At June 30, 2015 and during the six-months ended June 30, 2015, the weighted average interest rate and the interest rate paid on these balances was 0.02%.

The Company maintains an allowance for doubtful accounts of $186 which represents amounts that, in the judgment of management, are necessary to adequately absorb losses from known and inherent risks in receivables from customers. Provisions made to this allowance are charged to operations. At June 30, 2015, all unsecured customer receivables had been provided for in this allowance.

(In thousands, except par, redemption values and share amounts)

6. Securities Owned and Securities Sold, not yet Purchased

At June 30, 2015, securities owned and securities sold, not yet purchased, both of which are carried at fair value, included the following:

Securities owned:		
U.S. government and government agency obligations:		
U.S. treasury securities	$	6,021
Bonds		32,464
Collateralized mortgage obligations		1,260
Commercial mortgage-backed securities		15
Municipal obligations		40,129
Corporate debt securities		67,209
Private-label securitized product		32,281
Unit investment trusts		33,085
Other		656
	$	213,120
Securities sold, not yet purchased:		
U.S. government and government agency obligations:		
U.S. treasury securities	$	33,792
Bonds		41,499
Corporate obligations		60,250
Other		5
	$	135,546

7. Derivative Financial Instruments

The Company enters into purchase and sale agreements of forward mortgage-backed securities whose collateral remains to-be-announced until just prior to the trade settlement, (“TBAs”). The Company enters into TBAs in order to assist clients (generally small to mid-size mortgage loan originators) in hedging the interest rate risk associated with the mortgages owned by the clients. In general, the Company will enter into a TBA purchase agreement with the client and then immediately enter into a TBA sale agreement with identical terms and the same settlement date with a separate counter-party. The TBAs are accounted for as derivatives under **Accounting Standards Codification (“ASC”) 815 “Derivatives and Hedging.”** The Company does not apply hedge accounting for these TBA securities. Accordingly, the securities are carried at fair value and recorded in Other Assets and Other Liabilities based on the nature of the security with unrealized and realized gains recorded in net gains on principal transactions on the Statement of Operations.

At June 30, 2015, the Company's derivative positions associated with its TBA program are presented below (in thousands):

	Notional Amount	Estimated Fair Value
Commitments to purchase TBAs	$ 2,015,848	$ 2,777
Commitments to sell TBAs	2,015,807	(2,777)

8. Fair Value of Financial Instruments

The following table presents information regarding financial assets and liabilities measured at fair value on a recurring basis summarized by level within the fair value hierarchy as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
ASSETS				
Securities owned, at fair value				
U.S. government and government agency obligations:				
U.S. treasury securities	$ 6,021	-	-	$ 6,021
Bonds	-	32,464	-	32,464
Collateralized mortgage obligations	-	1,260	-	1,260
Commercial mortgage-backed securities	-	15	-	15
Municipal obligations	-	40,129	-	40,129
Corporate debt securities	-	67,193	16	67,209
Private-label securitized product	-	32,281	-	32,281
Unit investment trusts	-	33,085	-	33,085
Other	-	656	-	656
	$ 6,021	207,083	16	$ 213,120
Derivative financial instruments				
Commitments to purchase TBAs	$ -	$ 2,777	$ -	$ 2,777

(In thousands, except par, redemption values and share amounts)

	Level 1	Level 2	Level 3	Total
LIABILITIES				
Securities sold, not yet purchased, at fair value				
U.S. government and government agency obligations:				
U.S. treasury securities	$ 33,792	-	-	$ 33,792
Bonds	-	41,499	-	41,499
Corporate obligations	-	60,250	-	60,250
Other	-	5	-	5
	$ 33,792	101,754	-	$ 135,546
Derivative financial instruments				
Commitments to purchase TBAs	$ -	$ 2,777	$ -	$ 2,777
Net assets (liabilities)	$ (27,771)	$ 105,329	$ 16	$ 77,574

The following table provides a reconciliation of the beginning and ending balances for the major classes of assets measured at fair value using significant unobservable inputs (Level 3):

	Corporate Equity Securities	Corporate Debt Securities	Total
Ending balance at December 31, 2014	$ 475	$ 6,826	$ 7,301
Redemption/sale of security	(378)	(3,018)	(3,396)
Realized losses on sale of security	(97)	(3,781)	(3,878)
Purchase of security	-	-	-
Unrealized loss	-	(11)	(11)
Ending balance at June 30, 2015	$ -	$ 16	$ 16

At the end of each respective quarterly reporting period, the Company recognizes transfers of financial instruments between levels. During the six-months ended June 30, 2015, the Company did not have any transfers of financial instruments between levels.

In the six-month period ended June 30, 2015, the Company sold the remaining 19 auction rate preferred securities that, based on observed values of comparable securities, were valued at $475. Prior to June 30, 2015, the Company had held up to $1.8 million in Level 3 auction rate preferred securities, of which $1.4 million have been redeemed at par. The Company recognized losses of $97 from the sale of these securities. Also, in the six-month period ended June 30, 2015, the Company sold corporate obligations valued at the time of sale at $3,018, recognizing losses on sale of $3,781.

The following table highlights, for each asset and liability measured at fair value on a recurring basis and categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement as of June 30, 2015:

Asset/Liability	Fair Value	Valuation Technique(s)	Unobservable Inputs	Range (Weighted-Average)
Securities owned, at fair value				
Corporate debt securities	16	Discounted cash flow	Discount rate	8%-17% (9.6%)

The Company holds 41 of corporate obligation bonds currently valued at $16. The corporate bonds are valued using a discounted cash flow model with observable market data, however, due to the distressed nature of these bonds, the Company has determined that these bonds should be valued at Level 3.

9. Securities Purchased/Sold Under Agreements to Resell/Purchase

At June 30, 2015, the Company held reverse repurchase agreements, collateralized by U.S. government and government agency obligations and securities sold under repurchase agreements. These securities are reported on a gross basis in the Statement of Financial Condition.

Securities sold under repurchase agreements, which are secured borrowings, generally mature within one to four days from the transaction date. Securities sold under repurchase agreements are reflected at the amount of cash received in connection with the transactions. The Company may be required to provide additional collateral based on the fair value of the underlying securities. The Company monitors the fair value of the underlying securities on a daily basis. Interest payable on these amounts is included in the Statement of Financial Condition in other liabilities.

Certain reverse repurchase and repurchase agreements may be eligible for offset in the statement of financial condition and /or subject to master netting arrangements or similar agreements.

The following table provides information about these instruments subject to an enforceable master netting arrangement, repurchase agreements or similar agreements with offsetting rights and any related collateral amounts at June 30, 2015:

				Gross amounts not offset in the statement of financial position		
Description	**Gross amounts of recognized assets/ liabilities**	**Gross amounts offset in the statement of financial position**	**Net amounts of assets presented in the statement of financial position**	**Financial instruments [1]**	**Cash Collateral**	**Net Amount**
Reverse Repurchase Agreements	$ 79,153	$ -	$ 79,153	$ (78,743)	$ -	$ 410
Repurchase Agreements	41,500	-	41,500	(41,500)	-	-

[1] Amounts reflect fair value of underlying collateral.

The following table presents the remaining contractual maturities of repurchase agreements accounted for as secured borrowings at June 30, 2015 (in thousands):

	June 30, 2015				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	**Up to 30 days**	**30-90 days**	**Greater than 90 days**	**Total**
Repurchase agreements					
U.S. Treasury and agency securities	$ 41,500	$ -	$ -	$ -	$ 41,500
Total borrowings	$ 41,500	$ -	$ -	$ -	$ 41,500
Gross amount of recognized liabilities for repurchase agreements					$ 41,500
Amount related to agreements not included in offsetting disclosure					$ -

10. Short-Term Borrowings

Uncommitted lines of credit

The Company has credit arrangements with commercial banks, which include broker loan lines up to $450,000. These lines of credit are used primarily to finance securities owned, securities held for correspondent broker/dealer accounts, receivables in customers' margin accounts and underwriting activities. These lines may also be used to release pledged collateral against day loans. These credit arrangements are provided on an "as offered" basis and are not committed lines of credit. These arrangements can be terminated at any time by the lender. Any outstanding balances under these credit arrangements are due on demand and bear interest at rates indexed to the federal funds rate (0.08% at

(In thousands, except par, redemption values and share amounts)

June 30, 2015). At June 30, 2015, the amount outstanding under these secured arrangements was $68,000, which was collateralized by securities held for firm accounts valued at $114,875.

At June 30, 2015, the Company had a $10,000 unsecured line of credit that is due on demand and bears interest at rates indexed to the federal funds rate. This credit arrangement is provided on an "as offered" basis and is not a committed line of credit. The total amount of borrowings available under this line of credit is reduced by the amount outstanding on the line and under any unsecured letters of credit at the time of borrowing. At June 30, 2015, there were no amounts outstanding on this line. At June 30, 2015, the total amount available for borrowing was $10,000.

Committed lines of credit
On January 28, 2011, the Company entered into an agreement with an unaffiliated bank for a $45,000 committed revolving credit facility. The commitment fee is 37.5 basis points per annum, and when drawn, the interest rate is equal to the federal funds rate plus 125 basis points. The agreement requires the Company to maintain a tangible net worth of at least $150,000. At June 30, 2015, there were no outstanding amounts under the committed revolving credit facility.

The Company pledges customer securities to the Option Clearing Corporation to support open customer positions. At June 30, 2015, the Company had pledged $70,889 to support these open customer positions.

11. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30, 2015 are presented below:

Deferred tax assets:		
Accrued expenses	$	5,152
Deferred income		626
State deferred taxes		227
Other		495
Total gross deferred tax asset		6,500
Deferred tax liabilities:		
Intangibles		(2,723)
Fixed assets		(486)
Net deferred tax asset included in other assets	$	3,291

The Company assesses the ability to realize its deferred tax assets based upon the weight of available evidence, both positive and negative. To the extent the Company believes that it is more likely than not that some portion or all of the deferred tax assets will not be realized, the Company will establish a valuation allowance. The Company evaluated the realizability of its deferred tax assets and concluded, based on the Company's past history of profitability and future earnings projections, that a valuation allowance was not required.

(In thousands, except par, redemption values and share amounts)

There was no current income tax payable at June 30, 2015.

At June 30, 2015, the Company had approximately $39 of unrecognized tax benefits. A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

Balance at December 31, 2014	$	37
Increases as a result of tax positions taken during the current period		2
Balance at June 30, 2015	$	39

While the Company expects that the net liability for uncertain positions will change during 2015, the Company does not believe that the change will have a significant impact on its financial position or results of operations.

Included in the net liability is accrued interest and penalties of $9, net of federal benefit. At June 30, 2015, the total amount of unrecognized income tax benefits that, if recognized, would reduce income tax expense is approximately $30.

With limited exception, the Company is no longer subject to U.S. federal, state or local tax audits by taxing authorities for years preceding 2011.

12. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (the "Rule"), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the Rule, which requires that it maintain minimum net capital, as defined in Rule 15c3-1 under the Exchange Act, equal to the greater of $1,000 or 2% of aggregate debit balances, as defined in Exchange Act Rule 15c3-3. At June 30, 2015, the Company had net capital of approximately $155,083 which is approximately $148,599 in excess of its minimum net capital requirement of approximately $6,484 at that date. Additionally, the Rule provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5% of aggregate debit items. At June 30, 2015, the Company had net capital of approximately $138,873 in excess of 5% of aggregate debit items.

13. Affiliate Transactions

The Company clears all customer transactions for SWS Financial Services, Inc. ("SWSFS"), an affiliate. The Company also provides all accounting, administrative services, management services and office facilities to SWSFS in accordance with an expense sharing agreement.

The Company, as clearing broker for its affiliate, has the right to charge customer losses back to the affiliate.

Clients and correspondents of the Company have the option to invest in a savings account called Bank Insured Deposits at the Company's banking affiliate, PlainsCapital Bank ("Bank"). These funds are FDIC insured up to $250.

(In thousands, except par, redemption values and share amounts)

The Company makes loans to employees, primarily financial advisors, mainly for recruiting and retention purposes. The amount of loans to employees is included in other assets in the Statement of Financial Condition in the amount of $20,929 for which the Company has recorded an allowance, included in other liabilities in the Statement of Financial Condition, of $3,473 for termed relationships.

The Company is named as the lessee for one lease which is subleased to the Company's banking affiliate, the Bank. Additionally, the Company subleases office space and utilizes space in a property owned by the Bank for its business recovery centers.

On the Statement of Financial Condition, the total receivable includes $213 from Southwest Insurance Agency, $126 from the Parent, $49 from the Bank and $15 from First Southwest Holdings, LLC, a wholly owned subsidiary of Hilltop Securities. The total payable to SWSFS is $1,069, including a clearing deposit of $300, which is reported in payable to brokers, dealers, and clearing organizations on the Statement of Financial Condition and to Hilltop Securities is $287.

14. Commitments and Contingencies

Leases. The Company leases its offices and certain equipment under noncancelable operating lease agreements. The Company recognizes escalating lease payments on a straight line basis over the term of each respective lease with the difference between cash payment and rent expense recorded as deferred rent and included in other liabilities in the Statements of Financial Condition.

At June 30, 2015 the future rental payments for the noncancelable operating leases for each of the following five years and thereafter follows:

2015	$	3,432
2016		6,296
2017		5,297
2018		5,213
2019		5,024
Thereafter		8,259
	$	33,521

Underwriting. Through its participation in underwriting corporate and municipal securities, the Company could expose itself to material risk that securities the Company has committed to purchase cannot be sold at the initial offering price. Federal and state securities laws and regulations also affect the activities of underwriters and impose substantial potential liabilities for violations in connection with sales of securities by underwriters to the public. At June 30, 2015, the Company had no potential liabilities due under outstanding underwriting arrangements.

Litigation. In the general course of its brokerage business and the business of clearing for other brokerage firms, the Company has been named as a defendant in various lawsuits and arbitration proceedings. These claims allege violation of federal and state securities laws among other matters.

Management believes that resolution of these claims will not result in any material adverse effect on the Company's financial position or results of operations.

Guarantees. The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. These indemnifications generally are standard contractual indemnifications and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

The Company is a member of multiple exchanges and clearinghouses. Under the membership agreements, members are generally required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. The Company's maximum potential liability under these arrangements cannot be quantified. However, the potential for the Company to be required to make payments under these arrangements is unlikely. Accordingly, no contingent liability is recorded in the financial statements for these arrangements.

15. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company engages in activities involving the execution, settlement and financing of various securities transactions. These activities may expose the Company to off-balance-sheet credit and market risks in the event the customer or counterparty is unable to fulfill its contractual obligation. Such risks may be increased by volatile trading markets.

As part of its normal brokerage activities, the Company sells securities not yet purchased (short sales) for its own account. The establishment of short positions exposes the Company to market risk if prices increase, as the Company may be obligated to acquire the securities at prevailing market prices.

The Company seeks to control the risks associated with its customers' activities, including those of customer accounts of its correspondents for which it provides clearing services, by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The required margin levels are monitored daily and, pursuant to such guidelines, customers are required to deposit additional collateral or to reduce positions when necessary.

A portion of the Company's customer activity involves short sales and the writing of option contracts. Such transactions may require the Company to purchase or sell financial instruments at prevailing market prices in order to fulfill the customers' obligations.

At times, the Company lends money using reverse repurchase agreements. These positions are collateralized by U.S. government and government agency securities. Such transactions may expose the Company to off-balance-sheet risk in the event such borrowers do not repay the loans and the value of collateral held is less than that of the underlying receivable. These agreements provide the Company with the right to maintain the relationship between market value of the collateral and the receivable.

The Company arranges secured financing by pledging securities owned and unpaid customer securities for short-term borrowings to satisfy margin deposits of clearing organizations. The Company also actively participates in the borrowing and lending of securities. In the event the counterparty in these and other securities loaned transactions is unable to return such securities pledged or borrowed or to repay the deposit placed with them, the Company may be exposed to the risks of acquiring the securities at prevailing market prices or holding collateral possessing a market value less than that of the related pledged securities. The Company seeks to control the risks by monitoring the market value of securities pledged and requiring adjustments of collateral levels where necessary.

16. Preferred Stock

On October 17, 1997, the Company's Board of Directors ("Board") authorized 100,000 shares of preferred stock. Simultaneously, the Board designated 5,000 shares of the authorized preferred stock as Series A Preferred Stock. Up to 50 shares of the Series A Preferred Stock, which has a par value of $20, can be issued to each of up to 100 qualified participants. Qualified participants are broker/dealers registered under the Exchange Act who clear their proprietary transactions through the Company and who represent that they are subject to net capital rules of the SEC and other self-regulatory organizations to which such broker/dealers report. The Series A Preferred Stock is nonvoting and nonconvertible to common stock, and it is entitled to noncumulative cash dividends when, as and if declared by the Board. The Series A Preferred Stock is redeemable at any time by the Company at a redemption price of $1,000 per share.

17. Proprietary Accounts of Broker/Dealers ("PAB") Reserve Requirements

The Company performs calculations of PAB reserve requirements. At June 30, 2015, the Company did not have a PAB reserve requirement and has no amount on deposit.